

**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 March 31, 2023  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-39248

**The Oncology Institute, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**18000 Studebaker Rd, Suite 800**  
(Address of Principal Executive Offices)

**Cerritos California**

**(562) 735-3226**

Registrant's telephone number, including area code

**84-3562323**

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

**90703**

(Zip Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	TOI	The Nasdaq Stock Market LLC
Redeemable warrants, each whole warrant exercisable for one share of Common stock, each at an exercise price of \$11.50 per share	TOIHW	The Nasdaq Stock Market LLC

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

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 Act). Yes  No

As of May 5, 2023, the registrant had 75,351,310 shares of common stock outstanding.



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## PART I

## Item 1. Financial Statements and Supplementary Data

THE ONCOLOGY INSTITUTE, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(US Dollars in thousands, except share data)

	March 31, 2023 (Unaudited)	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15,250	\$ 14,01
Marketable securities	40,132	59,79
Accounts receivable, net	45,956	39,81
Other receivables	428	61
Inventories, net	10,254	9,26
Prepaid expenses	6,942	6,91
<b>Total current assets</b>	<b>118,962</b>	<b>130,41</b>
Non-current investments	58,841	58,35
Property and equipment, net	9,846	8,54
Operating right of use assets	24,678	24,49
Intangible assets, net	17,228	17,95
Goodwill	4,551	21,41
Other assets	527	47
<b>Total assets</b>	<b>\$ 234,633</b>	<b>\$ 261,66</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 11,946	\$ 9,37
Current portion of operating lease liabilities	5,639	5,49
Income taxes payable	255	25
Accrued expenses and other current liabilities	12,245	14,59
<b>Total current liabilities</b>	<b>30,085</b>	<b>29,72</b>
Operating lease liabilities	22,251	22,06
Derivative warrant liabilities	207	35
Derivative earnout liabilities	51	80
Conversion option derivative liabilities	642	3,96
Long-term debt, net of unamortized debt issuance costs	82,144	80,62
Other non-current liabilities	765	86
Deferred income taxes liability	82	10
<b>Total liabilities</b>	<b>136,227</b>	<b>138,49</b>

**THE ONCOLOGY INSTITUTE, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(US Dollars in thousands, except share data)**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<b>(Unaudited)</b>	
Commitments and contingencies (Note 15)	—	—
<b>Stockholders' equity:</b>		
Common Stock, \$0.0001 par value, authorized 500,000,000 shares; 73,754,609 and 73,265,621 shares issued and outstanding at March 31, 2023 and December 31, 2022	7	—
Series A Convertible Preferred Stock, \$0.0001 par value, authorized 10,000,000 shares; 165,045 shares issued and outstanding at March 31, 2023 and December 31, 2022	—	—
Additional paid-in capital	191,479	186,25
Accumulated deficit	(93,080)	(63,08)
<b>Total stockholders' equity</b>	<b>98,406</b>	<b>123,17</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 234,633</b>	<b>\$ 261,66</b>

Note: The Company's condensed consolidated balance sheets include the assets and liabilities of its consolidated variable interest entities ("VIEs"). The condensed consolidated balance sheets include total assets that can be used only to settle obligations of the Company's consolidated VIEs totaling \$63,269 and \$70,994 as of March 31, 2023 and December 31, 2022, respectively, and total liabilities of the Company's consolidated VIEs for which creditors do not have recourse to the general credit of the Company totaling \$170,759 and \$154,572 as of March 31, 2023 and December 31, 2022, respectively. See Note 17 for further details.

See accompanying notes to the condensed consolidated financial statements.

THE ONCOLOGY INSTITUTE, INC.  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(US Dollars in thousands, except share data)  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenue</b>		
Patient services	\$ 50,273	\$ 35,057
Dispensary	24,240	18,679
Clinical trials & other	1,679	1,425
<b>Total operating revenue</b>	<b>76,192</b>	<b>55,161</b>
<b>Operating expenses</b>		
Direct costs – patient services	42,814	27,378
Direct costs – dispensary	19,145	15,324
Direct costs – clinical trials & other	134	137
Goodwill impairment charges	16,867	—
Selling, general and administrative expense	28,830	29,806
Depreciation and amortization	1,269	987
<b>Total operating expenses</b>	<b>109,059</b>	<b>73,632</b>
<b>Loss from operations</b>	<b>(32,867)</b>	<b>(18,471)</b>
<b>Other non-operating expense (income)</b>		
Interest expense	2,650	74
Interest income	(1,207)	—
Change in fair value of derivative warrant liabilities	(143)	1,461
Change in fair value of earnout liabilities	(752)	(39,440)
Change in fair value of conversion option derivative liabilities	(3,318)	—
Gain on loan forgiveness	—	(183)
Other, net	(143)	151
<b>Total other non-operating income</b>	<b>(2,913)</b>	<b>(37,937)</b>
(Loss) income before provision for income taxes	(29,954)	19,466
Income tax expense	(44)	(180)
<b>Net income (loss)</b>	<b>\$ (29,998)</b>	<b>\$ 19,286</b>
<b>Net income (loss) per share attributable to common stockholders:</b>		
Basic	\$ (0.33)	\$ 0.22
Diluted	\$ (0.33)	\$ 0.21
<b>Weighted-average number of shares outstanding:</b>		
Basic	73,449,132	73,252,365
Diluted	73,449,132	76,247,966

See accompanying notes to the condensed consolidated financial statements.

**THE ONCOLOGY INSTITUTE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND CHANGES IN STOCKHOLDERS' EQUITY**  
**(US Dollars in thousands, except share and per share data)**  
**(Unaudited)**

	Common stock		Preferred stock		Additional paid in capital	Retained Earnings/ (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
<b>Balance at December 31, 2022</b>	73,265,621	\$ 7	165,045	\$ —	\$ 186,250	\$ (63,082)	\$ 123,175
Net loss	—	—	—	—	—	(29,998)	(29,998)
Issuance of common stock upon vesting RSUs	488,988	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	5,229	—	5,229
<b>Balance at March 31, 2023</b>	<b>73,754,609</b>	<b>\$ 7</b>	<b>165,045</b>	<b>\$ —</b>	<b>\$ 191,479</b>	<b>\$ (93,080)</b>	<b>\$ 98,406</b>

	Common stock		Preferred stock		Additional paid in capital	Retained Earnings/ (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
<b>Balance at December 31, 2021</b>	73,249,042	\$ 7	163,510	\$ —	\$ 167,386	\$ (63,234)	\$ 104,159
Net income	—	—	—	—	—	19,286	19,286
Issuance of common stock upon vesting of RSUs	27,188	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	8,553	—	8,553
<b>Balance at March, 31, 2022</b>	<b>73,276,230</b>	<b>\$ 7</b>	<b>163,510</b>	<b>\$ —</b>	<b>\$ 175,939</b>	<b>\$ (43,948)</b>	<b>\$ 131,998</b>

See accompanying notes to the condensed consolidated financial statements.

**THE ONCOLOGY INSTITUTE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(US Dollars in thousands)  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (29,998)	\$ 19,286
<b>Adjustments to reconcile net (loss) income to cash, cash equivalents, and restricted cash used in operating activities:</b>		
Depreciation and amortization	1,269	987
Amortization of debt issuance costs	1,523	—
Goodwill impairment charges	16,867	—
Share-based compensation	4,965	8,553
(Decrease) increase in fair value of liability classified warrants	(143)	1,461
Decrease in fair value of liability classified earnouts	(752)	(39,440)
Decrease in fair value of liability classified conversion option derivatives	(3,318)	—
Unrealized gain on investments	(143)	—
Accretion of discount on investment securities	(920)	—
Deferred taxes	(26)	180
Gain on loan forgiveness	—	(183)
Credit losses	1	154
Loss on disposal of property and equipment	—	14
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(6,141)	(4,660)
Inventories	(993)	(1,332)
Other receivables	189	(42)
Prepaid expenses	(24)	456
Operating lease right-of-use assets	1,400	942
Other assets	(50)	(11)
Accrued expenses and other current liabilities	(805)	526
Accounts payable	2,574	(2,963)
Current and long-term operating lease liabilities	(1,243)	(909)
Other non-current liabilities	316	—
<b>Net cash, cash equivalents, and restricted cash used in operating activities</b>	<b>(15,452)</b>	<b>(16,981)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,839)	(1,002)
Purchases of marketable securities/investments	(9,759)	—
Sales of marketable securities/investments	29,999	—
<b>Net cash, cash equivalents, and restricted cash provided by (used in) investing activities</b>	<b>18,401</b>	<b>(1,002)</b>
<b>Cash flows from financing activities:</b>		
Payments made for financing of insurance payments	(1,282)	(1,235)
Payment of deferred consideration liability for acquisition	(409)	(409)
Principal payments on financing leases	(18)	(13)
<b>Net cash, cash equivalents, and restricted cash used in financing activities</b>	<b>(1,709)</b>	<b>(1,657)</b>
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,240	(19,640)
<b>Cash, cash equivalents, and restricted cash at beginning of period</b>	<b>14,010</b>	<b>115,174</b>
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 15,250</b>	<b>\$ 95,534</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest and principal forgiven from Paycheck Protection Program loans	—	183
<b>Cash paid for:</b>		
Income taxes	68	—
Interest	1,128	74

See accompanying notes to the condensed consolidated financial statements.



**THE ONCOLOGY INSTITUTE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**As of March 31, 2023 and December 31, 2022, and for the three months ended March 31, 2023 and 2022**  
**(US Dollars in thousands, except share data)**

**Note 1. Description of the Business****Overview of the Business**

The Oncology Institute, Inc. ("TOI") is the successor entity to DFP Healthcare Acquisitions Corp. ("DFPH"). DFPH is a Delaware corporation originally formed in 2019 as a publicly-traded special purpose acquisition company for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination ("Business Combination"). TOI was originally founded in 2007 and is a community oncology practice that operates value-based oncology services platforms. TOI has three wholly-owned subsidiaries, TOI Parent, Inc. ("TOI Parent"), The Oncology Institute of Hope and Innovation Patient Safety Organization, LLC, and TOI Management, LLC ("TOI Management"). Additionally, TOI Management holds master services agreements with affiliated physician-owned professional entities ("TOI PCs") that confer controlling financial interest over the professional entities and their wholly-owned subsidiaries (TOI PCs, together with TOI, the "Company").

On November 12, 2021 ("Closing Date"), the Business Combination closed following a series of mergers, which resulted in DFPH emerging as the parent of the combined entity Orion Merger Sub II, LLC and TOI Parent (together, "Legacy TOI"). DFPH was renamed "The Oncology Institute, Inc." and common stock and "Public Warrants" continued to be listed on Nasdaq under the ticker symbols "TOI" and "TOIHW," respectively (See Note 16).

Operationally, the Company's medical centers provide a complete suite of medical oncology services including: physician services, in-house infusion and pharmacy, clinical trials, radiation, educational seminars, support groups, counseling, and 24/7 patient assistance. TOI's mission is to heal and empower cancer patients through compassion, innovation and state-of-the-art medical care. The Company brings comprehensive, integrated cancer care into the community setting, including clinical trials, palliative care programs, stem cell transplants, and other care delivery models traditionally associated with non-community-based academic and tertiary care settings. In addition, the Company, through its consolidating subsidiary TOI Clinical Research, LLC ("TCR"), performs cancer clinical trials through a network of cancer care specialists. TCR conducts clinical trials for a broad range of pharmaceutical and medical device companies from around the world.

The Company has 98 oncologists and mid-level professionals across 62 clinic locations located within five states: California, Florida, Arizona, Nevada, and Texas. The Oncology Institute CA, a Professional Corporation ("TOI CA"), one of the TOI PCs, is comprised of the clinic locations in California, Nevada, and Arizona. The Company has contractual relationships with multiple payors, serving Medicare, including Medicare Advantage, Medi-Cal, and commercial patients.

**Note 2. Summary of Significant Accounting Policies****Unaudited Interim Financial Information**

The accompanying interim condensed consolidated financial statements are unaudited and have been prepared in accordance with Article 10 of Regulation S-X issued by the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and note disclosures required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. However, the Company believes that the disclosures are adequate to ensure the information is not misleading. In the opinion of management, all adjustments (of normal and recurring nature) considered necessary for fair presentation have been reflected in these interim statements. As such, the information included in the accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes as of, and for the year ended December 31, 2022, issued on March 16, 2023.

**Principles of Consolidation**

The accompanying condensed consolidated financial statements include the accounts of TOI, its subsidiaries, all of which are controlled by TOI through majority voting control, and variable interest entities ("VIE") for which TOI (through TOI Management) is the primary beneficiary. The Company consolidates entities in which it has a controlling financial interest based on either the variable interest entity or voting interest model. All significant intercompany balances and transactions have been eliminated in consolidation.

### **Variable Interest Entities**

The Company consolidates entities for which it has a variable interest and is determined to be the primary beneficiary. Noncontrolling interests in less-than-wholly-owned consolidated subsidiaries of the Company are presented as a component of total equity to distinguish between the interests of the Company and the interests of the noncontrolling owners. Revenues, expenses, and net income from these subsidiaries are included in the consolidated amounts as presented on the Condensed Consolidated Statements of Operations.

The Company holds variable interests in TOI PCs, which it cannot legally own, as a result of entering into master services agreements ("MSAs"). As of March 31, 2023, TOI held variable interest in TOI CA, The Oncology Institute FL, LLC, a Professional Corporation ("TOI FL"), and The Oncology Institute TX, a Professional Corporation ("TOI TX"), all of which are VIEs. The Company is the primary beneficiary of the TOI PCs and thus, consolidates the TOI PCs in its financial statements. As discussed in Note 17, the shareholders of the Company's consolidating VIEs own a minority of the issued and outstanding common shares of the Company.

### **Business Combinations**

The Company accounts for all transactions that represent business combinations using the acquisition method of accounting under Accounting Standards Codification ("ASC") Topic No. 805, *Business Combinations* ("ASC 805"). The Company first assesses whether an acquisition constitutes a business combination or asset acquisition by applying the screening test and analyzing whether the acquired entity has substantive inputs, processes, and the ability to produce outputs. Upon concluding an acquisition is a business combination, per ASC 805, the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity are recognized and measured at their fair values on the date an entity obtains control of the acquiree. Such fair values that are not finalized for reporting periods following the acquisition date are estimated and recorded as provisional amounts. Adjustments to these provisional amounts during the measurement period (defined as the date through which all information required to identify and measure the consideration transferred, the assets acquired, the liabilities assumed, and the noncontrolling interests obtained, limited to one year from the acquisition date) are recorded when identified. Goodwill is determined as the excess of the fair value of the consideration exchanged in the acquisition over the fair value of the net assets acquired.

The DFPH-Legacy TOI Business Combination was accounted for as a reverse recapitalization. Under this method of accounting, DFPH was treated as the "acquired" company for accounting purposes and the Business Combination was treated as the equivalent of Legacy TOI issuing stock for the net assets of DFPH, accompanied by a recapitalization. The net assets of DFPH are stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination were those of TOI Parent.

### **Segment Reporting**

The Company presents the financial statements by segment in accordance with ASC Topic No. 280, *Segment Reporting* ("ASC 280") to provide investors with transparency into how the chief operating decision maker ("CODM") manages the business. The Company determined the CODM is its Chief Executive Officer. The CODM reviews financial information and allocates resources across three operating segments: patient services, dispensary, and clinical trials & other. Each of the operating segments is also a reporting segment as described further in Note 20.

### **Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates under different assumptions or conditions. Significant items subject to such estimates and assumptions include judgements related to revenue recognition, estimated accounts receivable and the allowance for credit losses, useful lives and recoverability of long-lived and intangible assets, recoverability of goodwill, fair values of acquired identifiable assets and assumed liabilities in business combinations, fair value of intangible assets and goodwill, fair value of share-based compensation, fair value of liability classified instruments, and judgements related to deferred income taxes.

### **Net Income (Loss) Per Share**

Basic and diluted net income (loss) per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. The Company's Series A Convertible Preferred Stock is classified as a

participating security in accordance with ASC 260. Under the two-class method, basic and diluted net income (loss) per share attributable to common stockholders is computed by dividing the basic and diluted net income (loss) attributable to common stockholders by the basic and diluted weighted-average number of shares of common stock outstanding during the period. Diluted net income per share attributable to common stockholders adjusts basic net income per share for the potentially dilutive impact of stock options, restricted stock units, Medical RSUs (defined in Note 14), earnout shares (defined in Note 14), public warrants, private placement warrants, and Senior Secured Convertible Notes (defined in Note 11).

The treasury stock method is used to calculate the potentially dilutive effect of stock options, RSUs, public warrants, and private placement warrants. The if-converted method is used to calculate the potentially dilutive effect of the Senior Secured Notes. In both methods, diluted net income (loss) attributable to common stockholders and diluted weighted-average shares outstanding are adjusted to account for the impact of the assumed issuance of potential common shares that are dilutive, subject to dilution sequencing rules. The earnout shares are contingently issuable; therefore, the earnout shares are excluded from basic and diluted net income (loss) per share until the market conditions have been met (see more detail on the earnout shares in Note 14). The Medical RSUs (defined in Note 14) are also contingently issuable; therefore, they are excluded from basic net income (loss) per share until the performance and service conditions have been met (see more detail in Note 14). Further, the number of contingently issuable Medical RSUs included in diluted net income (loss) per share is based on the number of shares, if any, that would be issuable if the end of the reporting period were the end of the contingency period and if the result would be dilutive. For the periods presented, the public and private placement warrants are out of the money; therefore, the public and private placement warrants are antidilutive and excluded from diluted net income per share.

#### **Fair Value Measurements**

The Company accounts for fair value measurements under ASC Topic No. 820, *Fair Value Measurements* ("ASC 820"). The Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels (see Note 7 for further discussion):

Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The Company's fair value measurement methodology for cash and cash equivalents, accounts receivable, other receivables, and accounts payable approximates fair value because of the short maturity and high liquidity of these instruments. Fair value measurement of investment securities available for sale is based upon quoted prices from active markets, if available (Level 1). If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation methodologies. Level 2 investment securities include US Treasuries purchased in the secondary market that use pricing inputs other than quoted prices in active markets and fair value is determined using pricing models or other valuation methodologies such as broker price indications, which are based on quoted prices for identical or similar notes, which are Level 2 input measures. Fair value measurements of derivative warrants are based on the market price of our public warrants, which are quoted prices for similar instruments and considered a Level 2 input. Fair value measurements of earnout liabilities are based on the Monte-Carlo Simulation Model, which is considered to be a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the earnouts is the expected volatility of the common stock. Fair value measurements of the convertible note warrant and conversion option derivative liabilities are based on the Black-Derman-Troy model implemented in the Binomial Lattice and Black-Scholes Models, which are considered to be Level 3 fair value measurements. The primary unobservable input utilized in determining the fair value of the convertible note warrant and conversion option derivative liabilities is the expected volatility of the common stock.

#### **Cash and Cash Equivalents**

The Company considers all highly liquid investments that are both readily convertible into cash and mature within 90 days from the date of purchase to be cash equivalents. As of March 31, 2023, the Company's cash equivalents consist of U.S. Treasury bills with a maturity date less than 90 days from the date of purchase.

### **Accounts Receivable and Allowance for Credit Losses**

The Company's accounts receivables are recorded and stated at the amount expected to be collected determined by each payor, net of an allowance for credit losses, under ASC Topic No. 310, *Receivables* ("ASC 310"). In accordance with ASC Topic No. 326, *Financial Instruments — Credit Losses* ("ASC 326"), the Company recognizes credit losses based on a forward-looking current expected credit losses ("CECL") model. The Company segregates accounts receivables into portfolio segments based on shared risk characteristics, such as line of business and customer type, for evaluation of expected credit losses. The Company makes estimates of expected credit losses based upon its assessment of various factors, including the age of accounts receivable balances, default-based statistics, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The allowance for credit losses is developed using a loss rate method and is recognized in the Condensed Consolidated Statement of Operations. The uncollectible accounts receivables are written off on a quarterly basis in the period determination when collection activities cease due to a final determination that all or a portion of the balance is no longer collectible and if there is no pending litigation activity related to the receivable. No allowance for credit losses was recorded as of March 31, 2023 and December 31, 2022.

### **Goodwill**

The Company accounts for goodwill under Accounting Standards Codification Topic No. 350, *Intangibles - Goodwill and Other* ("ASC 350"). Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in our business combinations.

Goodwill is not amortized but is required to be evaluated for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company performs its annual testing of impairment for goodwill in the fourth quarter of each year. When impairment indicators are identified, the Company compares the reporting unit's fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the reporting unit's carrying amount and its fair value to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

In assessing goodwill for impairment, an entity has the option to assess qualitative factors to determine whether events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, it is more likely than not that the fair value of the reporting unit is greater than its carrying value, then performing the two-step impairment test is unnecessary. An entity can choose not to perform a qualitative assessment for any of its reporting units and proceed directly to the use of the two-step impairment test.

When assessing goodwill for impairment for the quarter ended March 31, 2023, we first performed a qualitative assessment to determine whether it was necessary to perform the two-step quantitative analysis. Based on the qualitative assessment including our share price decrease as well as factors related to macroeconomic conditions, industry and market considerations, cost factors, financial performance and market capitalization, we determined it was likely that our reporting unit fair value was less than its carrying value and the two-step impairment test was required. It was concluded in connection with the preparation of these financial statements that, based on the results of our most recent qualitative assessment performed for the three months ended March 31, 2023, there was an impairment of \$16,867 of goodwill recorded for the three months ended March 31, 2023. There was no impairment recorded as of March 31, 2022.

### **Debt**

The Company accounts for debt net of debt issuance costs and debt discount. Debt issuance costs and debt discount are capitalized, netted against the related debt for presentation purposes, and amortized to interest expense over the terms of the related debt using the effective interest method.

The Company accounts for bifurcated, debt-classified embedded features separately as derivative liabilities pursuant to ASC Topic No. 815, *Derivatives and Hedging* ("ASC 815"). Bifurcated, debt-classified embedded features are recorded at fair value on the Company's balance sheet with subsequent changes in fair value recorded in the Condensed Consolidated Statement of Operations each reporting period.

### **Investments in Marketable Securities**

The Company's investments in marketable securities are classified as available-for-sale and are carried at fair value. The Company accounts for its investment securities available for sale using the fair value election pursuant to ASC 825, *Financial Instruments* ("ASC 825"), where changes in fair value are recorded in unrealized gains (losses), net on the Company's Condensed Consolidated Statements of Operations. The Company determines the appropriate classification of these

investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company's marketable securities are classified as current assets if the maturity date is less than one year from the date of purchase and they may be readily liquidated.

Interest income and accretion on marketable securities are included in interest income in the Condensed Consolidated Statements of Operations. Realized gains and losses on sales of securities, and other-than-temporary declines in the fair value of marketable securities, if any, are included as a component of other income (expense), net in the Condensed Consolidated Statements of Operations. The cost of securities sold is based on the First In, First Out method.

At each reporting period, the Company evaluates available-for-sale marketable securities, to the extent the fair value option is not elected, for any credit-related impairment when the fair value of the investment is less than its amortized cost. If the Company determines that the decline in fair value is below the carrying value and this decline is other-than-temporary, credit-related impairment is recognized in the Consolidated Statement of Operations in accordance with ASC 320, *Debt Securities*. As of March 31, 2023, there were no available-for-sale instruments for which the fair value option was not elected.

### Emerging Growth Company

Pursuant to the Business Combination, the Company qualifies as an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933 ("Securities Act"), as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and has elected to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's financial statements with another public company which is neither an emerging growth company, nor an emerging growth company which has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used.

### Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, instead of when incurred. In November 2018, the FASB issued Accounting Standard Update 2018-19, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses* ("ASU 2018-19"), which amends Subtopic 326-20 (created by ASU 2016-13) to explicitly state that operating lease receivables are not in the scope of Subtopic 326-20. Additionally, in April 2019, the FASB issued Accounting Standard Update 2019-04, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ("ASU 2019-04"); in May 2019, the FASB issued Accounting Standards Update 2019-05, *Financial Instruments — Credit Losses (Topic 326): Targeted Transition Relief* ("ASU 2019-05"); in November 2019, the FASB issued Accounting Standards Update 2019-10, *Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses* ("ASU 2019-10"), and in March 2022, the FASB issued Accounting Standard Update 2022-02, *Financial Instruments — Credit Losses: Troubled Debt Restructurings and Vintage Disclosures* ("ASU 2022-02"), to provide further clarifications on certain aspects of ASU 2016-13 and to extend the nonpublic entity effective date of ASU 2016-13. The changes (as amended) are effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2022. An entity may early adopt ASU 2016-13, as amended, for annual and interim periods in fiscal years beginning after December 15, 2018. ASU 2016-13 introduced a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including receivables, contract assets and held-to-maturity debt securities, which requires the Company to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also expands disclosure requirements. The Company adopted the ASU 2016-13, as amended, effective January 1, 2023, using the modified retrospective approach, which resulted in changes to the Company's accounting policies for accounts receivables. Upon adoption of ASU

2016-13, the Company evaluated accounts receivables on a collective (i.e., portfolio) basis when similar risk characteristics were shared. The adoption of this standard did not have a material impact on our consolidated financial statements and there was no allowance for credit losses recorded as of March 31, 2023 and December 31, 2022.

#### **Recently Issued Accounting Standards**

In August 2020, the FASB issued ASU 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. ASU 2020-06 also removes certain settlement conditions that are required for equity-linked contracts to qualify for the derivative scope exception and it also simplifies the diluted earnings per share calculation in certain areas. The new standard is effective for the Company beginning January 1, 2024. The Company is currently evaluating the effect of ASU 2020-06 on the Company's consolidated financial statements and related disclosures.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). Under ASU 2021-08, an acquirer must recognize, and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contract with Customers* ("ASC 606"). The guidance is effective for interim and annual periods beginning after December 15, 2023, with early adoption permitted. The Company will adopt ASU 2021-08 on January 1, 2024 on a prospective basis. The Company does not expect the adoption of this standard to have a material impact on the Company's consolidated financial statements and related disclosures.

**Note 3. Significant Risks and Uncertainties Including Business and Credit Concentrations****Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, accounts receivable, and investment securities.

Cash accounts in a financial institution may, at times, exceed the Federal Deposit Insurance Corporation coverage of \$250 per account ownership category. The Company has not experienced losses on these accounts, and management believes the Company is not exposed to significant risks on such accounts.

The Company's accounts receivable has implicit collection risk. The Company grants credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The Company believes this risk is partially mitigated by the Company's establishment of long-term agreements and relationships with third-party payors that provide the Company with insight into historic collectability and improve the collections process.

The Company's investment securities portfolio is managed by a third party vendor to provide a relatively stable source of investment income from excess liquidity while satisfactorily managing risk, including credit risk, reinvestment risk, liquidity risk, and interest rate risk.

**Revenue Concentration Risk**

The concentration of net revenue on a percentage basis for major payors for the three months ended March 31, 2023 and 2022 are as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Percentage of Net Revenue:</b>		
Payor A	11 %	16 %
Payor B	15 %	17 %

The concentration of gross receivables on a percentage basis for major payors at March 31, 2023 and December 31, 2022 are as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<b>Percentage of Gross Receivables:</b>	
Payor B	13 %	13 %
Payor C	10 %	10 %

All of the Company's revenue is generated from customers located in the United States.

**Vendor Concentration Risk**

The concentration of cost of sales on a percentage basis for major vendors for the three months ended March 31, 2023 and 2022 are as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Percentage of Cost of Sales:</b>		
Vendor A	99 %	51 %
Vendor B	N/A	47 %

The concentration of gross payables on a percentage basis for major payors at March 31, 2023 and December 31, 2022 are as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>Percentage of Gross Payables:</b>		
Vendor A	71 %	66 %
Vendor C	11 %	N/A



**Note 4. Accounts Receivable**

The Company's accounts receivable consists primarily of amounts due from third-party payors and patients. See Note 2 for a summary of the Company's policies relating to accounts receivable and allowance for credit losses.

Accounts Receivable as of March 31, 2023 and December 31, 2022 consist of the following:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Oral drug accounts receivable	\$ 6,418	\$ 4,165
Capitated accounts receivable	624	1,623
FFS accounts receivable	29,197	26,313
Clinical trials accounts receivable	2,662	2,443
Other trade receivables	7,055	5,272
<b>Total</b>	<b>\$ 45,956</b>	<b>\$ 39,816</b>

The Company adopted ASU 2016-13, as amended, effective January 1, 2023, and determined the allowance for credit losses was immaterial as of March 31, 2023. No allowance for credit losses was recorded as of March 31, 2023 and December 31, 2022.

During the three months ended March 31, 2023 and 2022, credit losses related to direct write-offs totaled \$11 and \$177, respectively. Credit losses were a result of accounts receivable on completed contracts that were deemed uncollectible during the period due to delayed collection efforts. During the three months ended March 31, 2023 and 2022, the Company had recoveries of credit losses of \$10 and \$23, respectively.

**Note 5. Revenue**

The Company recognizes revenue in accordance with ASC 606 on the basis of its satisfaction of outstanding performance obligations. The Company typically fulfills its performance obligations over time, either over the course of a single treatment (fee-for-service or "FFS"), a month (capitation), or a number of months (clinical research). The Company also has revenue that is satisfied at a point in time (dispensary). See Note 2 for summary of the Company's policies and significant assumptions related to revenue recognition.

**Disaggregation of Revenue**

The Company categorizes revenue based on various factors such as the nature of contracts, payors, order to billing arrangements, and cash flows received by the Company, as follows:

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Patient services</b>		
Capitated revenue	\$ 16,568	\$ 14,516
FFS revenue	33,705	20,541
Subtotal	50,273	35,057
Dispensary revenue	24,240	18,679
Clinical research trials and other revenue	1,679	1,425
<b>Total</b>	<b>\$ 76,192</b>	<b>\$ 55,161</b>

Refer to Note 20 for Segment Reporting for disaggregation of revenue by reporting segment.

**Contract Asset and Liabilities**

Under ASC 606, contract assets represent rights to payment for performance contingent on something other than the passage of time and accounts receivable are rights to payment for performance without contingencies. The Company does not have any contract assets as of March 31, 2023 and December 31, 2022. Refer to Note 4 for accounts receivable as of March 31, 2023 and December 31, 2022.

Contract liabilities represent cash that has been received for contracts, but for which performance is still unsatisfied. As of March 31, 2023 and December 31, 2022, contract liabilities amounted to \$875 and \$1,139, respectively. Contract liabilities are included within other current liabilities and presented in Note 9 along with refund liabilities due to materiality.

### Remaining Unsatisfied Performance Obligations

The accounting terms for the Company's patient services and dispensary contracts do not extend past a year in duration. Additionally, the Company applies the 'as invoiced' practical expedient to its clinical research contracts.

### Note 6. Inventories

The Company purchases intravenous chemotherapy drugs and oral prescription drugs from various suppliers. See Note 2 for a summary of the Company's policies relating to intravenous chemotherapy and oral prescription drugs inventory.

The Company's inventories as of March 31, 2023 and December 31, 2022 were as follows:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Oral drug inventory	\$ 2,185	\$ 2,130
IV drug inventory	8,069	7,131
<b>Total</b>	<b>\$ 10,254</b>	<b>\$ 9,261</b>

### Note 7. Marketable Securities and Fair Value Measurements

#### Marketable Securities

The Company accounts for its investment securities as available for sale using the fair value election pursuant to ASC 825, where changes in fair value are recorded in Other, net non-operating income (expense) on the Company's Condensed Consolidated Statements of Operations. The Company's investments in marketable securities at March 31, 2023 and December 31, 2022 is as follows:

<i>(in thousands)</i>	<b>March 31, 2023</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Marketable securities:				
Short-term U.S. Treasuries	\$ 40,177	\$ 3	\$ (48)	\$ 40,132
Long-term U.S. Treasuries	59,030	—	(189)	58,841
Total available for sale securities	<b>\$ 99,207</b>	<b>\$ 3</b>	<b>\$ (237)</b>	<b>\$ 98,973</b>

<i>(in thousands)</i>	<b>December 31, 2022</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Cash equivalents:				
U.S. Treasury Bills	\$ 2,573	\$ —	\$ —	\$ 2,573
Marketable securities:				
Short-term U.S. Treasuries	\$ 59,876	\$ 6	\$ (86)	\$ 59,796
Long-term U.S. Treasuries	58,652	—	(298)	58,354
Total available for sale securities	<b>\$ 121,101</b>	<b>\$ 6</b>	<b>\$ (384)</b>	<b>\$ 120,723</b>

The contractual maturities of the Company's investments in cash equivalents and marketable securities as of March 31, 2023 and December 31, 2022 is as follows:

<i>(in thousands)</i>	<b>Due in One Year or Less</b>	<b>Due After One Year through Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<b>Marketable securities:</b>				
Short-term U.S. Treasuries	\$ 40,132	\$ —	\$ —	\$ 40,132
Long-term U.S. Treasuries	30,235	28,606	—	58,841
<b>Total available for sale securities</b>	<b>\$ 70,367</b>	<b>\$ 28,606</b>	<b>\$ —</b>	<b>\$ 98,973</b>

<i>(in thousands)</i>	<b>Due in One Year or Less</b>	<b>Due After One Year through Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<b>Cash equivalents:</b>				
U.S. Treasury Bills	\$ 2,573	\$ —	\$ —	\$ 2,573
<b>Marketable securities:</b>				
Short-term U.S. Treasuries	59,796	—	—	59,796
Long-term U.S. Treasuries	10,523	47,831	—	58,354
<b>Total available for sale securities</b>	<b>\$ 72,892</b>	<b>\$ 47,831</b>	<b>\$ —</b>	<b>\$ 120,723</b>

The Company recorded a net unrealized loss of \$143 for the three months ended March 31, 2023. At March 31, 2023, seven securities were in an unrealized loss position. The decline in fair value of our securities since acquisition was attributable to a combination of changes in interest rates and general volatility in the credit market conditions in response to the economic uncertainty caused by the risk of an upcoming recession and monetary policy. The Company does not currently intend to sell any of the securities in an unrealized loss position and further believe, it is more likely than not, that we will not be required to sell these securities before their anticipated recovery.

Accrued interest receivable on cash equivalents and marketable securities was \$234 and \$274, respectively, at March 31, 2023 and December 31, 2022, and is included within other receivables in the Condensed Consolidated Balance Sheets.

#### *Fair Value Measurements*

The following table presents the carrying amounts of the Company's recurring and non-recurring fair value measurements at March 31, 2023 and December 31, 2022:

<i>(in thousands)</i>	<b>March 31, 2023</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets:</b>				
Marketable securities	\$ 40,132	\$ —	\$ 40,132	\$ —
Non-current investments	58,841	—	58,841	—
<b>Financial liabilities:</b>				
Derivative warrant liabilities	\$ 207	\$ —	\$ 207	\$ —
Earnout liabilities	51	—	—	51
Conversion option derivative liabilities	642	—	—	642
<b>Non-recurring fair value measurement:</b>				
Goodwill	4,551	—	—	4,551

As of March 31, 2023, derivative warrant liabilities of \$207 were transferred from a Level 3 to a Level 2 financial instrument as a result of the valuation being based on the market price of our public warrants, which management considers to be a similar and comparable instrument, as compared to the previous valuation which was based on the Binomial Lattice Model. There were no transfers between levels for the three months ended March 31, 2022.

(in thousands)	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Cash equivalents	\$ 2,573	\$ —	\$ 2,573	\$ —
Marketable securities	59,796	—	59,796	—
Non-current investments	58,354	—	58,354	—
<b>Financial liabilities:</b>				
Derivative warrant liabilities	\$ 350	\$ —	\$ —	\$ 350
Earnout liabilities	803	—	—	803
Conversion option derivative liabilities	3,960	—	—	3,960
<b>Non-recurring fair value measurement:</b>				
Goodwill	21,418	—	—	21,418

The carrying amounts of cash, accounts receivable, other receivables, and accounts payable approximate fair value because of the short maturity and high liquidity of these instruments.

The Company measures its investments (including cash equivalents, marketable securities, and non-current investments) at fair value on a recurring basis and classifies those instruments within Level 2 of the fair value hierarchy. Investment securities, including U.S. Treasury Bills purchased in the secondary market and U.S. Treasury bonds, are classified within Level 2 of the fair value hierarchy because pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined using models or other valuation methodologies.

The Company measures its private derivative warrants at fair value on a recurring basis and classifies those instruments within Level 2 of the fair value hierarchy because the valuation is based on an observable input of a similar instrument. The Company measures its earnout, convertible note warrant derivative liability, optional redemption derivative liability and conversion option derivative liability on a recurring basis and classifies those instruments within Level 3 of the fair value hierarchy because unobservable inputs are used to measure fair value. See Note 2 for a summary of the Company's policies relating to fair value measurements, and Note 11 for more detail on the convertible note warrant, optional redemption, and conversion option derivative liabilities.

The Company measures goodwill at fair value on a nonrecurring basis and classifies goodwill within Level 3 of the fair value hierarchy. Due to significant declines in the Company's share price during the three months ended March 31, 2023, the Company performed a quantitative analysis of impairment over goodwill and determined goodwill was impaired. As a result, the Company recorded an impairment charge of \$16,867. Goodwill was valued using an equally weighted income approach and market approach. The unobservable inputs utilized in determining the fair value of the goodwill, which is categorized as a Level 3 instrument, are the discount rates ranging from 45.0% to 55.0% and various revenue growth rates utilized in the financial forecast of future cash flows. See Note 2 for further detail on the impairment evaluation and Note 18 for goodwill.

The following table presents information about the Company's financial liabilities that are measured at fair value on a recurring basis at March 31, 2023:

(in thousands)	Private Warrant Liability	Earnout Liability	Conversion Option Derivative Liability
Balance at December 31, 2021	\$ 2,193	\$ 60,018	\$ —
Conversion option derivative liability acquired (see Note 11 for detail)	—	—	28,160
Decrease in fair value included in other expense	(1,843)	(59,215)	(24,200)
Balance at December 31, 2022	\$ 350	\$ 803	\$ 3,960
Decrease in fair value included in other expense	(143)	(752)	(3,318)
<b>Balance at March 31, 2023</b>	<b>\$ 207</b>	<b>\$ 51</b>	<b>\$ 642</b>

As of March 31, 2023, earnout liabilities were valued using a Monte-Carlo Simulation Model, which is considered to be a Level 3 fair value measurement, and derivative warrant liabilities were valued using the public warrant trading price, which is considered to be a Level 2 fair value measurement. As of December 31, 2022, derivative warrant and earnout liabilities were

valued using a Binomial Lattice and Monte-Carlo Simulation Model, respectively, which are considered to be Level 3 fair value measurements.

As of March 31, 2023 and December 31, 2022, the convertible note warrant and conversion option derivative liabilities were valued using the Binomial Lattice and Black-Scholes Models, which are considered to be Level 3 fair value measurements. The primary unobservable input utilized in determining the fair value of our Level 3 liabilities is the expected volatility of the common stock. A summary of the inputs used in the valuations is as follows:

<b>March 31, 2023</b>				
	<b>First Tranche Earnout</b>	<b>Second Tranche Earnout</b>	<b>Convertible Note Warrant Derivative Liability</b>	<b>Conversion Option Derivative Liability</b>
Unit price	\$ 0.68	\$ 0.68	\$ 0.68	\$ 0.68
Term (in years)	1.46	1.49	4.36	4.36
Volatility	79.00 %	79.00 %	67.00 %	67.00 %
Risk-free rate	4.30 %	4.30 %	3.60 %	3.60 %
Dividend yield	—	—	—	—
Cost of equity	15.80 %	15.80 %	—	—

<b>December 31, 2022</b>					
	<b>Derivative Warrant Liability</b>	<b>First Tranche Earnout</b>	<b>Second Tranche Earnout</b>	<b>Convertible Note Warrant Derivative Liability</b>	<b>Conversion Option Derivative Liability</b>
Unit price	\$ 1.65	\$ 1.65	\$ 1.65	\$ 1.65	\$ 1.65
Term (in years)	3.87	1.54	1.55	4.61	4.61
Volatility	71.80 %	70.00 %	70.00 %	40.00 %	40.00 %
Risk-free rate	4.08 %	4.45 %	4.45 %	3.99 %	3.99 %
Dividend yield	—	—	—	—	—
Cost of equity	—	13.60 %	13.60 %	0.00 %	0.00 %

On August 9, 2022, the Company issued a senior secured convertible note that contains embedded warrant, optional redemption, and conversion option features. Due to the economic disincentive to redeem and the make whole amount that would be required to be paid, it is highly unlikely that the optional redemption would occur, reducing the value during the period to a qualitatively immaterial amount. See Note 11 for additional detail. A summary of the inputs used in the initial measurement of the convertible note warrant and conversion option derivative liabilities is as follows:

<b>August 9, 2022 (Initial Measurement)</b>		
	<b>Convertible Note Warrant Derivative Liability</b>	<b>Conversion Option Derivative Liability</b>
Unit price	\$ 6.63	\$ 6.63
Term (in years)	5.00	5.00
Volatility	42.5 %	42.5 %
Risk-free rate	3.0 %	3.0 %
Dividend yield	—	—
Cost of equity	—	—

#### Uncertainty of Fair Value Measurement from Use of Significant Unobservable Inputs

The inputs to estimate the fair value of the Company's earnout, convertible note warrant, and conversion option derivative liabilities were the market price of the Company's common stock, their remaining expected term, the volatility of the Company's common stock price and the risk-free interest rate over the expected term. Significant changes in any of those inputs in isolation can result in a significant change in the fair value measurement.

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

#### Note 8. Property and Equipment, Net

The Company accounts for property and equipment at historical cost less accumulated depreciation. See Note 2 for a summary of the Company's policies relating to property and equipment.

Property and equipment, net, consist of the following:

<i>(in thousands)</i>	<u>Useful lives</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Computers and software	60 months	\$ 2,251	\$ 2,139
Office furniture	84 months	681	606
Leasehold improvements	Shorter of lease term or estimated useful life	8,531	6,655
Medical equipment	60 months	1,320	1,138
Construction in progress		738	1,144
Finance lease ROU assets	Shorter of lease term or estimated useful life	371	371
Less: accumulated depreciation		(4,046)	(3,506)
<b>Total property and equipment, net</b>		<u>\$ 9,846</u>	<u>\$ 8,547</u>

Depreciation expense for the three months ended March 31, 2023 and 2022 was \$541 and \$314, respectively.

#### Note 9. Accrued Expenses and Other Current and Non-Current Liabilities

Accrued expenses and other current liabilities as of March 31, 2023 and December 31, 2022 consist of the following:

<i>(in thousands)</i>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Compensation, including bonuses, fringe benefits, and payroll taxes	\$ 4,084	\$ 5,310
Contract liabilities	875	1,139
Directors and officers insurance premiums	1,728	3,010
Deferred acquisition and contingent consideration (see Note 16)	974	802
Accrued interest	1,076	1,100
Other liabilities	3,508	3,234
<b>Total accrued expenses and other current liabilities</b>	<u>\$ 12,245</u>	<u>\$ 14,595</u>

Contract liabilities as of March 31, 2023 and December 31, 2022 consist of cumulative adjustments made to capitated revenue recognized in prior periods.

Pursuant to the Business Combination, the Company has agreed to indemnify members of the Board and certain officers if they are named or threatened to be named as a party to any proceeding by reason of the fact that they acted in such capacity. The Company entered into a financing arrangement to pay premiums for directors' and officers' ("D&O") insurance coverage to protect against such losses on November 12, 2021. As of March 31, 2023, the remaining D&O principal balance was \$1,728, all of which is due to be paid before March 31, 2024 and classified as a current liability.

#### Note 10. Leases

The Company leases clinics, office buildings, and certain equipment under noncancellable financing and operating lease agreements that expire at various dates through November 2031. See Note 2 for a summary of the Company's policies relating to leases.

The initial terms of operating leases range from 0 to 10 years and certain leases provide for free rent periods, periodic rent increases, and renewal options. Monthly payments for these leases range from \$0 to \$60. All lease agreements generally require the Company to pay maintenance, repairs, property taxes, and insurance costs, which are generally variable amounts based on actual costs incurred during each applicable period.

The Company has determined that periods covered by options to extend the Company's leases are excluded from the lease terms as it is not reasonably certain the Company will exercise such options.

### Lease Expense

The components of lease expense were as follows for the three months ended March 31, 2023 and 2022:

<i>(in thousands)</i>	<b>Three Months Ended March 31, 2023</b>	<b>Three Months Ended March 31, 2022</b>
Operating lease costs:	\$ 1,762	\$ 1,168
Finance lease costs:		
Amortization of ROU asset	\$ 20	\$ 14
Interest expense	\$ 3	\$ 1
Other lease costs:		
Short-term lease costs	\$ 31	\$ 109
Variable lease costs	\$ 274	\$ 205

Operating and other lease costs are presented as part of selling, general, and administrative expenses. The components of finance lease costs appear in depreciation and amortization and interest expense.

### Maturity of Lease Liabilities

The aggregate future lease payments for the Company's leases in years subsequent to March 31, 2023 are as follows:

<i>(in thousands)</i>	<b>Operating Leases</b>	<b>Finance Leases</b>
2023 (remaining nine months)	\$ 5,206	\$ 63
2024	6,562	77
2025	5,947	42
2026	5,217	39
2027	4,126	—
Thereafter	5,181	29
Total future lease payment	\$ 32,239	\$ 250
Less: amount representing interest	(4,349)	(26)
<b>Present value of future lease payment (lease liabilities)</b>	<b>\$ 27,890</b>	<b>\$ 224</b>
Reported as:		
Lease liabilities, current	\$ 5,639	\$ 73
Lease liabilities, noncurrent	22,251	151
Total lease liabilities	\$ 27,890	\$ 224

### Lease Term and Discount Rate

The following table provides the weighted average remaining lease terms and weighted average discount rates for the Company's leases as of March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Weighted-average remaining lease term (in years)		
Operating	5.19	4.81
Finance	3.56	2.58
Weighted-average discount rate		
Operating	5.23 %	4.21 %
Finance	6.05 %	4.39 %

### Supplemental Cash Flow Information

The following table provides certain cash flow and supplemental noncash information related to the Company's lease liabilities for the three months ended March 31, 2023 and 2022.

<i>(in thousands)</i>	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Supplemental cash flow information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash payment from operating leases	\$ 1,581	\$ 1,145
Financing cash payments for finance leases	21	17
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	\$ 1,550	\$ 19,598
Finance leases	3	40

### Lease Modifications

During the three months ended March 31, 2023, the Company expanded its lease space for one clinic in California. This expansion constitutes a lease modification that qualifies as a change of accounting for the original lease and not a separate contract. Accordingly, in the three months ended March 31, 2023, the Company recognized the difference of \$491 as an increase to the operating lease liability; \$500 net of lease incentives, as an increase to operating lease right-of-use asset, and \$3 as an increase to rent expense.

### Note 11. Debt

#### Senior Secured Convertible Note

On August 9, 2022, TOI entered into a Facility Agreement (the "Facility Agreement") with certain lenders ("Lenders") and Deerfield Partners L.P. ("Agent"), pursuant to which, TOI borrowed cash loans from the Lenders in the amount of \$110,000, in exchange for which, TOI issued to each Lender a secured convertible promissory note ("Senior Secured Convertible Note"), which is payable to such Lenders in an amount equal to the unpaid principal amount of loans held by such Lender.

The Senior Secured Convertible Note will mature on August 9, 2027 (the "Maturity Date") and shall bear interest at the rate of 4.00% per annum from August 9, 2022, on the outstanding principal amount, any overdue interest and any other amounts and obligations. The interest shall be paid in cash quarterly in arrears commencing on October 1, 2022. In case of any prepayment, repayment or redemption of the Senior Secured Convertible Note, the Company shall pay any accrued and unpaid interest on the principal, along with a make whole amount and an exit fee.

The Facility Agreement requires the Company to meet certain operational and reporting requirements, including, but not limited to, customary regulatory, financial reporting, and disclosure requirements. Additionally, limitations are placed on the Company's ability to merge with other companies and enter into other debt arrangements and permitted investments are limited to amounts specified in the Facility Agreement. The Facility Agreement also provides certain restrictions on dividend payments and other equity transactions and requires the Company to make prepayments under specified circumstances. Financial



covenants in the Facility Agreement require the Company to maintain a minimum unrestricted cash and cash equivalent balance of \$40,000 and a minimum net quarterly revenues of \$50,000 during fiscal year 2023; \$75,000 during fiscal year 2024; and \$100,000 during fiscal year 2025. Cash Equivalents as defined by the Facility Agreement means (a) any readily-marketable securities (i) issued by, or directly, unconditionally and fully guaranteed or insured by the United States federal government or (ii) issued by any agency of the United States federal government the obligations of which are fully backed by the full faith and credit of the United States federal government, (b) any readily-marketable direct obligations issued by any other agency of the United States federal government, any state of the United States or any political subdivision of any such state or any public instrumentality thereof, in each case having a rating of at least "A-1" from S&P or at least "P-1" from Moody's, (c) any commercial paper rated at least "A-1" by S&P or "P-1" by Moody's and issued by any person organized under the laws of any state of the United States, (d) any United States dollar-denominated time deposit, insured certificate of deposit, overnight bank deposit or bankers' acceptance issued or accepted by any commercial bank that (A) is organized under the laws of the United States, any state thereof or the District of Columbia, (B) is "adequately capitalized" (as defined in the regulations of its primary federal banking regulators) and (C) has Tier 1 capital (as defined in such regulations) in excess of \$250,000 and (e) shares of any United States money market fund that (i) has substantially all of its assets invested continuously in the types of investments referred to in clause (a), (b), (c) and/or (d) above with maturities as set forth in the proviso below, (ii) has net assets in excess of \$500,000 and (iii) has obtained from either S&P or Moody's the highest rating obtainable for money market funds in the United States; provided, however, that the maturities of all obligations specified in any of clause (a), (b), (c) and (d) above shall not exceed one year. Additionally, the registration rights agreement between the Company and certain stockholders of Legacy TOI and DFPH entered into in connection with the Business Combination requires the Company to have an effective registration statement and calls for payment should the registration statement cease to remain effective. The Company was in compliance with the covenants of the Facility Agreement as of March 31, 2023.

#### **Conversion Options**

The Senior Secured Convertible Note contains several embedded conversion options (the "Conversion Options") that grant the holders of the Senior Secured Convertible Note the ability to convert the Senior Secured Convertible Note at any time on or after date of issuance of the note. The Conversion Options are convertible into shares of the Company's common stock (such converted shares, "Conversion Shares") and, in certain circumstances, a combination of cash and shares of the Company's common stock, or a combination of cash, other assets and securities or other property of any Company successor entity. The Conversion Shares or settlement amounts shall be computed on the basis of a predefined formula, with a set conversion price of \$8.567 as one of the inputs and a conversion cap of 14,663,019 shares. The if-converted value did not exceed the principal amount as of March 31, 2023. No Conversion Shares were issued as of March 31, 2023 and December 31, 2022.

The Company evaluated the Conversion Options of the Senior Secured Convertible Note under ASC 815 and concluded that they require bifurcation from the host contract as a separate unit of account. The Conversion Options do not meet the criteria to be classified in shareholders' equity and hence, are accounted for as a derivative liability remeasured at fair value at each balance sheet date with changes in fair value reported in earnings.

The Conversion Options contain certain limits on exercise if, after giving effect to the exercise, the Lender would beneficially own a number of shares of common stock of the Company in excess of those permissible under the terms of the Senior Secured Convertible Note. The number of shares to be issued against these notes and conversion price are each subject to adjustments provided under the terms of Senior Secured Convertible Note.

The holder shall receive dividends on the Senior Secured Convertible Note and distributions of any kind made to the holders of common stock, other than dividends of, or distributions in, shares, to the same extent as if the holder had converted the Senior Secured Convertible Note into such shares and had held such shares on the record date for such dividends and distributions any limitations on conversion options.

#### **Optional Redemption**

The Facility Agreement also provides the Company the right to redeem the outstanding principal amount of each note ("Optional Redemption") for the Optional Redemption Price. The Company shall not affect any Optional Redemption under this Senior Secured Convertible Note unless along with this, the Company effects an optional redemption under all other notes in accordance with the terms thereof, on a pro rata basis, based upon the respective applicable original principal amount of each of the notes outstanding as of the date the notice for Optional Redemption is delivered to the holders.

The Company evaluated the Optional Redemption feature of the Senior Secured Convertible Note under ASC 815 and concluded that it requires bifurcation from the host contract as a separate unit of account. The Optional Redemption feature does not meet the criteria to be classified in shareholders' equity and hence, is accounted for as a derivative liability remeasured

at fair value at each balance sheet date with changes in fair value reported in earnings. The fair value of the Optional Redemption feature is de minimis.

If the principal redemption amount specified in an Optional Redemption notice is less than the entire principal amount then outstanding, the principal amount specified in each conversion notice shall be applied (i) first, to reduce, on a dollar-for-dollar basis, the principal amount of the note in excess of the principal redemption amount until such excess principal amount is reduced to zero and (ii) to reduce, on a dollar-for-dollar basis, the principal redemption amount until all of such principal redemption amount shall have been converted.

#### **Convertible Note Warrants**

The Facility Agreement also provides for the issuance of warrants (the "Convertible Note Warrants") on each date any principal amount of any Senior Secured Convertible Note is paid, repaid, redeemed, or prepaid at any time prior to the Maturity Date. Convertible Note Warrants are exercisable from their original issue date to August 9, 2027, for purchase of an aggregate amount of Conversion Shares into which such principal amount of Senior Secured Convertible Note was convertible into, immediately prior to such payment, at an exercise price of \$8.567. The holder of Convertible Note Warrants may pay the exercise price in cash or exercise the warrant on cashless basis or through a reduction of an amount of principal outstanding under any Senior Secured Convertible Note held by such holder. In the event that the Convertible Note Warrant has not been exercised in full as of the last business day during its term, the holder shall be deemed to have exercised the purchase rights represented by the Convertible Note Warrant in full as a cashless exercise, in which event the Company shall issue number of shares to the holder computed on the basis of a predefined formula.

The Company evaluated the Convertible Note Warrants of the Senior Secured Convertible Note under ASC 815 and concluded that they require bifurcation from the host contract as a separate unit of account. The Convertible Note Warrants do not meet the criteria to be classified in shareholders' equity and hence, are accounted for as a derivative liability remeasured at fair value at each balance sheet date with changes in fair value reported in earnings.

The Convertible Note Warrant holder shall be entitled to receive any dividend or distribution made by the Company to the holders of common stock to the same extent as if the holder had exercised the Convertible Note Warrants in full in a cash exercise.

The number of shares to be issued against these warrants and exercise price are each subject to adjustments provided under the terms of Convertible Note Warrants. The Convertible Note Warrants contain certain limits on exercise if, after giving effect to the exercise, the Lender would beneficially own a number of shares of common stock of the Company in excess of those permissible under the terms of the Convertible Note Warrants. Further, the Convertible Note Warrants can be fully or partially settled in cash in certain cases in accordance with the terms of issuance such as when shares issuable upon exercise of the warrants exceed a predefined number, upon occurrence of predefined event of default and upon occurrence of predefined events that will bring a fundamental change in the Company such as merger, consolidation, business combination, recapitalization, reorganization, reclassification or other similar event.

As of March 31, 2023 and December 31, 2022, there were no Convertible Note Warrants outstanding.

#### **Allocation of Proceeds**

The Company has allocated total issuance proceeds of \$110,000 among the Senior Secured Convertible Note and Convertible Note Warrants based on fair value. Upon issuance of the Convertible Note Warrants, the Company recorded Convertible Note Warrants, Optional Redemption, and Conversion Options of \$0, \$0 and \$28,160, which were recorded as a debt discount to the Senior Secured Convertible Note of \$110,000. The Company will amortize the debt discount over a period of 5 years (of which 4.36 years remain).

The total issuance costs of \$4,924 was allocated among the Senior Secured Convertible Note, Convertible Note Warrants, Optional Redemption, and Conversion Options, by allocating costs of \$0, \$0, and \$1,261 to the Convertible Note Warrants, Optional Redemption, and Conversion Options with the residual cost of \$3,663 being allocated to the Senior Secured Convertible Note (in addition to the debt discount). The Company expensed issuance costs allocated to Warrants, Optional Redemption, and Conversion Options at inception and will amortize the costs allocated to the Senior Secured Convertible Note over a period of 5 years (of which 4.36 years remain).

**Amounts Outstanding and Recognized during the Periods Presented**

The Senior Secured Convertible Note as of March 31, 2023 and December 31, 2022 consists of the following:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Senior Secured Convertible Note, due August 9, 2027	\$ 110,000	\$ 110,000
Less: Unamortized debt issuance costs	3,318	3,454
Less: Unamortized debt discount	24,538	25,925
<b>Long-term debt, net of unamortized debt discount and issuance costs</b>	<b>\$ 82,144</b>	<b>\$ 80,621</b>

The amortization of the debt issuance costs was charged to interest expense for all periods presented. For the three months ended March 31, 2023 the effective yield was 13.38%. The amount of debt issuance costs included in interest expense for the three months ended March 31, 2023 was \$1,523. The Company accrued interest of \$1,100 on the Credit Agreement term loan for the three months ended March 31, 2023. There was no debt issuance cost, accrued interest, or interest expense related to this facility for the three months ended March 31, 2022.

On August 9, 2022, the Company also entered into the Guarantee and Security Agreement (“Guarantee Agreement”) with the Agent for the purpose of providing a guarantee of all the obligations under the Facility Agreement (refer to Note 15. Commitments and Contingencies for detail).

**Debt Maturities**

The following table summarizes the stated debt maturity related to the Senior Secured Convertible Note as of March 31, 2023:

<i>(in thousands)</i>		
Year ending December 31:		
2023 (remaining nine months)	\$	—
2024		—
2025		—
2026		—
2027		110,000
<b>Total debt</b>	<b>\$</b>	<b>110,000</b>

**Note 12. Income Taxes**

The Company recorded income tax expense of \$44 for the three months ended March 31, 2023, as compared to income tax expense of \$180 for the three months ended March 31, 2022. The decrease of \$136, in income tax expense is primarily related to the corresponding increase in the valuation allowance for TOI. The Company's effective tax rate decreased to (0.15)% for the three months ended March 31, 2023, from 0.92% for the three months ended March 31, 2022..

The Company's effective tax rate for the three months ended March 31, 2023, was different than the U.S. federal statutory tax rate of 21.00%, primarily due to the increased valuation allowance, partially offset by the tax effect of the change in fair market value of the warrant, earn out, and derivative liabilities, non-deductible transaction costs, as well as the Section 162(m) limitation on compensation for covered employees and Section 163(l) limitation on interest expense related to the convertible note, which are not taxable for federal income tax purposes.

**Note 13. Stockholders' Equity**

The Condensed Consolidated Statements of Preferred Stock and Changes in Stockholders' Equity has been retroactively adjusted for all periods presented to reflect the Business Combination and reverse recapitalization described in Note 1. The balances as of March 31, 2022 from the condensed consolidated financial statements of Legacy TOI as of that date, share activity (Legacy TOI preferred stock, Legacy TOI common stock, and additional paid-in capital) and per share amounts were retroactively adjusted, where applicable, using the Common Stock Exchange Ratio.

## **Common Stock**

As of March 31, 2023 and December 31, 2022, there were 73,754,609 and 73,265,621 shares, respectively, of common stock outstanding.

### ***Voting***

The holders of the Company's common stock are entitled to one vote for each share of common stock held at all meetings of stockholders (and written actions in lieu of meetings), and there is no cumulative voting.

### ***Dividends***

Common stockholders are entitled to receive dividends whenever funds are legally available and when declared by the board of directors. No dividends have been declared as of March 31, 2023.

## **Preferred Stock**

Upon the Closing Date of the Business Combination, pursuant to the terms of the Amended and Restated Certificate of Incorporation, the Company authorized 10,000,000 shares of Series A Common Equivalent Preferred Stock ("preferred stock") with a par value and liquidation preference of \$0.0001 per share. The Company's board of directors has the authority, without further action by the stockholders to issue such shares of preferred stock in one or more series, to establish, from time to time the number of shares to be included in each such series, and to fix the dividend, voting, and other rights, preferences, and privileges of the shares. Immediately following the Closing Date and as of December 31, 2021, there were 163,510 shares of preferred stock outstanding. As of March 31, 2023, there were 165,045 shares of preferred stock outstanding.

### ***Conversion***

Each share of preferred stock is convertible, at any time on the part of the holder except with respect to the Beneficial Ownership Limitation (defined below), into 100 shares of common stock.

### ***Blocker/Beneficial Ownership Limitation***

The preferred stock is subject to a beneficial ownership limitation such that the preferred stock may not, at any time, be convertible into more than 4.9% of the total number of shares of common stock outstanding ("Beneficial Ownership Limitation").

### ***Voting***

The holders of preferred stock do not have voting rights in the Company.

### ***Dividends***

The holders of preferred stock are entitled to receive dividends whenever funds are legally available and when declared by the board of directors on an as-converted basis. No dividends have been declared as of March 31, 2023.

## **Assumed Public Warrants and Private Placement Warrants**

As a result of the Business Combination, holders of the public warrants and private placement warrants are entitled to acquire common stock of the Company. The warrants became exercisable 30 days from the completion of the Business Combination, on December 12, 2021, and will expire five years after the completion of the Business Combination or earlier upon redemption or liquidation. As of March 31, 2023, there are 5,749,986 public warrants outstanding and 3,177,542 private placement warrants outstanding.

Each warrant entitles the holder to purchase one share of common stock for \$11.50 per share. Private warrants held by the initial purchaser or certain permitted transferees may be exercised on a cashless basis.

If the reported last sale price of the common stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders, the Company may redeem all the public warrants at a price of \$0.01 per warrant upon not less than 30 days' prior written notice.

If the Company calls the public warrants for redemption, management will have the option to require all holders that wish to exercise the public warrants to do so on a cashless basis. The Company will not be required to net cash settle the warrants.

The private warrants are exercisable on a cashless basis and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the private warrants are held by someone other than the initial purchasers of their permitted transferees, the private warrants will be redeemable by the Company and exercisable by such holders on the same basis as the public warrants.

#### **Share Repurchase Program**

On May 10, 2022, the Company's Board consented to the adoption and approval of the Share Repurchase Program, authorizing up to \$20,000 to be spent on the repurchase of the Company's common stock, expiring on December 31, 2022. The Company repurchased and immediately retired 1,500,000 shares of its common stock for \$9,000 from a related party during the year ended December 31, 2022, before the expiration of the program.

#### **Note 14. Share-Based Compensation**

##### **Non-Qualified Stock Option Plan**

On January 2, 2019, the Company issued and adopted the 2019 Non-Qualified Stock Option Plan (the "2019 Plan") to incentivize directors, consultants, advisors, and other key employees of the Company and its subsidiaries to continue their association by providing opportunities to participate in the ownership and further growth of the Company. The 2019 Plan provides for the grant of options (the "Stock Options") to acquire common shares of the Company.

Stock Options are exercised from the pool of shares designated by the appropriate Committee of the Board of Directors. The grant-date fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The grant date fair value of the service vesting and the performance vesting options is recognized as an expense over the requisite service period and upon the achievement of the performance condition deemed probable of being achieved, respectively. The exercise price of each Stock Option shall be determined by the Committee and may not be less than the fair market value of the common shares on the date of grant. Stock Options have 10-year terms, after which they expire and are no longer exercisable.

The total number of common shares for which Stock Options may be granted under the 2019 Plan shall not exceed 13,640. The 2019 Plan was amended on November 6, 2020, pursuant to which the total number of common shares for which Stock Options may be granted under the 2019 Plan shall not exceed 15,640.

Stock Options become vested upon fulfillment of either service vesting conditions, performance vesting conditions, or both, as determined by the award agreement entered into by the Company and optionee. The service vesting requirement states that: (i) 25% of the service vesting options shall vest on the first anniversary of the grant date and (ii) the remaining 75% shall vest on an equal monthly-basis, so long as the optionee has remained continuously employed by the Company from the date of the award through the fourth anniversary of the grant date. The performance vesting requirement states that Stock Options shall vest upon sale of the Company only if the optionee has been continuously employed by the Company or its subsidiaries from the grant date through the date of such sale of the Company. For the awards vesting based on service conditions only and that have a graded vesting schedule, the Company recognizes compensation expense for vested awards in earnings, net of actual forfeitures in the period they occur, on a straight-line basis over the requisite service period.

##### **Conversion of the Stock Options**

In conjunction with the Business Combination, the Company amended and fully restated the 2019 Plan through the establishment of the 2021 Incentive Plan ("2021 Plan"). Pursuant to the 2021 Plan, each remaining legacy Stock Option from the 2019 Plan that was outstanding immediately prior to the Business Combination, whether vested or unvested, was converted into an option to purchase a number of shares of common stock (each such option, an "Exchanged Option") equal to the product (rounded down to the nearest whole number) of (i) the number of shares of Legacy TOI stockholders subject to such Stock Option immediately prior to the Business Combination, and (ii) an exercise price per share equal to (A) the exercise price per share of such Stock Option immediately prior to the consummation of the Business Combination, divided by (B) the Common Stock Exchange Ratio ("Stock Option Exchange Ratio"). Following the Business Combination, each Exchanged Option that was previously subject to time vesting only, will continue to be governed by the same terms and conditions (including vesting and exercisability terms) as were applicable to the corresponding former old Stock Option immediately prior to the consummation of the Business Combination. Each Exchanged Option that was previously subject to performance vesting, will no longer be subject to the sale of the Company, and was modified to include service requirements only, under which, the Exchange Options will vest on a monthly-basis, so long as the optionee has remained continuously employed by the Company from the date of the Business Combination through the third anniversary of the Closing Date. The Company treated the Exchanged Options that were previously subject to performance conditions as a new award granted at the Closing Date. The

Exchanged Options that were previously subject to service vesting only were not modified as a result of the Business Combination. All stock option activity was retroactively restated to reflect the Exchanged Options.

As of the Closing Date, the 11,850 Stock Options outstanding under the 2019 Plan were converted into 6,925,219 Exchanged Options after effect of the Common Stock Exchange Ratio. This effect of the Common Stock Exchange Ratio has been retroactively adjusted throughout the Company's condensed consolidated financial statements.

As of March 31, 2023, the total number of shares of common stock remaining available for future awards (e.g., non-qualified stock options, incentive stock options, restricted stock units, restricted stock awards) under the 2021 Plan is 5,283,068.

The weighted average assumptions used in the Black-Scholes-Merton option-pricing model for the units granted during the three months ended March 31, 2023 and 2022 Stock Options are provided in the following table:

	March 31, 2023	March 31, 2022
Valuation assumptions:		
Expected dividend yield	—%	—%
Expected volatility	64.00%	35.00%
Risk-free rate	3.40%	2.33% to 2.44%
Expected term (years)	6.25	6.07 to 6.65

The Company used the simplified method to calculate the expected term of stock option grants because sufficient historical exercise data was not available to provide a reasonable basis for the expected term. Under the simplified method, the expected term is estimated to be the mid-point between the vesting date and the contractual term of the option.

Stock option activity during the three months ended March 31, 2023 and 2022 is as follows:

Stock options	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (in thousands)
Balance at January 1, 2023	8,049,474	\$ 2.14		
Granted	1,948,354	0.48		
Exercised	—	—		
Forfeited	(163,414)	3.20		
Expired	(1,747)	1.08		
<b>Balance at March 31, 2023</b>	<b>9,832,667</b>	<b>\$ 1.79</b>	<b>8.02</b>	<b>\$ 384</b>
Vested Options Exercisable at March 31, 2023	3,271,151	\$ 1.33	6.68	\$ —

Stock options	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (in thousands)
Balance at January 1, 2022	6,921,180	\$ 0.88		
Granted	1,385,108	7.09		
Exercised	—	—		
Forfeited	(190,621)	1.23		
Expired	(526)	1.23		
<b>Balance at March 31, 2022</b>	<b>8,115,141</b>	<b>\$ 1.94</b>	<b>8.87</b>	<b>\$ 42,151</b>
Vested Options Exercisable at March 31, 2022	1,858,885	\$ 0.86	7.58	\$ 11,662

Total share-based compensation expense during the three months ended March 31, 2023 and 2022 was \$2,707 and \$3,255, excluding costs associated with rolled over units and new units issued or replaced in connection with the Business Combination, respectively. In addition, pursuant to the Business Combination, the Company accelerated and settled in cash 3,724 Legacy TOI Stock Options in a total cash amount of \$20,597. The Company recognized compensation expense in the

amount of \$19,953 related to the share-based compensation units that are subject to performance vesting conditions immediately prior to the Business Combination.

At March 31, 2023, there was \$20,080 of total unrecognized compensation cost related to unvested service Stock Options granted under the 2021 Plan and 2019 Plan that are expected to vest. That cost is expected to be recognized over a weighted average period of 2.92 years for the three months ended March 31, 2023. The total fair value of common shares vested during the three months ended March 31, 2023 and 2022 was \$281 and \$2,198, respectively.

**Restricted Stock Awards (“RSAs”) and Restricted Stock Units (“RSUs”)**

Agajanian Holdings (“Holdings”), a holder of Series A Preferred Shares of Legacy TOI, entered into arrangements with physicians employed by the TOI PCs to issue RSAs which represent Series A Preferred Shares of Legacy TOI. The Legacy TOI RSAs only have performance vesting requirements linked to the sale of the Company so long as the grantee remains continuously and actively employed by the Company’s subsidiaries through the vesting date.

**Conversion of the RSAs**

Each of the Legacy TOI RSAs, from the Plan that was outstanding immediately prior to the Business Combination, whether vested or unvested, was converted into an RSU equal to the product (rounded down to the nearest whole number) of (i) the number of shares of RSAs immediately prior to the Business Combination, (ii) conversion rate of 1:10 of the Series A Preferred Shares of Legacy TOI, and (iii) the Common Stock Exchange Ratio. Following the Business Combination, each RSU is no longer subject to the sale of the Company event in order to vest, but was modified to include service requirements only. The service vesting requirement states that: (i) 16.67% of the RSUs shall vest on the sixth month anniversary of the Closing Date, and (ii) the remaining 83.33% shall vest on an equal quarterly-basis, so long as the grantee has remained continuously employed by the Company from the date of the award through the third anniversary of the grant date. The Company treated the RSUs that were previously subject to performance conditions as a new award granted at the Closing Date. All RSAs activity was retroactively restated to reflect the RSUs.

As of the Closing Date, the 2,210 RSAs outstanding under the Plan were converted into 1,291,492 RSUs upon the completion of the Business Combination after effect of the Common Stock Exchange Ratio. This effect of the Common Stock Exchange Ratio has been retroactively adjusted throughout our condensed consolidated financial statements.

The weighted-average grant date fair values of the RSUs granted during three months ended March 31, 2023 and 2022, were determined to be \$0.48 and \$7.09, respectively, based on the fair value of the Company’s common share at the grant date.

A summary of the activity for the RSUs for the three months ended March 31, 2023 and 2022, respectively, are shown in the following table:

	<b>Three Months Ended March 31,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested at beginning of year	2,106,540	\$ 7.25	1,291,492	\$ 10.98
Granted	1,863,539	0.48	727,424	7.09
Vested	(331,675)	4.12	(27,188)	7.09
Forfeited	(56,427)	6.63	—	—
<b>Unvested at end of year</b>	<b>3,581,977</b>	<b>\$ 4.03</b>	<b>1,991,728</b>	<b>\$ 10.98</b>

The total share-based compensation expense related to RSUs was \$2,088 and \$1,491, respectively, during the three months ended March 31, 2023 and 2022.

As of March 31, 2023 there was \$14,435 of unrecognized compensation expense related to the RSUs that are expected to vest. That cost is expected to be recognized over a weighted average period of 2.74 years as of March 31, 2023. As of March 31, 2023, 331,675 of the RSUs have vested and zero were net settled to cover the required withholding tax upon vesting.

**RSUs granted to Medical Employees and Nonemployees**

In 2022, the Company entered into arrangements with certain medical directors and supervisors of advanced practice providers employed by or engaged as independent contractors of TOI to issue RSUs of the Company ("Medical RSUs"). Vesting on each annual Medical RSU award is dependent on the participant performing a specified minimum number of service hours during the calendar year ("One-Year Term") and further contingent upon the participant's continued service to, or employment by, the Company through the grant date. The Company's regular grant date for these Medical RSU awards is in the first quarter of the calendar year following the one-Year Term.

The number of Medical RSUs granted to each such participant is determined by dividing a fixed monetary value by the trailing five-day closing price per share of the Common Stock preceding the grant date. Due to the calculation, some Medical RSU awards are liability-classified whereas other Medical RSU awards have a fixed number of shares and are equity-classified.

In the fourth quarter of 2022, the Company amended the terms of Medical RSUs previously issued to approximately 21 participants during the first quarter of 2022. The amendment primarily updated the vesting period and conditions. The original terms of the Medical RSU awards were deemed improbable of vesting at the modification date whereas the amended Medical RSU awards were deemed probable of vesting at the modification date, and thus are a Type III modification under ASC 718. The modification to the Medical RSUs resulted in \$187 incremental share-based compensation expense before forfeitures, \$(11) after accounting for forfeitures related to participants who did not perform the minimum number of service hours specified, recorded in the Company's Statement of Operations.

The total fair value of the liability-classified Medical RSU awards granted in 2022 and outstanding as of December 31, 2022 was approximately \$264, which represents the fixed monetary value of the awards. The weighted-average grant-date fair value, based on the Company's share price on the modification date, was \$3.56 for equity-classified Medical RSUs granted during 2022 and outstanding as of December 31, 2022. There were no unvested equity-classified Medical RSU awards outstanding as of March 31, 2023 or March 31, 2022.

A summary of the activity for the equity-classified Medical RSUs for the three months ended March 31, 2023 and 2022, respectively, is shown in the following table:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of period	147,470	—
Granted	8,317	—
Vested	(155,787)	—
Forfeited	—	—
<b>Balance at end of period</b>	<b>—</b>	<b>—</b>

Total compensation costs for Medical RSUs was \$58 for the three months ended March 31, 2023. As of March 31, 2023, all Medical RSUs have vested.

#### **Earnout Shares granted to Employees**

As part of the Business Combination, DFPH issued to eligible Legacy TOI stockholders and Legacy TOI employees the contingent right to receive up to \$12.5 million additional shares of common stock ("Legacy TOI Earnout Shares"), in two tranches of \$5.0 million ("First Earnout Tranche") and \$7.5 million ("Second Earnout Tranche"), respectively, upon the Company common stock achieving a price per share of \$12.50 during the two-year period following the Closing or a price per share of \$15.00 during the three-year period following the Closing Date, in each case, as its last reported sales price per share for any 20 trading days within any 30 consecutive trading day period within the applicable period ("Earnout Terms"); provided, that (i) if one or both of the share price triggers has not been achieved prior to the end of the three-year period following the Closing Date, (ii) the Company enters into a definitive agreement that would result in a change of control and (iii) the price per share of the Company's common stock in such transaction is equal to or greater than one or both of the share price triggers, then at the Closing Date of such transaction, the Company shall issue the applicable portion of the Legacy TOI Earnout Shares as if such share price trigger had been achieved.

In addition, certain DFPH common stockholders deposited 575,000 shares of DFPH common stock in an escrow account that will vest and be released to such holders in two tranches of 50%, each ("DFPH Earnout Shares"), upon the Company common stock achieving the Earnout Terms as described above; provided, that (i) if one or both of the share price triggers has not been achieved prior to the end of the three-year period following the closing, (ii) the Company enters into a definitive agreement that would result in a change of control and (iii) the price per share of common stock in such transaction is equal to or greater than one or both of the share price triggers, then at the closing of such transaction, the Company shall issue the



applicable portion of the DFPH Earnout Shares as if such share price trigger had been achieved. To the extent any DFPH Earnout Shares remain unvested at the expiration of the three-year period following the closing, such DFPH Earnout Shares shall be forfeited and cancelled without any consideration.

Collectively, the Legacy TOI Earnout Shares and DFPH Earnout Shares constitute the “Earnout Shares”, the “Earnout”, and the “Earnout Liability”.

The Company issued Legacy TOI Earnout Shares to Legacy TOI option holders and Legacy RSU holders (“Option-holders Earnout” and “RSU-holders Earnout”, respectively, together “Employees Earnout Shares”).

The Option-holders Earnout vests upon the Company common stock achieving the price per share as provided above, so long as the optionee has remained continuously employed by the Company at that date. The RSU-holders Earnout vests upon (a) the Company common stock achieving the price per share as provided above, and (b) the underlying RSU vested, so long as the optionee has remained continuously employed by the Company at that date.

The grant date fair value of the First Earnout Tranche and Second Earnout Tranche as of Closing Date was determined to be \$8.35 and \$6.76, respectively. The assumptions used in the Monte-Carlo Simulation model for the Earnout Shares granted on the Closing Date are provided in the following table:

	November 12, 2021
Valuation assumptions	
Expected dividend yield	— %
Expected volatility	35.00 %
Risk-free interest rate	0.85 %

A summary of the activity for the Employees Earnout Shares for the three months ended March 31, 2023 and 2022 is shown in the following table:

	Three Months Ended March 31,	
	2023	2022
Outstanding at beginning of period	1,417,632	1,602,435
Granted	—	—
Vested	—	(41,578)
Forfeited	(16,568)	—
<b>Outstanding at end of period</b>	<b>1,401,064</b>	<b>1,560,857</b>

The total share-based compensation expense during the three months ended March 31, 2023 and 2022 was \$112 and \$3,807, related to the Employees Earnout Shares, respectively.

As of March 31, 2023, there was \$391 of unrecognized compensation expense related to the Employees Earnout Shares, that are expected to vest. That cost is expected to be recognized over a weighted average period of 0.51 years as of March 31, 2023. As of March 31, 2023, none of the Employee Earnout Shares have vested.

#### Note 15. Commitments and Contingencies

The Company evaluates contingencies based upon available evidence. In addition, allowances for losses are provided each year for disputed items which have continuing significance. The Company believes that allowances for losses have been provided to the extent necessary, and that its assessment of contingencies is reasonable. Due to the inherent uncertainties and subjectivity involved in accounting for contingencies, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. To the extent that the resolution of contingencies results in amounts which vary from management’s estimates, future operating results will be charged or credited. The principal commitments and contingencies are described below.

#### Legal Matters

The Company is subject to certain outside claims and litigation arising in the ordinary course of business. In the opinion of Management, the outcome of such matters will not have a material effect on the Company’s condensed consolidated financial statements. Loss contingencies entail uncertainty and a possibility of loss to an entity. If the loss is probable and the amount of

loss can be reasonably estimated, the loss should be accrued according to ASC No. 450-20, *Disclosure of Certain Loss Contingencies*.

#### **Indemnities**

The Company's Articles of Incorporation and bylaws require it, among other things, to indemnify the director or officer against specified expenses and liabilities, such as attorneys' fees, judgments, fines, and settlements, paid by the individual in connection with any action, suit, or proceeding arising out of the individual's status or service as its director or officer, other than liabilities arising from willful misconduct or conduct that is knowingly fraudulent or deliberately dishonest, and to advance expenses incurred by the individual in connection with any proceeding against the individual with respect to which the individual may be entitled to indemnification by the Company. The Company also indemnifies its lessor in connection with its facility lease for certain claims arising from the use of the facilities. These indemnities do not provide for any limitation of the maximum potential future payments it could be obligated to make. Historically, the Company has not incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities in the accompanying condensed consolidated balance sheets.

#### **The Health Insurance Portability and Accountability Act**

The Health Insurance Portability and Accountability Act ("HIPAA") assures health insurance portability, reduces healthcare fraud and abuse, guarantees security and privacy of health information, and enforces standards for health information. Organizations are required to be in compliance with HIPAA provisions. The Health Information Technology for Economic and Clinical Health Act ("HITECH") imposes notification requirements in the event of certain security breaches relating to protected health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. The Company believes it is in compliance with these laws.

#### **Regulatory Matters**

Laws and regulations governing the Medicare program and healthcare generally, are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

Many of the Company's payor and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services. Such differing interpretations may not come to light until a substantial period of time has passed following contract implementation. Liabilities for claims disputes are recorded when the loss is probable and can be estimated. Any adjustments to reserves are reflected in current operations. The Company does not have any reserves for regulatory matters as of March 31, 2023 and December 31, 2022.

#### **Liability Insurance**

The Company believes that its insurance coverage is appropriate based upon the Company's claims experience and the nature and risks of the Company's business. In addition to the known incidents that have resulted in the assertion of claims, the Company cannot be certain that its insurance coverage will be adequate to cover liabilities, arising out of claims asserted against the Company or the Company's affiliated professional organizations, in the future where the outcomes of such claims are unfavorable.

The Company believes that the ultimate resolution of all pending claims, including liabilities in excess of the Company's insurance coverage, will not have a material adverse effect on the Company's financial position, results of operations or cash flows; however, there can be no assurance that future claims will not have such a material adverse effect on the Company's business. Contracted physicians are required to obtain their own insurance coverage.

#### **Guarantees**

The Company, along with certain of the Company's subsidiaries from time to time party to the Facility Agreement ("Guarantors"), has pledged a first priority perfected lien on substantially all of their respective personal and real property, as collateral security for the payment of outstanding obligations, under the Facility Agreement.

## **Note 16. Business Combinations**

During the year ended December 31, 2022, the Company closed on five business combinations and one asset acquisition. There were no business combinations or asset acquisitions during the three months ended March 31, 2023.

### **Practice Acquisitions**

For the acquisition of various clinical practices, the Company applied the acquisition method of accounting, where the total purchase price was allocated, or preliminarily allocated, to the tangible and intangible assets acquired and liabilities assumed, based on their fair values as of the acquisition dates.

#### ***Perkins Practice Acquisition***

On April 30, 2022 ("Perkins Acquisition Date"), the Company acquired certain non-clinical assets of California Oncology of the Central Valley Medical Group, Inc., (the "Perkins Practice") from Christopher Perkins, M.D. ("Dr. Perkins"). Further, TOI CA acquired certain clinical assets of the Perkins Practice from Dr. Perkins. In conjunction with the acquisition, the Company also entered into a Professional Service Agreement with Oncology Associates of Fresno Medical Group, Inc. Intangible assets of \$70 were recognized pursuant to the acquisition in the form of trade names of \$2,480 and clinical contracts of \$70, with weighted average amortization periods of 10 years and 5 years, respectively. The Company transferred cash consideration of \$8,920 and contingent consideration of \$2,000 to Dr. Perkins for the purchase. The contingent cash consideration is to be paid in two equal installments on the first and second anniversary of the transaction closing date (April 29, 2023 and 2024, respectively), pending Dr. Perkins' continued employment at that time. The contingent consideration is accounted for as post-combination compensation expense to Dr. Perkins.

The Perkins Practice Acquisition was determined to constitute a business combination in accordance with ASC 805.

#### ***Parikh Practice Acquisition***

On July 22, 2022 ("Parikh Acquisition Date"), the Company acquired certain non-clinical assets of Nutan K. Parikh, M.D., LTD., (the "Parikh Practice") from Nutan K. Parikh, M.D. ("Dr. Parikh"). Further, TOI CA acquired certain clinical assets of the Parikh Practice from Dr. Parikh. Intangible assets of \$20 were recognized pursuant to the acquisition in the form of clinical contracts with a weighted average amortization period of 3 years. The Company transferred cash consideration of \$1,908 and contingent consideration of \$400 to Dr. Parikh for the purchase. The contingent cash consideration is to be paid in two equal installments on the first and second anniversary of the transaction closing date (July 22, 2023 and 2024, respectively), pending Dr. Parikh's continued employment at that time. The contingent consideration is accounted for as post-combination compensation expense to Dr. Parikh.

The Parikh Practice Acquisition was determined to constitute a business combination in accordance with ASC 805.

#### ***Barreras Practice Acquisition***

On August 30, 2022 ("Barreras Acquisition Date"), the Company acquired certain non-clinical assets of Broward Oncology Associates, P.A., (the "Barreras Practice") from Luis Barreras, M.D. ("Dr. Barreras"). Further, TOI FL acquired certain clinical assets of the Barreras Practice from Dr. Barreras. Intangible assets of \$3 were recognized pursuant to the acquisition in the form of clinical contracts with a weighted average amortization period of 5 years. The Company transferred cash consideration of \$929 and contingent consideration of \$250 to Dr. Barreras for the purchase. The contingent cash consideration is to be paid in two equal installments on the first and second anniversary of the transaction closing date (August 30, 2023 and 2024, respectively), pending Dr. Barreras's continued employment at that time. The contingent consideration is accounted for as post-combination compensation expense to Dr. Barreras.

The Barreras Practice Acquisition was determined to constitute a business combination in accordance with ASC 805.

#### ***De La Rosa Costa Practice Acquisition***

On October 7, 2022 ("De La Rosa Costa Acquisition Date"), the Company acquired certain non-clinical assets of Pedro De La Rosa Costa, M.D. PA, (the "De La Rosa Costa Practice") from Pedro U De La Rosa Costa, M.D. ("Dr. De La Rosa Costa"). Further, TOI FL acquired certain clinical assets of the De La Rosa Costa Practice from Dr. De La Rosa Costa. The Company transferred cash consideration of \$25 to Dr. De La Rosa Costa for the purchase.

The De La Rosa Costa Practice Acquisition was determined to constitute a business combination in accordance with ASC 805.

### Hashimi Practice Acquisition

On November 21, 2022 ("Hashimi Acquisition Date"), the Company acquired certain non-clinical assets of Intercommunity Oncology of Chino Hills, A.P.C., Inc., (the "Hashimi Practice") from Labib Hashimi, M.D. ("Dr. Hashimi"). Further, TOI CA acquired certain clinical assets of the Hashimi Practice from Dr. Hashimi. Intangible assets of \$24 were recognized pursuant to the acquisition in the form of clinical contracts with a weighted average amortization period of 5 years. The Company transferred cash consideration of \$445 and contingent consideration of \$150 to Dr. Hashimi for the purchase. The contingent cash consideration is to be paid in three equal installments on the first, second, and third anniversary of the transaction closing date (November 21, 2023, 2024, and 2025, respectively), pending Dr. Hashimi's continued employment at that time. The contingent consideration is accounted for as post-combination compensation expense to Dr. Hashimi.

The Hashimi Practice Acquisition was determined to constitute a business combination in accordance with ASC 805.

### Summary of Consideration Transferred

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Such assets include synergies we expect to achieve, such as the use of our existing infrastructure to support the added membership, and future economic benefits arising from the assembled workforce. The purchase consideration for the acquisitions has been allocated under the acquisition method of accounting to the estimated fair market value of the net assets acquired including a residual amount of tax deductible goodwill as noted in the provisional fair value table below.

Acquisition costs amounted to \$0 and \$76 for the three months ended March 31, 2023 and 2022 respectively, and were recorded as "General and administrative expenses" in the accompanying Condensed Consolidated Statements of Operations.

The following table summarizes the provisional fair values assigned to identifiable assets acquired and liabilities assumed.

(in thousands)	Acquisition					Total
	Perkins	Parikh	Barreras	De La Rosa Costa	Hashimi	
<b>Consideration:</b>						
Cash	\$ 8,920	\$ 1,908	\$ 929	\$ 25	\$ 445	12,227
Deferred	—	—	—	—	—	—
<b>Fair value of total consideration transferred</b>	<b>\$ 8,920</b>	<b>\$ 1,908</b>	<b>\$ 929</b>	<b>\$ 25</b>	<b>\$ 445</b>	<b>12,227</b>
<b>Estimated fair value of identifiable assets acquired and liabilities assumed:</b>						
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	—
Accounts receivable	—	—	—	—	—	—
Inventory	408	307	279	—	95	1,089
Property and equipment, net	123	15	23	—	5	166
Operating right of use assets	447	1,118	83	6	88	1,742
Clinical contracts and noncompetes	70	20	3	—	24	117
Trade names	2,480	—	—	—	—	2,480
Goodwill	5,851	1,566	624	25	321	8,387
<b>Total assets acquired</b>	<b>9,379</b>	<b>3,026</b>	<b>1,012</b>	<b>31</b>	<b>533</b>	<b>13,981</b>
Accounts payable	—	—	—	—	—	—
Current portion of operating lease liabilities	135	169	60	6	26	396
Accrued liabilities	12	—	—	—	—	12
Current portion of long term debt	—	—	—	—	—	—
<b>Operating lease liabilities</b>	<b>312</b>	<b>949</b>	<b>23</b>	<b>—</b>	<b>62</b>	<b>1,346</b>
<b>Total liabilities assumed</b>	<b>459</b>	<b>1,118</b>	<b>83</b>	<b>6</b>	<b>88</b>	<b>1,754</b>
<b>Net assets acquired</b>	<b>\$ 8,920</b>	<b>\$ 1,908</b>	<b>\$ 929</b>	<b>\$ 25</b>	<b>\$ 445</b>	<b>12,227</b>

The establishment of the allocation to goodwill requires the extensive use of accounting estimates and management judgement. The fair values assigned to the assets acquired are based on estimates and assumptions from data that is readily available.

### Summary of Unaudited Supplemental Pro Forma Information

The Company recognized \$6,373 cumulative revenue and \$258 cumulative net loss in its Condensed Consolidated Statement of Operations for the three months ended March 31, 2023 related to clinical practices acquired in prior years.

#### Sapra Asset Acquisition

On July 1, 2022 ("Sapra Acquisition Date"), the Company acquired certain clinical assets of Ranjan K. Sapra, M.D. (the "Sapra Practice") from Ranjan K. Sapra, M.D. ("Dr. Sapra"). The Company transferred cash consideration of \$1 to Dr. Sapra for the purchase, which was assigned to property and equipment.

#### Note 17. Variable Interest Entities

The Company prepares its condensed consolidated financial statements in accordance with Accounting Standards Codification Topic No. 810, *Consolidations* ("ASC 810"), which provides for the consolidation of VIEs of which an entity is the primary beneficiary.

Pursuant to the MSAs established with the TOI PCs, TOI Management is entitled to receive a management fee, which represents a variable interest in and the right to receive the benefits of the TOI PCs. Through the terms of the MSAs, TOI Management receives the right to direct the most significant activities of the TOI PCs. Therefore, the TOI PCs are variable interest entities and TOI Management is the primary beneficiary that consolidates the TOI PCs, and their subsidiaries.

The condensed consolidated financial statements include the accounts of TOI and its subsidiaries and VIEs. All inter-company profits, transactions, and balances have been eliminated upon consolidation.

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>		
Current assets:		
Cash and restricted cash	\$ 1,659	\$ 1,070
Accounts receivable, net	45,956	39,817
Other receivables	123	220
Inventories, net	10,254	9,262
Prepaid expenses	1,406	841
Total current assets	59,398	51,210
Property and equipment, net	153	168
Other assets	491	441
Intangible assets, net	3,227	3,343
Goodwill	—	15,832
<b>Total assets</b>	<b>\$ 63,269</b>	<b>\$ 70,994</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 10,370	\$ 8,296
Income taxes payable	—	132
Accrued expenses and other current liabilities	6,291	5,129
Current portion of long-term debt	—	—
Amounts due to affiliates	153,410	140,218
Total current liabilities	170,071	153,775
Other non-current liabilities	645	739
Deferred income taxes liability	43	58
<b>Total liabilities</b>	<b>\$ 170,759</b>	<b>\$ 154,572</b>

Single physician holders, who are officers of the Company, retain equity ownership in TOI CA, TOI FL and TOI TX, which represents nominal noncontrolling interests. The noncontrolling interests do not participate in the profit or loss of TOI CA, TOI FL or TOI TX, however.

**Note 18. Goodwill and Intangible Assets**

The Company accounts for goodwill at acquisition-date fair value and other intangible assets at acquisition-date fair value less accumulated amortization. See Note 2 for a summary of the Company's policies relating to goodwill and intangible assets.

**Intangible Assets**

As of March 31, 2023, the Company's intangible assets, net consists of the following:

<i>(in thousands)</i>	<b>Weighted average amortization period</b>	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
<b>Intangible assets</b>				
Amortizing intangible assets:				
Payor contracts	10 years	\$ 19,400	\$ (8,509)	\$ 10,891
Trade names	10 years	6,650	(2,105)	4,545
Clinical contracts and noncompete agreements	8 years	3,025	(1,233)	1,792
<b>Total intangible assets</b>		<b>\$ 29,075</b>	<b>\$ (11,847)</b>	<b>\$ 17,228</b>

As of December 31, 2022, the Company's intangible assets, net consists of the following:

<i>(in thousands)</i>	<b>Weighted average amortization period</b>	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
<b>Intangible assets</b>				
Amortizing intangible assets:				
Payor contracts	10 years	\$ 19,400	\$ (8,038)	\$ 11,362
Trade names	10 years	6,650	(1,941)	4,709
Clinical contracts and noncompete agreements	8 years	3,025	(1,139)	1,886
<b>Total intangible assets</b>		<b>\$ 29,075</b>	<b>\$ (11,118)</b>	<b>\$ 17,957</b>

The estimated aggregate amortization expense for each of the five succeeding fiscal years as of March 31, 2023 is as follows:

<i>(in thousands)</i>	<b>Amount</b>
Year ending December 31:	
2023 (remaining nine months)	\$ 2,184
2024	2,913
2025	2,909
2026	2,884
2027	2,757
Thereafter	3,581
<b>Total</b>	<b>\$ 17,228</b>

The aggregate amortization expense during the three months ended March 31, 2023 and 2022 were \$728 and \$673, respectively.

## Goodwill

The Company evaluates goodwill at the reporting unit level, which, for the Company, is at the level of the reportable segments, dispensary, patient services, and clinical trials & other. The goodwill allocated to each of the reporting units as of March 31, 2023 and December 31, 2022 is as follows:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Patient services	\$ —	\$ 16,235
Dispensary	4,551	4,551
Clinical trials & other	—	632
<b>Total goodwill</b>	<b>\$ 4,551</b>	<b>\$ 21,418</b>

The changes in the carrying amount of goodwill for the three months ended March 31, 2023 and for the year ended December 31, 2022 are as follows:

<i>(in thousands)</i>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Balance as of January 1:		
Gross goodwill	\$ 21,418	\$ 26,626
Goodwill acquired	—	4,736
Goodwill impairment charges (see Note 2 and Note 7)	(16,867)	(9,944)
<b>Goodwill, net as of December 31</b>	<b>\$ 4,551</b>	<b>\$ 21,418</b>

## Note 19. Net Income (Loss) Per Share

The following table sets forth the computation of the Company's basic net income (loss) per share to common stockholders for the three months ended March 31, 2023 and 2022.

<i>(in thousands, except share data)</i>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net (loss) income attributable to TOI	\$ (29,998)	\$ 19,286
Less: Deemed dividend	—	—
Net (loss) income attributable to TOI available for distribution	(29,998)	19,286
Net (loss) income attributable to participating securities, basic	(5,504)	3,519
<b>Net (loss) income attributable to common stockholders, basic</b>	<b>\$ (24,494)</b>	<b>\$ 15,767</b>
Weighted average common shares outstanding, basic	73,449,132	73,252,365
<b>Net (loss) income per share attributable to common stockholders, basic</b>	<b>\$ (0.33)</b>	<b>\$ 0.22</b>

The following table sets forth the computation of the Company's diluted net loss per share to common stockholders for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,	
	2023	2022
<i>(in thousands, except share data)</i>		
Net (loss) income attributable to TOI	\$ (29,998)	\$ 19,286
Less: Deemed dividend	—	—
Net (loss) income attributable to TOI available for distribution	(29,998)	19,286
Net (loss) income attributable to participating securities, diluted	(5,504)	3,405
<b>Net (loss) income attributable to common stockholders, diluted</b>	<b>\$ (24,494)</b>	<b>\$ 15,881</b>
Weighted average common shares outstanding, basic	73,449,132	73,252,365
Dilutive effect of stock options	—	2,995,601
Weighted average shares outstanding, diluted	73,449,132	76,247,966
<b>Net (loss) income per share attributable to common stockholders, diluted</b>	<b>\$ (0.33)</b>	<b>\$ 0.21</b>

The following potentially dilutive outstanding securities were excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive for the periods presented:

	Three Months Ended March 31,	
	2023	2022
Stock options	9,832,667	4,609,124
RSUs	3,581,977	1,991,728
Medical RSUs	447,012	—
Earnout Shares	1,401,064	1,560,857
Public Warrants	5,749,986	5,749,986
Private Warrants	3,177,542	3,177,542

#### Note 20. Segment Information

The Company operates its business and reports its results through three operating and reportable segments: dispensary, patient services, and clinical trials & other in accordance with ASC 280. See Note 2 for a summary of the Company's policy on segment information.

Summarized financial information for the Company's segments is shown in the following tables:

	Three Months Ended March 31,	
	2023	2022
<i>(in thousands)</i>		
Revenue		
Patient services	\$ 50,273	\$ 35,057
Dispensary	24,240	18,679
Clinical trials & other	1,679	1,425
<b>Consolidated revenue</b>	<b>\$ 76,192</b>	<b>\$ 55,161</b>
Direct costs		
Patient services	\$ 42,814	\$ 27,378
Dispensary	19,145	15,324
Clinical trials & other	134	137
<b>Total segment direct costs</b>	<b>\$ 62,093</b>	<b>\$ 42,839</b>
Depreciation expense		
Patient services	\$ 406	\$ 250
Dispensary	16	—



	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<i>(in thousands)</i>		
Clinical trials & other	—	47
<b>Total segment depreciation expense</b>	<b>\$ 422</b>	<b>\$ 297</b>
<b>Amortization of intangible assets</b>		
Patient services	\$ 675	\$ 621
Dispensary	—	—
Clinical trials & other	52	53
<b>Total segment amortization</b>	<b>\$ 727</b>	<b>\$ 674</b>
<b>Operating income</b>		
Patient services	\$ 6,378	\$ 6,808
Dispensary	5,079	3,355
Clinical trials & other	1,493	1,188
<b>Total segment operating income</b>	<b>\$ 12,950</b>	<b>\$ 11,351</b>
<b>Goodwill impairment charges</b>		
Patient services	\$ 16,235	\$ —
Dispensary	—	—
Clinical trials & other	632	—
<b>Total impairment charges</b>	<b>\$ 16,867</b>	<b>\$ —</b>
Selling, general and administrative expense	\$ 28,830	\$ 29,806
Non-segment depreciation and amortization	120	16
<b>Total consolidated operating loss</b>	<b>\$ (32,867)</b>	<b>\$ (18,471)</b>

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<i>(in thousands)</i>	
<b>Assets</b>		
Patient services	\$ 70,241	\$ 64,869
Dispensary	9,872	7,194
Clinical trials & other	11,471	11,496
Non-segment assets	143,049	178,106
<b>Total assets</b>	<b>\$ 234,633</b>	<b>\$ 261,665</b>

**Note 21. Related Party Transactions**

Related party transactions include payments for consulting services provided to the Company, clinical trials, board fees, and share repurchases. Related party payments for the three months ended March 31, 2023 and 2022 were as follows:

<i>(in thousands)</i>	Type	Three Months Ended March 31,	
		2023	2022
American Institute of Research	Consulting	\$ 15	\$ 40
Karen M Johnson	Board Fees	13	19
Richard Barasch	Board Fees	—	5
Anne M. McGeorge	Board Fees	13	19
Mohit Kaushal	Board Fees	15	19
Ravi Sarin	Board Fees	13	19
Maeve O'Meara	Board Fees	13	19
M33 Growth LLC (Gabe Ling)	Board Fees	13	—
Mark L. Pacala	Board Fees	13	—
Richy Agajanian MD	Clinical Trials	2	16
<b>Total</b>		<b>\$ 110</b>	<b>\$ 156</b>

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

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of The Oncology Institute, Inc. ("TOI") along with its consolidating subsidiaries (the "Company"). The discussion should be read together with the unaudited condensed consolidated financial statements and the related notes that are included elsewhere in this Report. The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. Such statements are based upon current expectations, as well as management's beliefs and assumptions and involve a high degree of risk and uncertainty. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Statements that include the words "believes," "anticipates," "plans," "expects," "intends," and similar expressions that convey uncertainty of future events or outcomes are forward-looking statements. Our actual results could differ materially from those discussed or suggested in the forward-looking statements herein. Factors that could cause or contribute to such differences include those described under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022. In addition, as a result of these and other factors, our past financial performance should not be relied on as an indication of future performance. All forward-looking statements in this document are based on information available to us as of the filing date of this Quarterly Report on Form 10-Q and we assume no obligation to update any forward-looking statements or the reasons why our actual results may differ. All dollar values are expressed in thousands, unless otherwise noted.

### Overview

The Company is a leading value-based oncology company that manages community-based oncology practices that serve patients at 76 clinic locations across 15 markets and five states throughout the United States. Our community-based oncology practices are staffed with 109 oncologists and advanced practice providers. 62 of these clinics are staffed with 98 providers employed by our affiliated physician-owned professional corporations, referred to as the "TOI PCs", which provided care for more than 64,000 patients in 2022 and managed a population of approximately 1.8 million patients under value-based agreements as of March 31, 2023. The Company also provides management services on behalf of 14 clinic locations owned by independent oncology practices. The Company's mission is to heal and empower cancer patients through compassion, innovation, and state-of-the-art medical care.

Operationally, the Company's medical centers provide a complete suite of medical oncology services including: physician services, in-house infusion and pharmacy, clinical trials, radiation, educational seminars, support groups, counseling, and 24/7 patient assistance. Many of our services, such as managing clinical trials, palliative care programs and stem cell transplants, are traditionally accessed through academic and tertiary care settings, while the TOI PCs bring these services to patients in a community setting. As scientific research progresses and more treatment options become available, cancer care is shifting from acute care episodes to chronic disease management. With this shift, it is increasingly important for high-quality, high-value cancer care to be available in a local community setting to all patients in need.

As a value-based oncology company, the Company seeks to deliver both better quality care and lower cost of care. The Company works to accomplish this goal by reducing wasteful, inefficient or counterproductive care that drives up costs but does not improve outcomes. The Company believes payors and employers are aligned with the value-based model due to its enhanced access, improved outcomes, and lower costs. Patients under the Company's affiliated providers' care can benefit from evidence-based and personalized care plans, gain access to sub-specialized care in convenient community locations, and lower out-of-pocket costs. The Company believes its affiliated providers enjoy the stability and predictability of a large multi-state practice, are not incentivized or pressured to overtreat when it may be inconsistent with a patient's goals of care, and can focus on practicing outstanding evidence-based medicine, rather than business building.

### The Business Combination

On June 28, 2021, DFP Healthcare Acquisition Corp. ("DFPH"), Orion Merger Sub I, Inc. ("First Merger Sub") and Orion Merger Sub II, LLC ("Second Merger Sub") entered into an agreement and plan of merger ("Merger Agreement") with TOI Parent, Inc. ("TOI Parent") (collectively, the "Business Combination"). In connection with the Business Combination, DFPH entered into subscription agreements with certain investors (the "PIPE Investors"), whereby it issued 17.5 million shares of common stock at \$10.00 per share and 100,000 shares of preferred stock at \$1,000.00 per share ("PIPE Shares") for an aggregate investment of \$275,000 ("PIPE Investment"), which closed simultaneously with the consummation of the Business Combination.

The Business Combination closed on November 12, 2021 ("Closing Date"). On the Closing Date, (i) First Merger Sub merged with and into TOI Parent, with TOI Parent being the surviving corporation and (ii) immediately following, TOI Parent merged with and into Second Merger Sub ("Legacy TOI"), with Second Merger Sub being the surviving entity and a wholly

owned subsidiary of DFPH. DFPH was renamed “The Oncology Institute, Inc.” and TOI Common Stock and Public Warrants continued to be listed on Nasdaq under the ticker symbols “TOI” and “TOIHW,” respectively.

The total merger consideration on the Closing Date was \$762,052, consisting of 51.3 million shares of common stock, valued at \$10.00 per share (aggregate \$595,468, inclusive of shares of DFPH common stock issuable per restricted stock units and the exercise of Legacy TOI stock options), and \$166,584 in cash. Legacy TOI also issued 12.5 million shares of common stock pursuant to the terms of an earnout (“Earnout Shares”). The earnout shares are allocable to both Legacy TOI stockholders and Legacy TOI option holders. On the Closing Date, shares of DFPH common stock that were not otherwise redeemed as part of the DFPH public stockholder vote and the PIPE Shares automatically converted into shares of TOI stock on a one-for-one basis.

The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). Under this method of accounting, DFPH was treated as the “acquired” company for accounting purposes and the Business Combination was treated as the equivalent of Legacy TOI issuing stock for the net assets of DFPH, accompanied by a recapitalization. The net assets of DFPH are stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination were those of Legacy TOI.

## **Components of Results of Operations**

### **Revenue**

The Company receives payments from the following sources for services rendered: (i) commercial insurers; (ii) pharmacy benefit managers (“PBMs”), (iii) the federal government under the Medicare program administered by the Centers for Medicare and Medicaid Services (“CMS”); (iv) state governments under Medicaid and other programs; (v) other third-party payors and managed care organizations (e.g., risk bearing organizations and independent practice associations (“IPAs”)); and (vi) individual patients and clients.

Revenue primarily consists of capitation revenue, fee-for-service (“FFS”) revenue, dispensary revenue, and clinical trials revenue. Capitation and FFS revenue comprise the revenues within the Company’s patient services segment and are presented together in the results of operations. The following paragraphs provide a summary of the principal forms of our billing arrangements and how revenue is recognized for each type of revenue.

#### ***Capitation***

Capitation revenues consist primarily of fees for medical services provided by the TOI PCs to the Company’s patients under a capitated arrangement with various managed care organizations. Capitation revenue is paid monthly based on the number of enrollees by the contracted managed care organization (per member per month or “PMPM”). Capitation contracts generally have a legal term of one year or longer. Payments in capitation contracts are variable since they primarily include PMPM fees associated with unspecified membership that fluctuates throughout the term of the contract; however, based on our experience, our total underlying membership generally increases over time as penetration of Medicare Advantage products grows. Certain contracts include terms for a capitation deduction where the cost of out-of-network referrals of members are deducted from the future payment. Revenue is recognized in the month services are rendered on the basis of the transaction price established at that time.

#### ***Fee-for-service revenue***

FFS revenue represents revenue earned under contracts in which we bill and collect for medical services rendered by the TOI PCs’ employed physicians. The terms for FFS contracts are short in duration and only last for the period over which services are rendered (typically, one day). FFS revenue consists of fees for medical services provided to patients. As specialist providers, our FFS revenue is dependent on referrals from other physicians, such as primary care physicians. The Company’s affiliated providers build trusted, professional relationships with these physicians and their associated medical groups, which can lead to recurring FFS volume; however, this volume is subject to numerous factors the Company cannot control and can fluctuate over time. The Company also receives FFS revenue for capitated patients that receive medical services which are excluded from the Company’s capitation contracts. Under the FFS arrangements, third-party payors and patients are billed for patient care services provided by the TOI PCs. Payments for services provided are generally less than billed charges. The Company records revenue net of an allowance for contractual adjustments, which represents the net revenue expected to be collected from third-party payors (including managed care, commercial, and governmental payors such as Medicare and Medicaid), and patients. These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under each patient’s healthcare plan, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries). The recognition of net revenue (gross charges less

contractual allowances) from such services is dependent on certain factors, such as the proper completion of medical charts following a patient visit, the forwarding of such charts to our billing center for medical coding and entering into the Company's billing system, and the verification of each patient's submission or representation at the time services are rendered as to the payor(s) responsible for payment of such services. Revenue is recorded on the date the services are rendered based on the information known at the time of entering of such information into the Company's billing systems as well as an estimate of the revenue associated with medical services.

#### ***Dispensary***

Oral prescription drugs prescribed by doctors to their patients are sold directly through the TOI PCs' dispensaries. Revenue for the prescriptions is based on fee schedules set by various PBMs and other third-party payors. The fee schedule is often subject to direct and indirect remuneration ("DIR") fees, which are based primarily on pre-established metrics. DIR fees may be assessed in the periods after payments are received against future payments. The Company recognizes revenue, deducted by estimated DIR fees, at the time the patient takes possession of the oral drug.

#### ***Clinical trials & other revenue***

The TOI PCs also enter into contracts to perform clinical research trials. The terms for clinical trial contracts last many months as the clinical research is performed. Each contract represents a single, integrated set of research activities that are satisfied over time as the output of results from the trial is captured for the trial sponsor to review. Under the clinical trial contracts, the TOI PCs receive a fixed payment for administrative, set-up, and close-down fees; a fixed amount for each patient site visit; and certain expense reimbursements. The Company recognizes revenue for these arrangements on the fees earned to date based on the state of the trial, as established under contract with the customer.

#### **Operating Expenses**

##### ***Direct costs - patient services***

Direct costs - patient services primarily includes chemotherapy drug costs, clinician salaries and benefits, and medical supplies. Clinicians include oncologists, advanced practice providers such as physician assistants and nurse practitioners, and registered nurses employed by the TOI PCs.

##### ***Direct costs - dispensary***

Direct costs - dispensary primarily includes the cost of oral medications dispensed in the TOI PCs' clinic locations.

##### ***Direct costs - clinical trials & other***

Direct costs - clinical trials & other primarily includes costs related to clinical trial contracts and medical supplies.

##### ***Selling, general and administrative expense***

Selling, general and administrative expenses include employee-related expenses, including both clinic and field support staff as well as central administrative and corporate staff. These expenses include salaries and related costs and stock-based compensation for our executives and physicians. The Company's selling, general and administrative expenses also includes occupancy costs, technology infrastructure, operations, clinical and quality support, finance, legal, human resources, and business development. Following the consummation of the Business Combination, general and administrative expenses have increased, and the Company expects continued increases over time, due to the additional legal, accounting, insurance, investor relations and other costs that the Company incurs as a public company, as well as other costs associated with continuing to grow the business. While the Company expects its selling, general and administrative expenses to increase in absolute dollars in the foreseeable future, such expenses are on average expected to decrease as a percentage of revenue over the long term.

#### **Results of Operations**

The following table sets forth our Condensed Consolidated Statements of Operations data expressed as a percentage of total revenues for the periods indicated. The Company's management is not aware of material events or uncertainties that would cause the financial information below to not be indicative of future operating results or results of future financial condition.

	Three Months Ended March 31,	
	2023	2022
<b>Revenue</b>		
Patient services	66.0 %	63.6 %
Dispensary	31.8 %	33.8 %
Clinical trials & other	2.2 %	2.6 %
<b>Total operating revenue</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>Operating expenses</b>		
Direct costs – patient services	56.2 %	49.6 %
Direct costs – dispensary	25.1 %	27.8 %
Direct costs – clinical trials & other	0.2 %	0.2 %
Goodwill impairment charges	22.1 %	— %
Selling, general and administrative expense	37.8 %	54.0 %
Depreciation and amortization	1.7 %	1.8 %
<b>Total operating expenses</b>	<b>143.1 %</b>	<b>133.4 %</b>
<b>Loss from operations</b>	<b>(43.1)%</b>	<b>(33.4)%</b>
<b>Other non-operating expense (income)</b>		
Interest expense	3.5 %	0.1 %
Interest income	(1.6)%	— %
Change in fair value of derivative warrant liabilities	(0.2)%	2.6 %
Change in fair value of earnout liabilities	(1.0)%	(71.5)%
Change in fair value of conversion option derivative liabilities	(4.4)%	— %
Gain on loan forgiveness	— %	(0.3)%
Other, net	(0.2)%	0.3 %
<b>Total other non-operating income</b>	<b>(3.9)%</b>	<b>(68.8)%</b>
(Loss) income before provision for income taxes	(39.2)%	35.4 %
Income tax (expense) benefit	(0.1)%	(0.3)%
<b>Net income (loss)</b>	<b>(39.3)%</b>	<b>35.1 %</b>

#### Comparison of the Three Months Ended March 31, 2023 and 2022

##### Revenue

<i>(dollars in thousands)</i>	Three Months Ended March 31,		Change	
	2023	2022	\$	%
Patient services	\$ 50,273	\$ 35,057	\$ 15,216	43.4 %
Dispensary	24,240	18,679	5,561	29.8 %
Clinical trials & other	1,679	1,425	254	17.8 %
<b>Total operating revenue</b>	<b>\$ 76,192</b>	<b>\$ 55,161</b>	<b>\$ 21,031</b>	<b>38.1 %</b>

##### Patient services

The increase in patient services revenue was primarily due to a 38.5% increase in FFS revenue as a result of practice acquisitions and an overall increase in clinic count as well as a 4.1% increase in capitation revenue due to capitation contracts.

### Dispensary

The increase in dispensary revenue was primarily due to a 30.1% increase in the number of prescriptions filled, offset by a 0.3% decrease in the average revenue per fill.

### Clinical trials & other

The increase in clinical trials and other revenue was primarily due to an increase in California Proposition 56 supplemental payments and other revenue compared to the same quarter prior year for the three months ended March 31, 2023 and 2022.

### Operating Expenses

(dollars in thousands)	Three Months Ended March 31,		Change	
	2023	2022	\$	%
Direct costs – patient services	\$42,814	\$ 27,378	\$ 15,436	56.4 %
Direct costs – dispensary	19,145	15,324	3,821	24.9 %
Direct costs – clinical trials & other	134	137	(3)	(2.2)%
Goodwill impairment charges	16,867	—	16,867	N/A
Selling, general and administrative expense	28,830	29,806	(976)	(3.3)%
Depreciation and amortization	1,269	987	282	28.6 %
<b>Total operating expenses</b>	<b>\$109,059</b>	<b>\$ 73,632</b>	<b>\$ 35,427</b>	<b>48.1 %</b>

### Patient services cost

The increase in patient services cost was primarily due to a 43.6% increase in intravenous drug costs, driven by the Company's patient mix and volume, as well as 11.9% increase in clinical payroll costs due to the growth in clinic count.

### Dispensary cost

The increase in dispensary cost was primarily due to a 30.1% increase in the number of prescriptions filled, offset by a 4.0% decrease in the average cost of the prescriptions filled.

### Goodwill impairment charges

During the three months ended March 31, 2023, impairment charges of \$16,867 were recorded related to goodwill. See Note 18 for additional detail.

### Selling, general and administrative expense

The decrease in selling, general and administrative expense was primarily driven by a decrease in share-based compensation expense of 12.0% and a decrease in transaction costs of 4.8%, offset by a 3.5% increase to salaries and benefits, a 2.4% increase to real estate and development, and a 6.7% increase in office expenses related to the continued growth of our business.

### Other Expenses (Income)

(dollars in thousands)	Three Months Ended March 31,		Change	
	2023	2022	\$	%
Interest expense	\$ 2,650	\$ 74	\$ 2,576	3,481.1 %
Interest income	(1,207)	—	(1,207)	N/A
Change in fair value of derivative warrant liabilities	(143)	1,461	(1,604)	(109.8)%
Change in fair value of earnout liabilities	(752)	(39,440)	38,688	(98.1)%
Change in fair value of conversion option derivative liabilities	(3,318)	—	(3,318)	N/A
Gain on loan forgiveness	—	(183)	183	N/A
Other, net	(143)	151	(294)	(194.7)%
<b>Total other non-operating expense (income)</b>	<b>\$ (2,913)</b>	<b>\$ (37,937)</b>	<b>\$ 35,024</b>	<b>(92.3)%</b>

**Interest expense**

The increase in interest expense was the result of interest and amortization related to the Senior Secured Convertible Note during the first quarter of 2023.

**Interest income**

The increase in interest income was the result of investments in marketable securities during the first quarter of 2023.

**Change in fair value of liabilities**

The decrease in non-operating (income) expense was primarily due to gains of \$752 and \$3,318, respectively, as a result of decreases in the fair value of earnout liabilities and conversion option derivative liabilities for the three months ended March 31, 2022, compared to a gain of \$39,440 as a result of a decrease in the fair value of earnout liabilities for the three months ended March 31, 2022.

**Gain on loan forgiveness**

There was no gain on loan forgiveness during the three months ended March 31, 2023. For the three months ended March 31, 2022, gain on loan forgiveness of \$183 was the result of a CARES Act loan that was acquired as part of a physician practice acquisition and subsequently forgiven.

**Other, net**

The change in other, net was primarily due to unrealized gains on marketable securities and related accretion that did not occur in the prior year.

**Key Business Metrics**

In addition to our financial information, the Company's management reviews a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Clinics <sup>(1)</sup>	76	67
Markets	15	11
Lives under value-based contracts (millions)	1.8	1.7
Adjusted EBITDA (in thousands) <sup>(2)</sup>	\$ (7,929)	\$ (5,229)

<sup>(1)</sup> Includes independent oncology practices to which we provide limited management services, but do not bear the operating costs.

<sup>(2)</sup> Adjusted EBITDA is a "non-GAAP" financial measure within the meaning of Item 10 of Regulation S-K promulgated by the SEC. The Company defines Adjusted EBITDA as net income (loss) adjusting for:

- Depreciation and amortization,
- Interest expense, net,
- Income tax expense,
- Non-cash addbacks,
- Share-based compensation,
- Goodwill impairment charges
- Changes in fair value of liabilities,
- Unrealized (gains) losses on investments



- Practice acquisition-related costs,
- Post combination compensation expense,
- Consulting and legal fees,
- Infrastructure and workforce costs, and
- Transaction costs.

The Company includes Adjusted EBITDA because it is an important measure upon which our management uses to assess the results of operations, to evaluate factors and trends affecting the business, and to plan and forecast future periods.

Management believes that this measure provides an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results, provides a more complete understanding of the Company's results of operations and the factors and trends affecting the business. However, non-GAAP financial measures should be considered a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with U.S. GAAP. Non-GAAP financial measures used by management may differ from the non-GAAP measures used by other companies, including the Company's competitors. Management encourages investors and others to review the Company's financial information in its entirety, not to rely on any single financial measure.

The following tables provide a reconciliation of net income (loss), the most closely comparable GAAP financial measure, to Adjusted EBITDA:

<i>(dollars in thousands)</i>	Three Months Ended March 31,		Change	
	2023	2022	\$	%
Net (loss) income	\$ (29,998)	\$ 19,286	\$ (49,284)	(255.5)%
Depreciation and amortization	1,269	987	282	28.6 %
Interest expense, net	1,443	74	1,369	1,850.0 %
Income tax expense (benefit)	44	180	(136)	(75.6)%
Non-cash addbacks <sup>(1)</sup>	141	197	(56)	(28.4)%
Share-based compensation	4,965	8,552	(3,587)	(41.9)%
Goodwill impairment charges	16,867	—	16,867	N/A
Changes in fair value of liabilities	(4,213)	(37,979)	33,766	(88.9)%
Unrealized (gains) losses on investments	(143)	—	(143)	N/A
Practice acquisition-related costs <sup>(2)</sup>	16	422	(406)	(96.2)%
Post-combination compensation expense <sup>(3)</sup>	581	—	581	N/A
Consulting and legal fees <sup>(4)</sup>	585	655	(70)	(10.7)%
Infrastructure and workforce costs <sup>(5)</sup>	506	953	(447)	(46.9)%
Transaction costs <sup>(6)</sup>	8	1,444	(1,436)	(99.4)%
<b>Adjusted EBITDA</b>	<b>\$ (7,929)</b>	<b>\$ (5,229)</b>	<b>\$ (2,700)</b>	<b>51.6 %</b>

<sup>(1)</sup> During the three months ended March 31, 2023, non-cash addbacks were primarily comprised of non-cash rent of \$140 and net credit losses of \$1. During the three months ended March 31, 2022, non-cash addbacks were primarily comprised of net credit losses of \$154 and non-cash rent of \$29.

<sup>(2)</sup> Practice acquisition-related costs were comprised of consulting and legal fees incurred to perform due diligence, execute, and integrate acquisitions of various oncology practices.

<sup>(3)</sup> Deferred consideration payments for practice acquisitions that are contingent upon the seller's future employment at the Company.

<sup>(4)</sup> Consulting and legal fees were comprised of a subset of the Company's total consulting and legal fees, and related to certain advisory projects during the three months ended March 31, 2023. During the three months ended March 31, 2022, these fees related to advisory projects, software implementations, and legal fees for debt financing and predecessor litigation matters.

(5) Infrastructure and workforce costs were comprised of recruiting expenses to build out corporate infrastructure of \$462 and \$424, software implementation fees of \$29 and \$26, severance expenses resulting from cost rationalization programs of \$15 and \$18, and temporary labor of \$0 and \$485 during the three months ended March 31, 2023 and 2022, respectively.

(6) Transaction costs incurred during the three months ended March 31, 2022 were comprised of consulting, legal, administrative and regulatory fees associated with the Business Combination.

## Liquidity and Capital Resources

### General

To date, the Company has financed its operations principally through debt facilities, issuances of equity securities and payments received from various payors. As of March 31, 2023, the Company had \$15,250 of cash and cash equivalents, current marketable securities of \$40,132, and noncurrent marketable securities of \$58,841.

The Company expects to incur operating losses and generate negative cash flows from operations for the foreseeable future due to the investments management intends to continue to make in expanding operations and sales and marketing and due to additional general and administrative expenses management expects to incur in connection with operating as a public company. As a result, the Company may require additional capital resources to execute strategic initiatives to grow the business.

Management believes that the cash on hand and investments in marketable securities will be sufficient to fund the Company's operating and capital needs for at least the next 12 months. Management's assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. The Company's actual results could vary because of, and its future capital requirements will depend on, many factors, including our growth rate, the timing and extent of spending to open or acquire new clinics and expand into new markets and the expansion of sales and marketing activities. The Company may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. The Company has based this estimate on assumptions that may prove to be wrong, and the Company could use its available capital resources sooner than management currently expects. The Company may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, the Company may not be able to raise it on terms acceptable to management or at all. If unable to raise additional capital when desired, or if the Company cannot expand operations or otherwise capitalize on business opportunities because the Company's lack of sufficient capital, the Company's business, results of operations, and financial condition would be adversely affected.

### Cash Flows

The following table presents a summary of the Company's consolidated cash flows from operating, investing, and financing activities for the periods indicated.

<i>(dollars in thousands)</i>	Three Months Ended March 31,		Change	
	2023	2022	\$	%
Net cash, cash equivalents, and restricted cash used in operating activities	\$ (15,452)	\$ (16,981)	\$ 1,529	(9)%
Net cash, cash equivalents, and restricted cash provided by (used in) investing activities	18,401	(1,002)	19,403	(1,936)%
Net cash, cash equivalents, and restricted cash used in financing activities	(1,709)	(1,657)	(52)	3 %
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>\$ 1,240</b>	<b>\$ (19,640)</b>	<b>\$ 20,880</b>	<b>(106)%</b>
<b>Cash, cash equivalents, and restricted cash at beginning of period</b>	<b>14,010</b>	<b>115,174</b>	<b>(101,164)</b>	<b>(88)%</b>
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 15,250</b>	<b>\$ 95,534</b>	<b>\$ (80,284)</b>	<b>(84)%</b>

### Operating Activities

Significant changes impacting net cash, cash equivalents, and restricted cash used in operating activities for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 were as follows:

- Net loss of \$(29,998) for the three months ended March 31, 2023 compared to net income of \$19,286 for the three months ended March 31, 2022, primarily as the result of goodwill impairment of \$16,867 for the three months ended March 31, 2023 that did not occur the prior year, and a decrease of \$33,766 in the gain related to the change in fair value of liabilities compared to the same quarter prior year;
- Share based compensation for the three months ended March 31, 2023 decreased by \$3,588 compared to the three months ended March 31, 2022;
- Cash used by accounts receivable increased \$1,481 for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 due to the growth in the Company's business;
- Cash provided by accounts payable, accrued expenses and income taxes payable increased \$4,206 for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 primarily due to an increase in vendor payables due to the growth in the Company's business; and
- Cash provided by prepaid and other current assets increased \$480 for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 primarily due to the amortization of the D&O policy during 2023 and costs incurred in association with the SPAC transaction during 2022 that were deferred until the transaction closed.

**Investing Activities**

Net cash provided by investing activities increased \$19,403 for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 due to sales of marketable securities of \$29,999, offset by purchases of \$9,759, that did not occur in the prior period.

**Financing Activities**

Net cash used in financing activities increased \$52 for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 primarily due to an increase of \$47 related to payments made for financing of insurance payments.

**Material Cash Requirements**

The Company's material cash requirements for the following five years consist of operating leases and other miscellaneous administrative expenses. Additionally, the Company is subject to certain outside claims and litigation arising out of the ordinary course of business, however, no such litigation requires future cash expenditure as of March 31, 2023.

<i>(dollars in thousands)</i>	<b>Material Cash Requirements Due by the Year Ended December 31,</b>				
	<b>2023</b>	<b>2024-2025</b>	<b>2026-2027</b>	<b>Thereafter</b>	<b>Total</b>
Convertible note <sup>1</sup>	\$ 8,043	\$ 21,624	\$ 127,647	\$ —	\$ 157,314
Operating leases	5,206	12,509	9,343	5,181	32,239
Deferred acquisition and contingent consideration	2,175	525	—	—	2,700
Other <sup>2</sup>	1,805	119	39	29	1,992
<b>Total material cash requirements</b>	<b>\$ 17,229</b>	<b>\$ 34,777</b>	<b>\$ 137,029</b>	<b>\$ 5,210</b>	<b>\$ 194,245</b>

<sup>(1)</sup> Includes principal and interest payments due.

<sup>(2)</sup> Other is comprised of finance leases and directors and officers insurance premiums.

**JOBS Act**

The Company qualifies as an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and has elected to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is

issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company that is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

### **Critical Accounting Policies**

The Company prepares its financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or conditions.

### **Leases**

On January 1, 2022, the Company adopted ASU 2016-02, *Leases*, with various amendments issued in 2018 and 2019 (collectively, "ASC 842") using the modified retrospective approach, for leases that existed on January 1, 2022. ASC 842 requires lessees to recognize assets and liabilities for most leases. The Company evaluates whether an arrangement is or contains a lease at contract inception. A lease exists when a contract conveys to the customer the right to control the use of an identified asset for a period of time in exchange for consideration. Upon lease commencement, the date on which a lessor makes the underlying asset available to the Company for use, the Company classifies the lease as either an operating or finance lease. The Company applied certain practical expedients permitted under the transition guidance, including the package of practical expedients, which permits the Company not to reassess its prior conclusions related to lease identification, lease classification, and initial direct costs capitalization. The Company solely acts as a lessee and its leases primarily consist of operating leases for its real estate in the states in which the Company operates. The Company has other operating or financing leases for various clinical and non-clinical equipment.

Generally, upon the commencement of a lease, the Company will record a right-of-use ("ROU") asset and lease liability. An ROU asset represents the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are measured at the present value of the remaining, fixed lease payments at lease commencement. The Company uses its incremental borrowing rate, based on the information available at the later of adoption, inception, or modification in determining the present value of lease payments. ROU assets are measured at an amount equal to the initial lease liability, plus any prepaid lease payments (less any incentives received) and initial direct costs, at the lease commencement date. The Company has elected to account for lease and non-lease components as a single lease component for all underlying classes of assets. As a result, the fixed payments that would otherwise be allocable to the non-lease components are account for as lease payments and included in the measurement of the Company's right-of-use asset and lease liability.

Lease arrangements with an initial term of 12 months or less are considered short-term leases and are not recorded on the balance sheet. The short-term lease payments are recognized as an expense on a straight-line basis over the lease term. The lease term includes any period covered by renewal options available that the Company is reasonably certain to exercise and any options to terminate the lease that the Company is not reasonably certain to exercise.

### **Variable Interest Entities**

The Company consolidates entities for which it has a variable interest and is determined to be the primary beneficiary. The Company holds variable interests in the TOI PCs, comprised of TOI CA, TOI FL, and TOI TX all of which the Company cannot legally own due to jurisdictional laws governing the corporate practice of medicine. The TOI PCs employ physicians and other clinicians in order to provide professional services to patients of our managed clinics, and under substantially similar MSAs, we serve as the exclusive manager and administrator of the TOI PCs' non-medical functions and services. The TOI PCs are considered variable interest entities ("VIEs") as they do not have sufficient equity to finance their activities without additional financial support from the Company. An enterprise having a controlling financial interest in a VIE must consolidate the VIE if it has both power and benefits — that is, it has (1) the power to direct the activities of a VIE that most significantly impacts the VIE's economic performance (power), and (2) the obligation to absorb the losses of the VIE that potentially could be significant to the VIE or the right to receive benefits from the VIE that potentially could be significant to the VIE (benefits). The Company has the power to control all financial activities of the TOI PCs, the rights to receive substantially all benefits from the VIEs, and consequently consolidates the TOI PCs. Revenues, expenses, and income from the TOI PCs are included in the consolidated amounts as presented on the Condensed Consolidated Statements of Operations.

### **Segment Reporting**

The Company presents the financial statements by segment in accordance with the relevant accounting literature to provide investors with transparency into how the chief operating decision maker (“CODM”) manages the business. The Company’s CODM is our Chief Executive Officer. The CODM reviews financial information and allocates resources across three operating segments: dispensary, patient care, and clinical trials & other.

### **Revenue Recognition**

The Company recognizes consolidated revenue based upon the principle of the transfer of control of our goods and services to customers in an amount that reflects the consideration it expects to be entitled. This principle is achieved through applying the following five-step approach:

1. Identification of the contract, or contracts, with a customer.
2. Identification of the performance obligations in the contract.
3. Determination of the transaction price.
4. Allocation of the transaction price to the performance obligations in the contract.
5. Recognition of revenue when, or as, the entity satisfies a performance obligation.

Consolidated revenue primarily consists of capitation revenue, fee-for-service (FFS) revenue, dispensary revenue, and clinical trials revenue. Revenue is recognized in the period in which services are rendered or the period in which the TOI PCs are obligated to provide services. The form of billing and related risk of collection for such services may vary by type of revenue and the payor. The following paragraphs provide a summary of the principal forms of billing arrangements and how revenue is recognized for each.

#### **Capitation**

Capitation contracts have a single performance obligation that is a stand ready obligation to perform specified healthcare services to the population of enrolled members and constitutes a series for the provision of managed healthcare services for the term of the contract, which is deemed to be one month since the mix of patient-customers can and do change month over month. The transaction price for capitation contracts is variable as it primarily includes PMPM fees associated with unspecified membership that fluctuates throughout the term of the contract. Further, we adjust the transaction price for capitation deductions based on historical experience. Revenue is recognized in the month services are rendered on the basis of the transaction price established at that time. If subsequent information resolves uncertainties related to the transaction price, adjustments will be recognized in the period they are resolved. When payment has been received but services have not yet been rendered, the payment is recognized as a contract liability.

#### **Fee For Service**

FFS revenue consists of fees for medical services actually provided to patients. These medical services are distinct since the patient can benefit from the medical services on their own. Each service constitutes a single performance obligation for which the patient accepts and receives the benefit of the medical services as they are performed.

The transaction price from FFS arrangements is variable in nature because fees are based on patient encounters, credits due to patients, and reimbursement of provider costs, all of which can vary from period to period. The Company estimates the transaction price using the most likely methodology and amounts are only included in the net transaction price to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty is resolved. As a practical expedient, the Company adopted a portfolio approach to determine the transaction price for the medical services provided under FFS arrangements. Under this approach, the Company bifurcated the types of services provided and grouped health plans with similar fees and negotiated payment rates.

At these levels, portfolios share the characteristics conducive to ensuring that the results do not materially differ from the standard applied to individual patient contracts related to each medical service provided.

Revenue is recorded on the date the services are rendered based on the information known at the time of entering of such information into our billing systems as well as an estimate of the revenue associated with medical services. When the performance obligation is not satisfied, the billing is recognized as a contract liability.

### *Dispensary*

Dispensed prescriptions that are filled and delivered to the patient are considered a distinct performance obligation. The transaction price for the prescriptions is based on fee schedules set by PBMs and other third-party payors. The fee schedule is often subject to DIR fees, which are based primarily on pre-established metrics. DIR fees may be assessed in periods after payments are received against future payments. The Company estimates DIR fees to arrive at the transaction price for prescriptions. Revenue is recognized based on the transaction at the time the patient takes possession of the oral drug.

### *Clinical Research & Other*

Clinical research contracts represent a single, integrated set of research activities and thus are a single performance obligation. The performance obligation is satisfied over time as the output is captured in data and documentation that is available for the customer to consume over the course of arrangement and furthers progress of the clinical trial. The Company has elected to recognize revenue for clinical trials using the 'as-invoiced' practical expedient. The customer is invoiced periodically based on the progress of the trial such that each invoice captures the revenue earned to date based on the state of the trial as established under contract with the customer.

### *Direct Costs of Sales*

Direct cost of sales primarily consists of wages paid to clinical personnel and other health professionals, oral and IV drug costs, and other medical supplies used to provide patient care. Costs for clinical personnel wages are expensed as incurred and costs for inventory and medical supplies are expensed when used, generally by applying the specific identification method.

### *Goodwill and Intangible Assets*

The Company accounts for goodwill and intangible assets under Accounting Standards Codification Topic No. 350, *Goodwill and Other* ("ASC 350"). Goodwill represents the excess of the fair value of the consideration conveyed in acquisition over the fair value of net assets acquired.

Goodwill is not amortized but is required to be evaluated for impairment at the same time every year. The Company performs annual testing of impairment for goodwill in the fourth quarter of each year. When impairment indicators are identified, the Company compares the reporting unit's fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the reporting unit's carrying amount and its fair value to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit.

Under ASC 350, finite-lived intangible assets are stated at acquisition-date fair value. Intangible assets are amortized using the straight-line method.

Finite-lived intangible assets are stated at acquisition-date fair value. Intangible assets are amortized using the straight-line method. Finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When circumstances indicate that recoverability may be impaired, the Company assesses its ability to recover the carrying value of the asset group from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Fair value is determined based on appropriate valuation techniques.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

#### ***Interest Rate Risk***

We held cash and cash equivalents of \$15,250, current marketable securities of \$40,132, and noncurrent marketable securities of \$58,841 as of March 31, 2023, consisting of bank deposits. Such interest-earning instruments carry a degree of interest rate risk. The goals of our investment policy are liquidity and capital preservation. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of our cash and cash equivalents.

### ***Inflation Risk***

Recently, inflation has increased throughout the U.S. economy. Inflation can adversely affect us by increasing the costs of drugs, clinical trials and research, administration and other costs of doing business. We may experience increases in the prices of labor and other costs of doing business. In an inflationary environment, cost increases may outpace our expectations, causing us to use our cash and other liquid assets faster than forecasted. If this happens, we may need to raise additional capital to fund our operations, which may not be available in sufficient amounts or on reasonable terms, if at all, sooner than expected.

### ***Impairment Risk***

Impairment risk refers to the risk that the Company will write down a material amount of its goodwill or intangible assets. This risk is assessed at least annually in the fourth quarter each year when the Company performs its impairment testing. To the extent that, among other factors, (i) there is underperformance in one or more reporting units (ii) a potential recession further disrupts the economic environment or (iii) interest rates continue to rise in response to persistent inflation, the fair value of one or more of the reporting units could fall below their carrying value, resulting in a goodwill or intangible impairment charge.

For the three months ended March 31, 2023, the Company recognized an impairment charge of \$16,867 to write-down the carrying value of goodwill related to patient services and clinical trials & other in excess of the fair value.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Our disclosure controls and procedures are designed to ensure that the information relating to our Company, including our consolidated subsidiaries, that are required to be disclosed in our SEC reports, is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure. We conducted an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2023, our disclosure controls and procedures were not effective due to a material weakness in our internal control over financial reporting, as described below. Notwithstanding the identified material weakness noted below, management, including our Chief Executive Officer and Chief Financial Officer, who serve as our principal executive officer and principal financial officer, respectively, believe the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with GAAP.

### **Material Weakness in Internal Controls Over Financial Reporting**

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As of March 31, 2023, we have identified a material weakness in our internal control over financial reporting of complex accounting transactions, as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

During the first quarter of 2023, our management continued to execute against the remediation plan under the oversight of the Audit Committee. This involves hiring and training additional qualified personnel, performing detailed risk assessments in key process areas to identify risks of material misstatement, further documenting and implementing control procedures to address the identified risk of material misstatement, and implementing monitoring activities over such control procedures.

### **Changes in Internal Control over Financial Reporting**

Except for the progress that has been made toward remediating the material weakness noted above, there were no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Limitations on Effectiveness of Disclosure Controls and Procedures**

In designing and evaluating our disclosure controls and procedures, management, including the Chief Executive Officer and Chief Financial Officer, recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon 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. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.



## PART II

### Item 1. Legal Proceedings

From time to time, we may be involved in various legal proceedings and subject to claims that arise in the ordinary course of business. Although the results of litigation and claims are inherently unpredictable and uncertain, we are not currently a party to any legal proceedings the outcome of which, if determined adversely to us, are believed to, either individually or taken together, have a material adverse effect on our business, operating results, cash flows or financial condition.

### Item 1A. Risk Factors

Other than as set forth below, there have been no material changes to the risk factors previously described in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. These risk factors describe some of the assumptions, risks, uncertainties and other factors that could adversely affect our business or that could otherwise result in changes that differ materially from our expectations. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC, including as set forth below.

***Our common stock may be delisted if we fail to comply with the requirements for continued listing on The Nasdaq Stock Market LLC ("Nasdaq"), and the price of our common stock, our ability to access the capital markets and our ability to comply with the covenants in our Facility Agreement could be negatively impacted.***

Our common stock is listed for trading on Nasdaq. To maintain this listing, we must satisfy Nasdaq's continued listing requirements, including, among other things, a minimum closing bid price requirement of \$1.00 per share for continued inclusion on Nasdaq under Nasdaq Listing Rule 5450(a)(2) (the "Bid Price Rule").

On April 25, 2023, the Company received a notification letter from Nasdaq indicating that the Company was not in compliance with the Bid Price Rule. The notification letter stated that the Company would be afforded 180 calendar days (until October 23, 2023) to regain compliance. In order to regain compliance, the Company's closing bid price must remain at \$1.00 or more for a minimum of ten consecutive business days (unless Nasdaq exercises its discretion to extend this ten-day period pursuant to Nasdaq Listing Rule 5810(c)(3)(H)). The notification letter also states that in the event the Company does not regain compliance within the 180 day period, the Company may be eligible for an additional 180 days to regain compliance. To qualify, the Company will be required, among other things, to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for Nasdaq, with the exception of the bid price requirement, and would also need to provide written notice of its intention to cure the bid price deficiency during the additional compliance period. If we are unable to regain compliance with the Bid Price Rule during the compliance period (including a second compliance period, if applicable), or fail to meet any of the other continued listing requirements in the future, our common stock may be delisted from Nasdaq, which could reduce the liquidity of our common stock materially and result in a corresponding material reduction in the price of our common stock.

In addition, our Facility Agreement contains various covenants, including a requirement that the Company remain a reporting company and maintain the listing of our shares of common stock on an eligible market such as Nasdaq. Should our common stock be delisted, we would be in breach of the eligible market covenant in the Facility Agreement. If we breach this covenant and are unable to obtain a waiver or amendment under the Facility Agreement, the lenders may, among other things, accelerate our outstanding indebtedness and exercise rights with respect to collateral securing our outstanding indebtedness, each of which could have an adverse effect on our business, financial condition and results of operations.

Delisting could also harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees, and business development opportunities. Such a delisting likely would impair investor's ability to sell or purchase our common stock when investors wish to do so. Further, if we were to be delisted from Nasdaq, our common stock may no longer be recognized as a "covered security" and we would be subject to regulation in each state in which we offer our securities. Thus, delisting from Nasdaq could adversely affect our ability to raise additional financing through the public or private sale of equity securities, would significantly impact the ability of investors to trade our securities, could result in accelerating our outstanding indebtedness under the Facility Agreement, and would negatively impact the value and liquidity of our common stock.

***If the Company is required to record additional goodwill impairment, the Company's financial condition and results would be negatively affected.***

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in the Company's business combinations. Goodwill is not amortized and is tested for impairment at least annually or whenever events

or changes in circumstances indicate that the carrying value may not be recoverable. Based on a qualitative assessment factoring in the Company's share price decrease, as well as factors related to macroeconomic conditions, industry and market considerations, cost factors, financial performance and market capitalization, the Company determined it was likely that its reporting unit fair value was less than its carrying value. After conducting a two-step quantitative assessment, the Company recorded an impairment of \$16,867 of goodwill during the three months ended March 31, 2023 (there was no impairment recorded as of March 31, 2022). If the Company's stock price remains low, or negative macroeconomic, industry or business factors worsen, the Company may be required to perform another goodwill impairment analysis, which could result in an impairment of up to the entire balance of the Company's remaining goodwill. Additionally, significant impairment charges may negatively affect the Company's compliance with the financial covenants of its Facility Agreement.

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

Not applicable.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

*Amendment of Daniel Virnich's Employment Agreement*

On May 4, 2023, the Company and Daniel Virnich entered into that certain first amendment (the "Virnich Amendment") to the Employment Agreement, dated February 18, 2020, between the same (the "Virnich Employment Agreement"). As a result of the Virnich Amendment, the severance provisions of the Virnich Employment Agreement were amended to provide that Mr. Virnich may receive severance in an amount up to twelve (12) months' base salary and continued health benefits contingent on (i) Mr. Virnich being terminated without cause, as defined in the Virnich Employment Agreement and (ii) Mr. Virnich executing a release of claims agreement with the Company. In the event Mr. Virnich resigns for good reason, as defined in the Virnich Employment Agreement, Mr. Virnich will receive the same severance benefits for up to (3) months. Any aforementioned severance, whether resulting from termination without cause or resignation for good reason, shall cease to be payable to Mr. Virnich once he finds new gainful employment elsewhere. The foregoing summary of the Virnich Amendment is not complete and is qualified in its entirety by reference to the Virnich Amendment, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

*Amendment of Mihir Shah's Employment Agreement*

On May 4, 2023, the Company and Mihir Shah entered into that certain first amendment (the "Shah Amendment") to the Employment Agreement, dated April 4, 2022, between the same (the "Shah Employment Agreement"). As a result of the Shah Amendment, the severance provisions of the Shah Employment Agreement were amended to provide that Mr. Shah may receive severance in an amount up to twelve (12) months' base salary and continued health benefits contingent on (i) Mr. Shah being terminated without cause, as defined in the Shah Employment Agreement, and (ii) Mr. Shah executing a release of claims agreement with the Company. In the event Mr. Shah resigns for good reason, as defined in the Shah Employment Agreement, Mr. Shah will receive the same severance benefits for up to (3) months. Any aforementioned severance, whether resulting from termination without cause or resignation for good reason, shall cease to be payable to Mr. Shah once he finds new gainful employment elsewhere. The foregoing summary of the Shah Amendment is not complete and is qualified in its entirety by reference to the Shah Amendment, a copy of which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File Number	Exhibit	Filing Date	
2.1	<a href="#">Agreement and Plan of Merger, dated as of June 28, 2021, by and among DFP Healthcare Acquisitions Corp., Orion Merger Sub I, Inc., Orion Merger Sub II, LLC and TOI Parent, Inc.</a>	S-4/A	333-258152	2.1	October 20, 2021	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of The Oncology Institute, Inc.</a>	8-K	001-39248	3.1	November 18, 2021	
3.2	<a href="#">Amended and Restated Bylaws of The Oncology Institute, Inc.</a>	8-K	001-39248	3.2	November 18, 2021	
3.3	<a href="#">Certificate of Designation of Series A Common Stock Equivalent Convertible Preferred Stock</a>	8-K/A	001-39248	3.3	November 22, 2021	
4.1	<a href="#">Warrant Agreement, dated March 10, 2020, by and between DFP and Continental Stock Transfer &amp; Trust Company, as warrant agent</a>	8-K	001-39248	4.1	March 13, 2020	
4.2	<a href="#">Specimen Preferred Stock Certificate of The Oncology Institute, Inc.</a>	8-K/A	001-39248	4.2	November 22, 2021	
4.3	<a href="#">Form of Secured Convertible Note</a>	8-K	001-39248	4.1	August 10, 2022	
4.4	<a href="#">Form of Warrant</a>	8-K	001-39248	4.2	August 10, 2022	
10.1*	<a href="#">Amendment No. 1 to the Employment Agreement, dated February 18, 2020, by and between TOI Management, LLC and Daniel Virnich, dated May 4, 2023.</a>					X
10.2*	<a href="#">Amendment No. 1 to the Employment Agreement, dated April 4, 2022, by and between TOI Management, LLC and Mihir Shah, dated May 4, 2023.</a>					X
31.1*	<a href="#">Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 of the Principal Executive Officer.</a>					X
31.2*	<a href="#">Certification Pursuant to Rule 13a-14(a) under Securities Exchange Act of 1934 of the Principal Financial Officer.</a>					X
32.1**	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer.</a>					X
32.2**	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Financial Officer.</a>					X
101*	Interactive Data File — the following financial statements from The Oncology Institute's Quarterly Report on Form 10-Q formatted in inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Convertible Preferred Stock and Changes in Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements (Unaudited).					X
101.INS	XBRL Instance Document					

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File Number	Exhibit	Filing Date	
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					
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)					
*	Filed herewith.					
**	Furnished herewith.					

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned hereunto duly authorized, on this the day of May 10, 2023.

THE ONCOLOGY INSTITUTE, INC.

By: /s/ Mihir Shah  
Mihir Shah  
*Chief Financial Officer*  
*(Principal Financial Officer and Duly Authorized Officer)*

## FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to the Employment Agreement (the “Agreement”) previously entered into between TOI Management, LLC, a Delaware limited liability company (the “Company”), on the one hand, and Daniel Virnich, M.D. (the “Executive”), on the other hand, dated effective as of February 18, 2020, is made effective on May 4, 2023 (the “Effective Date”), between Company and Executive (the “First Amendment”). Any terms not defined herein shall have the meanings as set forth in the Agreement.

WHEREAS, Company has entered into the Agreement with Executive; and

WHEREAS, Company and Executive wish to amend the Agreement subject to the terms and conditions contained herein.

NOW, THEREFORE, Company and Executive, intending to be legally bound hereby and for and in consideration of the mutual covenants contained herein, agree that the Agreement shall, as of the Effective Date described above, be amended as follows:

1. Amendments. All of the following amendments to the Agreement shall be implemented as of the Effective Date:

Sections 5(a) and 5(b): “Termination Without Cause” and “Resignation for Good Reason” of the Agreement shall be replaced in their entirety as follows:

(a) Termination Without Cause. The Company shall have the right to terminate the Executive’s employment at any time during the Employment Period without Cause. If the Company terminates the Executive’s employment under this Agreement without Cause, the Company shall pay the Executive any compensation and benefits Company owes to the Executive through the date of termination, in each case, as applicable, pursuant to and in accordance with Section 3 (collectively, the “Accrued Obligations and Benefits”). Additionally, conditioned upon the Executive’s voluntary execution of the Release of Claims Agreement in substantially the form of Exhibit A attached hereto, which Release of Claims Agreement shall be subject to modification only to the extent necessary to comply with changes in applicable law, if any, occurring after the Effective Date and prior to the date such Release of Claims Agreement is executed or by mutual agreement (the “Release”) (which must become effective on or prior to the sixtieth (60<sup>th</sup>) day following such termination), the Company shall pay to or on behalf of the Executive (i) the Executive’s Base Salary at the time of such termination for a period of twelve (12) months thereafter (the “Severance Period”), plus (ii) subject to applicable law, payment or reimbursement of all premiums for medical benefits elected by the Executive pursuant to the continuation of medical coverage under Section 4980B of the Code (as defined below) and Sections 601 through 608, inclusive, of the Employee Retirement Income Security Act of 1974 (“ERISA”), which amounts shall be deemed to be taxable income to the Executive, during the Severance Period (collectively, the payments described in Section 5(a)(i) and Section 5(a)(ii) shall be referred to as the “Severance Payments”). Severance Payments required to be paid pursuant to (A) Section 5(a)(i)

shall be paid during the Severance Period in accordance with Section 3(a) and (B) Section 5(a)(ii) shall be paid or reimbursed as when due or incurred by the Executive during the Severance Period in accordance with Section 3, as applicable. Notwithstanding anything in this Section 5(a), the Severance Payments shall be paid to the Executive, in accordance with the Company's payroll policy, beginning on the payroll date which next occurs after the sixty first (61<sup>st</sup>) day following such termination; provided, that the Release is timely executed and delivered to the Company (and becomes effective) within such sixty (60) day period. If the Executive does not voluntarily execute the Release and the Release does not become effective within sixty (60) days of delivery of the Release by the Company to the Executive, the Executive shall not be entitled to the Severance Payments. Notwithstanding anything in this Section 5(a) to the contrary, Executive and Company agree that any Severance Payments payable pursuant to this Section 5(a), to the extent not already paid, shall cease immediately to the extent Executive commences compensated employment or other service with another company or organization during the Severance Period. Executive shall provide the Company with written notice within three (3) business days of the commencement of such new employment or engagement and, further, agrees that failure to do so shall amount to a material breach of this Agreement.

(b) Resignation with Good Reason. The Executive shall have the right to terminate the Executive's employment with the Company during the Employment Period for Good Reason upon thirty (30) days' written notice to the Company and the Board; provided, that such notice provides a reasonably detailed explanation of the event or circumstance that constitutes Good Reason and such event or circumstance remains uncured (if curable) for ten (10) days after the Company and the Board have received such written notice. If the Executive terminates the Executive's employment with the Company for Good Reason during the Employment Period, the Executive will be entitled to all payments and benefits as if the Executive had been terminated without Cause pursuant to, and in accordance with, the terms and conditions set forth in Section 5(a) (including the Executive's voluntary execution of the Release), provided that the Severance Period shall be three (3) months. The Executive's right to receive the Severance Payments in connection with the termination of the Executive's employment for Good Reason for any particular event or circumstance shall cease to exist solely with respect to such event or circumstance if the Executive fails to provide written notice to the Company and the Board of such event or circumstance within thirty (30) days after the Executive has actual knowledge of the occurrence or existence thereof.

2. Superseding Amended Clauses; Interpretation. Upon signing of this First Amendment, the clauses altered by it shall supersede and replace their respective clauses from Executive's original Agreement and any understandings, oral or written, between the Company and the Executive regarding the rights, privileges and obligations specified therein.

3. Entire Agreement. This First Amendment, together with the Agreement represent the entire understanding between the parties with respect to their subject matter, superseding all prior agreements and understandings, written or oral, with respect to their subject matter.

4. Governing Law. This First Amendment shall be governed by and construed and interpreted under the laws of the State of California without reference to conflicts of law principles.

5. Modification. This First Amendment may not be altered, amended or modified in any way except by written consent of Company and Executive. Waiver of any term or provision of this First Amendment or forbearance to enforce any term or provision by any party shall not constitute a waiver as to any subsequent breach or failure of the same term or provision or a waiver of any other term or provision of this First Amendment.

6. Counterparts. This First Amendment may be executed in counterparts, each of which shall be declared an original, but all of which together shall constitute one and the same instrument.

[Signature Page to Follow]



IN WITNESS WHEREOF, this First Amendment has been entered into as of the Effective Date first set forth above.

EXECUTIVE

Date: 5/4/2023

DocuSigned by:  
By: Daniel Virnich  
36A24A8569CE401...  
Daniel Virnich, M.D.

TOI MANAGEMENT, LLC.

Date: 5/4/2023

DocuSigned by:  
By: Mark Hueppelsheuser  
EE100B200EBB40A...  
Mark Hueppelsheuser  
General Counsel



## FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to the Employment Agreement (the “Agreement”) previously entered into between TOI Management, LLC, a Delaware limited liability company (the “Company”), on the one hand, and Mihir Shah (the “Executive”), on the other hand, dated effective as of April 4, 2022, is made effective on May 4, 2023 (the “Effective Date”), between Company and Executive (the “First Amendment”). Any terms not defined herein shall have the meanings as set forth in the Agreement.

WHEREAS, Company has entered into the Agreement with Executive; and

WHEREAS, Company and Executive wish to amend the Agreement subject to the terms and conditions contained herein.

NOW, THEREFORE, Company and Executive, intending to be legally bound hereby and for and in consideration of the mutual covenants contained herein, agree that the Agreement shall, as of the Effective Date described above, be amended as follows:

1. Amendments. All of the following amendments to the Agreement shall be implemented as of the Effective Date:

Sections 5(a) and 5(b): “Termination Without Cause” and “Resignation for Good Reason” of the Agreement shall be replaced in their entirety as follows:

(a) Termination Without Cause. The Company shall have the right to terminate the Executive’s employment at any time during the Employment Period without Cause. If the Company terminates the Executive’s employment under this Agreement without Cause, the Company shall pay the Executive any compensation and benefits Company owes to the Executive through the date of termination, in each case, as applicable, pursuant to and in accordance with Section 3 (collectively, the “Accrued Obligations and Benefits”). Additionally, conditioned upon the Executive’s voluntary execution of the Release of Claims Agreement in substantially the form of Exhibit A attached hereto, which Release of Claims Agreement shall be subject to modification only to the extent necessary to comply with changes in applicable law, if any, occurring after the Effective Date and prior to the date such Release of Claims Agreement is executed or by mutual agreement (the “Release”) (which must become effective on or prior to the sixtieth (60<sup>th</sup>) day following such termination), the Company shall pay to or on behalf of the Executive (i) the Executive’s Base Salary at the time of such termination for a period of twelve (12) months thereafter, the “Severance Period”), plus (ii) subject to applicable law, payment or reimbursement of all premiums for medical benefits elected by the Executive pursuant to the continuation of medical coverage under Section 4980B of the Code (as defined below) and Sections 601 through 608, inclusive, of the Employee Retirement Income Security Act of 1974 (“ERISA”), which amounts shall be deemed to be taxable income to the Executive, during the Severance Period (collectively, the payments described in Section 5(a)(i) and Section 5(a)(ii) shall be referred to as the “Severance Payments”). Severance Payments required to be paid pursuant to (A) Section 5(a)(i) shall be paid during the Severance Period in accordance with Section 3(a) and (B)

Section 5(a)(ii) shall be paid or reimbursed as when due or incurred by the Executive during the Severance Period in accordance with Section 3, as applicable. Notwithstanding anything in this Section 5(a), the Severance Payments shall be paid to the Executive, in accordance with the Company's payroll policy, beginning on the payroll date which next occurs after the sixty first (61<sup>st</sup>) day following such termination; provided, that the Release is timely executed and delivered to the Company (and becomes effective) within such sixty (60) day period. If the Executive does not voluntarily execute the Release and the Release does not become effective within sixty (60) days of delivery of the Release by the Company to the Executive, the Executive shall not be entitled to the Severance Payments. Notwithstanding anything in this Section 5(a) to the contrary, to the extent Executive's termination without Cause occurs on or after the date that is twelve (12) months following the date of Executive's commencement of employment with the Company, Executive and Company agree that any Severance Payments payable pursuant to this Section 5(a), to the extent not already paid, shall cease immediately to the extent Executive commences compensated employment or other service with another company or organization during the Severance Period. Executive shall provide the Company with written notice within three (3) business days of the commencement of such new employment or engagement and, further, agrees that failure to do so shall amount to a material breach of this Agreement.

(b) Resignation with Good Reason. The Executive shall have the right to terminate the Executive's employment with the Company during the Employment Period for Good Reason upon thirty (30) days' written notice to the Company and the Board; provided, that such notice provides a reasonably detailed explanation of the event or circumstance that constitutes Good Reason and such event or circumstance remains uncured (if curable) for ten (10) days after the Company and the Board have received such written notice. If the Executive terminates the Executive's employment with the Company for Good Reason during the Employment Period, the Executive will be entitled to all payments and benefits as if the Executive had been terminated without Cause pursuant to, and in accordance with, the terms and conditions set forth in Section 5(a) (including the Executive's voluntary execution of the Release), provided that the Severance Period shall be three (3) months. The Executive's right to receive the Severance Payments in connection with the termination of the Executive's employment for Good Reason for any particular event or circumstance shall cease to exist solely with respect to such event or circumstance if the Executive fails to provide written notice to the Company and the Board of such event or circumstance within thirty (30) days after the Executive has actual knowledge of the occurrence or existence thereof.

2. Superseding Amended Clauses; Interpretation. Upon signing of this First Amendment, the clauses altered by it shall supersede and replace their respective clauses from Executive's original Agreement and any understandings, oral or written, between the Company and the Executive regarding the rights, privileges and obligations specified therein.

3. Entire Agreement. This First Amendment, together with the Agreement represent the entire understanding between the parties with respect to their subject matter, superseding all prior agreements and understandings, written or oral, with respect to their subject matter.

4. Governing Law. This First Amendment shall be governed by and construed and interpreted under the laws of the State of California without reference to conflicts of law principles.

5. Modification. This First Amendment may not be altered, amended or modified in any way except by written consent of Company and Executive. Waiver of any term or provision of this First Amendment or forbearance to enforce any term or provision by any party shall not constitute a waiver as to any subsequent breach or failure of the same term or provision or a waiver of any other term or provision of this First Amendment.

6. Counterparts. This First Amendment may be executed in counterparts, each of which shall be declared an original, but all of which together shall constitute one and the same instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, this First Amendment has been entered into as of the Effective Date first set forth above.

EXECUTIVE

Date: 5/4/2023

DocuSigned by:  
By: Mihir Shah  
Mihir Shah

TOI MANAGEMENT, LLC.

Date: 5/4/2023

DocuSigned by:  
By: Mark Hueppelsheuser  
Mark Hueppelsheuser  
General Counsel



**Certification of Chief Executive Officer**  
**RULE 13a-14(a)/15d-14(a) CERTIFICATION PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brad Hively, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2023 of The Oncology 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 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) [Omitted];
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ Brad Hively

\_\_\_\_\_  
Brad Hively  
Chief Executive Officer



**Certification of Chief Financial Officer**  
**RULE 13a-14(a)/15d-14(a) CERTIFICATION PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mihir Shah, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2023 of The Oncology 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 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) [Omitted];
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ Mihir Shah  
\_\_\_\_\_  
Mihir Shah  
Chief Financial Officer

**Certification of Chief Executive Officer**  
**Certification Pursuant to Section 906**  
**of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350)**

In connection with the Quarterly Report of The Oncology Institute, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Hively, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

Date: May 10, 2023

/s/ Brad Hively

\_\_\_\_\_  
Brad Hively  
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18. U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer**  
**Certification Pursuant to Section 906**  
**of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350)**

In connection with the Quarterly Report of The Oncology Institute, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mihir Shah, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

Date: May 10, 2023

/s/ Mihir Shah

\_\_\_\_\_

Mihir Shah

Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities Exchange Commission or its staff upon request.