

REFINITIV

# DELTA REPORT

## 10-Q

ISPO - INSPIRATO INC

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1542

■ CHANGES 450

■ DELETIONS 517

■ ADDITIONS 575

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **June September** 30, 2024

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: 001-39791

**INSPIRATO INCORPORATED**

(Exact Name of Registrant as Specified in its Charter)

Delaware

85-2426959

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer

Identification No.)

1544 Wazee Street

80202

Denver, CO  
(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (303) 586-7771

Not applicable

(Former name, former address, and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	ISPO	The Nasdaq Global Market
Warrants, each whole warrant exercisable for 0.05 shares of Class A Common Stock at an exercise price of \$230.00 per share	ISPOW	The Nasdaq Global Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" 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 Exchange Act). Yes  No

As of **August 8, 2024** **October 24, 2024**, the registrant had **3,818,727** **10,815,266** shares of Class A Common Stock, **2,857,635** **no** shares of Class V Common Stock, no shares of Class B Non-Voting Common Stock and 8,624,792 Warrants outstanding.

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**SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. Our forward-looking statements include, but are not limited to, statements regarding our and our management team's hopes, beliefs, intentions or strategies regarding the future or future events or our future financial or operating performance. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Form 10-Q may include, for example, statements about:

- Our partnership with Capital One Services, LLC ("Capital One");
- Our ability to service our outstanding indebtedness and satisfy related covenants;
- The impact of changes to our executive management team;
- Our ability to comply with the continued listing standards of Nasdaq or and the continued listing of our securities on Nasdaq;
- Changes in our strategy, future operations, financial position, estimated revenue and losses, projected costs, prospects and plans;
- The implementation, market acceptance and success of our business model, growth strategy and new products;
- Our expectations and forecasts with respect to the size and growth of the travel and hospitality industry;
- The ability of our services to meet members' needs;
- Our ability to compete with others in the luxury travel and hospitality industry;
- Our ability to attract and retain qualified employees and management;
- Our ability to adapt to changes in consumer preferences, perception and spending habits and develop and expand our destination or other product offerings and gain market acceptance of our services, including in new geographic areas;
- Our ability to develop and maintain our brand and reputation;
- Developments and projections relating to our competitors and industry;
- The impact of natural disasters, acts of war, terrorism, widespread global pandemics or illness including the COVID-19 pandemic, on our business and the actions we may take in response thereto; to them;
- Expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act");
- Our future capital requirements and sources and uses of cash;
- The impact of our reduction in workforce on our expenses;
- The impact of market conditions on our financial condition and operations, including fluctuations in interest rates and inflation;
- Our ability to obtain funding for our operations and future growth;
- Our ability to generate positive cash flow from operations, achieve profitability, and obtain additional financing or access the capital markets to manage our liquidity;
- The impact on our liquidity as a result of the obligations in our contractual agreements, including the covenants therein;
- The impact of the One Planet Group LLC investment agreement and financing; and
- Our business, expansion plans and opportunities and other strategic alternatives that we may consider, including, but not limited to, mergers, acquisitions, investments, divestitures, and joint ventures.

We caution you that the foregoing list does not contain all of the forward-looking statements made in this Form 10-Q. Although we believe that the expectations reflected in any forward-looking statements are reasonable, we cannot guarantee future

results, events, levels of activity, performance or achievements. Actual results are subject to numerous risks and uncertainties, including those related to the factors described above and as detailed in Part I, Item 1A of our most recent Annual Report on Form 10-

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**K 10-K** ("Form 10-K") filed with the Securities and Exchange Commission ("SEC"), those discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2 of this Form 10-Q and in Part II, Item 7 of our Form 10-K and those discussed in other documents we file with the SEC.

Should one or more of the risks or uncertainties described herein or in any other documents we file with the SEC occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

Investors should consider the risks and uncertainties described herein and should not place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim, any obligation to publicly release the results of any revisions that may be made to any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Form 10-Q and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and such statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

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**Part I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**INSPIRATO INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(in thousands, except par value) **value, unaudited**

	<b>June 30,</b>		<b>December 31,</b>	
	<b>2024</b>		<b>2023</b>	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$	18,821	\$	36,566
Restricted cash		10,660		5,700
Accounts receivable, net		2,823		3,306
Accounts receivable, net – related parties		1,334		842
Prepaid member travel		17,577		20,547
Prepaid expenses		5,894		6,135

Other current assets	1,860	1,744
<b>Total current assets</b>	<b>58,969</b>	<b>74,840</b>
Property and equipment, net	17,717	19,504
Goodwill	21,233	21,233
Right-of-use assets	198,906	209,702
Other noncurrent assets	4,841	5,448
<b>Total assets</b>	<b>\$ 301,666</b>	<b>\$ 330,727</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 20,570	\$ 22,748
Deferred revenue	148,774	160,493
Lease liabilities	61,302	61,953
<b>Total current liabilities</b>	<b>230,646</b>	<b>245,194</b>
Deferred revenue, noncurrent	24,391	17,026
Lease liabilities, noncurrent	185,197	196,875
Convertible note	20,988	23,854
Other noncurrent liabilities	3,026	2,476
<b>Total liabilities</b>	<b>464,248</b>	<b>485,425</b>
Commitments and contingencies (Note 14)		
<b>Equity (Deficit)</b>		
Class A common stock, par value \$0.0001 per share, 50,000 shares authorized, 3,819 and 3,537 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	7	7
Class B common stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of June 30, 2024 and December 31, 2023	—	—
Class V common stock, \$0.0001 par value, 25,000 shares authorized, 2,858 and 2,907 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	6	6
Preferred stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of June 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	257,990	255,527
Accumulated deficit	(293,226)	(285,782)
<b>Total equity (deficit) excluding noncontrolling interest</b>	<b>(35,223)</b>	<b>(30,242)</b>
Noncontrolling interests	(127,359)	(124,456)
<b>Total equity (deficit)</b>	<b>(162,582)</b>	<b>(154,698)</b>
<b>Total liabilities and equity (deficit)</b>	<b>\$ 301,666</b>	<b>\$ 330,727</b>
	<b>September 30,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 13,479	\$ 36,566
Restricted cash	10,660	5,700
Accounts receivable, net	2,525	3,306
Accounts receivable, net – related parties	842	842
Prepaid member travel	14,485	20,547
Prepaid expenses	3,982	6,135
Other current assets	1,894	1,744
<b>Total current assets</b>	<b>47,867</b>	<b>74,840</b>
Property and equipment, net	15,866	19,504
Goodwill	21,233	21,233

Right-of-use assets	183,405	209,702
Other noncurrent assets	4,954	5,448
<b>Total assets</b>	<b>\$ 273,325</b>	<b>\$ 330,727</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 26,397	\$ 22,748
Deferred revenue	135,791	160,493
Lease liabilities	55,276	61,953
<b>Total current liabilities</b>	<b>217,464</b>	<b>245,194</b>
Deferred revenue, noncurrent	28,267	17,026
Lease liabilities, noncurrent	137,363	196,875
Convertible note	21,642	23,854
Other noncurrent liabilities	3,166	2,476
<b>Total liabilities</b>	<b>407,902</b>	<b>485,425</b>
Commitments and contingencies (Note 14)		
<b>Equity (Deficit)</b>		
Class A Common Stock, par value \$0.0001 per share, 50,000 shares authorized, 10,053 and 3,537 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	10	7
Class B Common Stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of September 30, 2024 and December 31, 2023	—	—
Class V Common Stock, \$0.0001 par value per share, 25,000 shares authorized, 0 and 2,907 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	6
Preferred Stock, par value \$0.0001 per share, 5,000 shares authorized, no shares issued or outstanding as of September 30, 2024 and December 31, 2023	—	—
Additional paid-in capital	154,307	255,527
Accumulated deficit	(288,894)	(285,782)
<b>Total equity (deficit) excluding noncontrolling interest</b>	<b>(134,577)</b>	<b>(30,242)</b>
Noncontrolling interests	—	(124,456)
<b>Total equity (deficit)</b>	<b>(134,577)</b>	<b>(154,698)</b>
<b>Total liabilities and equity (deficit)</b>	<b>\$ 273,325</b>	<b>\$ 330,727</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

INSPIRATO INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS INCOME (LOSS)

(Unaudited) (in thousands, except per share amounts) amounts, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024		2023	
	\$ 67,382	\$ 84,092	\$ 147,627	\$ 175,792
Revenue				
Cost of revenue (including depreciation of \$1,452, \$2,741, \$804 and \$1,731 during the three and six months ended June 30, 2024 and 2023, respectively)	51,201	64,716	99,725	124,772
Asset impairments	—	30,054	—	30,054
<b>Gross margin</b>	<b>16,181</b>	<b>(10,678)</b>	<b>47,902</b>	<b>20,966</b>
General and administrative (including depreciation of \$355, \$693, \$0 and \$0 during the three and six months ended June 30, 2024 and 2023, respectively)	13,994	16,680	28,643	34,587
Sales and marketing	8,772	8,309	17,498	15,019
Operations	4,766	6,966	11,789	15,262
Technology and development	2,266	3,280	4,316	6,687
Depreciation and amortization	1,013	1,015	2,014	1,994
Interest expense (income), net	373	(414)	696	(527)
Loss (gain) on fair value instruments	316	(380)	(3,833)	(276)
Other expense (income), net	18	321	(277)	378
<b>Loss and comprehensive loss before income taxes</b>	<b>(15,337)</b>	<b>(46,455)</b>	<b>(12,944)</b>	<b>(52,158)</b>
Income tax expense	56	217	200	417
<b>Net loss and comprehensive loss</b>	<b>(15,393)</b>	<b>(46,672)</b>	<b>(13,144)</b>	<b>(52,575)</b>
Net loss and comprehensive loss attributable to noncontrolling interests	6,686	23,252	5,700	26,259
<b>Net loss and comprehensive loss attributable to Inspirato Incorporated</b>	<b>\$ (8,707)</b>	<b>\$ (23,420)</b>	<b>\$ (7,444)</b>	<b>\$ (26,316)</b>
<b>Loss Attributable to Inspirato Incorporated per Class A Share</b>				
Basic and diluted net loss attributable to Inspirato Incorporated per Class A share	\$ (2.33)	\$ (6.96)	\$ (2.03)	\$ (7.98)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024		2023	
	\$ 69,114	\$ 82,598	\$ 216,741	\$ 258,390
Revenue				
Cost of revenue (including depreciation of \$1,677 and \$2,323 during the three months ended September 30, 2024 and 2023, respectively, and \$4,418 and \$4,054 during the nine months ended September 30, 2024 and 2023, respectively)	49,620	57,726	149,345	182,498
Asset impairments and (gain) on lease termination	(29,895)	4,294	(29,895)	34,348
<b>Gross margin</b>	<b>49,389</b>	<b>20,578</b>	<b>97,291</b>	<b>41,544</b>
General and administrative (including depreciation of \$377 and \$141 during the three months ended September 30, 2024 and 2023, respectively, and \$1,070 and \$141 during the nine months ended September 30, 2024 and 2023, respectively)	19,795	21,651	48,438	56,238
Sales and marketing	7,209	9,369	24,707	24,388
Operations	5,269	9,345	17,058	24,607
Technology and development	1,728	2,678	6,044	9,365
Depreciation and amortization	1,010	998	3,024	2,992
Interest expense, net	454	1,731	1,150	1,204

Loss (gain) on fair value instruments	158	(267)	(3,675)	(543)
Restructuring charges	6,985	—	6,985	—
Other expense (income), net	8	3	(269)	381
<b>Income (loss) and comprehensive income (loss) before income taxes</b>	<b>6,773</b>	<b>(24,930)</b>	<b>(6,171)</b>	<b>(77,088)</b>
Income tax expense	151	492	351	909
<b>Net income (loss) and comprehensive income (loss)</b>	<b>6,622</b>	<b>(25,422)</b>	<b>(6,522)</b>	<b>(77,997)</b>
Net (income) loss and comprehensive (income) loss attributable to noncontrolling interests	(2,290)	8,769	3,410	35,028
<b>Net income (loss) and comprehensive income (loss) attributable to <b>Inspirato Incorporated</b></b>	<b>\$ 4,332</b>	<b>\$ (16,653)</b>	<b>\$ (3,112)</b>	<b>\$ (42,969)</b>
<b>Earnings (Loss) Attributable to <b>Inspirato Incorporated</b> per Class A Share</b>				
Basic net income (loss) attributable to <b>Inspirato Incorporated</b> per Class A share	\$ 0.77	\$ (4.87)	\$ (0.72)	\$ (12.87)
Diluted net income (loss) attributable to <b>Inspirato Incorporated</b> per Class A share	\$ 0.62	\$ (4.87)	\$ (0.72)	\$ (12.87)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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**INSPIRATO INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT) (Unaudited)**  
*(in thousands) thousands, unaudited*

			Additional			
	Class A Common Stock	Class V Common Stock		Paid-in	Accumulated	Noncontrolling

	Shares	Value	Shares	Value	Capital	Deficit	Interests	Total
<b>Balance as of January 1, 2023</b>	<b>3,136</b>	<b>\$ 6</b>	<b>3,068</b>	<b>\$ 6</b>	<b>\$ 245,652</b>	<b>\$ (233,931)</b>	<b>\$ (86,723)</b>	<b>\$ (74,990)</b>
Cumulative effect of change in accounting principle	—	—	—	—	—	(96)	(108)	(204)
Net loss and comprehensive loss	—	—	—	—	—	(2,896)	(3,007)	(5,903)
Equity-based compensation	—	—	—	—	657	—	—	657
Issuance of common stock upon exercise of stock option awards, net of shares withheld for income taxes	91	—	—	—	438	—	—	438
Issuance of Class A shares upon conversion of Class V shares	108	1	(108)	—	(1,481)	—	1,480	—
<b>Balance as of March 31, 2023</b>	<b>3,335</b>	<b>\$ 7</b>	<b>2,960</b>	<b>\$ 6</b>	<b>\$ 245,266</b>	<b>\$ (236,923)</b>	<b>\$ (88,358)</b>	<b>\$ (80,002)</b>
Net loss and comprehensive loss	—	—	—	—	—	(23,420)	(23,252)	(46,672)
Equity-based compensation	—	—	—	—	3,731	—	—	3,731
Issuance of common stock upon exercise of stock option awards, net of shares withheld for income taxes	27	—	—	—	32	—	—	32
Issuance of Class A shares upon conversion of Class V shares	32	—	(32)	—	(683)	—	683	—
<b>Balance at June 30, 2023</b>	<b>3,394</b>	<b>\$ 7</b>	<b>2,928</b>	<b>\$ 6</b>	<b>\$ 248,346</b>	<b>\$ (260,343)</b>	<b>\$ (110,927)</b>	<b>\$ (122,911)</b>
<b>Balance as of January 1, 2024</b>	<b>3,537</b>	<b>\$ 7</b>	<b>2,907</b>	<b>\$ 6</b>	<b>\$ 255,527</b>	<b>\$ (285,782)</b>	<b>\$ (124,456)</b>	<b>\$ (154,698)</b>
Net income and comprehensive income	—	—	—	—	—	1,263	986	2,249
Equity-based compensation	—	—	—	—	2,878	—	—	2,878
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for income taxes	103	—	—	—	(276)	—	—	(276)
Issuance of Class A shares upon conversion of Class V shares	36	—	(36)	—	(1,091)	—	1,091	—
<b>Balance as of March 31, 2024</b>	<b>3,676</b>	<b>\$ 7</b>	<b>2,871</b>	<b>\$ 6</b>	<b>\$ 257,038</b>	<b>\$ (284,519)</b>	<b>\$ (122,379)</b>	<b>\$ (149,847)</b>
Net loss and comprehensive loss	—	—	—	—	—	(8,707)	(6,686)	(15,393)
Equity-based compensation	—	—	—	—	2,672	—	—	2,672
Issuance of common stock through employee stock purchase plan	24	—	—	—	84	—	—	84
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for income taxes	106	—	—	—	(98)	—	—	(98)
Issuance of Class A shares upon conversion of Class V shares	13	—	(13)	—	(1,706)	—	1,706	—
<b>Balance at June 30, 2024</b>	<b>3,819</b>	<b>\$ 7</b>	<b>2,858</b>	<b>\$ 6</b>	<b>\$ 257,990</b>	<b>\$ (293,226)</b>	<b>\$ (127,359)</b>	<b>\$ (162,582)</b>

	Additional							
	Class A Common Stock		Class V Common Stock		Paid-in	Accumulated	Noncontrolling	Total
	Shares	Value	Shares	Value	Capital	Deficit	Interests	
<b>Balance as of January 1, 2023</b>	<b>3,136</b>	<b>\$ 6</b>	<b>3,068</b>	<b>\$ 6</b>	<b>\$ 245,652</b>	<b>\$ (233,931)</b>	<b>\$ (86,723)</b>	<b>\$ (74,990)</b>
Cumulative effect of change in accounting principle	—	—	—	—	—	(96)	(108)	(204)
Net loss and comprehensive loss	—	—	—	—	—	(2,896)	(3,007)	(5,903)
Equity-based compensation	—	—	—	—	657	—	—	657
Issuance of common stock upon exercise of stock option awards, net of shares withheld for income taxes	91	—	—	—	438	—	—	438
Issuance of Class A shares upon conversion of Class V shares	108	1	(108)	—	(1,481)	—	1,480	—

<b>Balance as of March 31, 2023</b>	<b>3,335</b>	<b>\$</b>	<b>7</b>	<b>2,960</b>	<b>\$</b>	<b>6</b>	<b>\$</b>	<b>245,266</b>	<b>\$</b>	<b>(236,923)</b>	<b>\$</b>	<b>(88,358)</b>	<b>\$</b>	<b>(80,002)</b>
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	—	(23,420)	—	(23,252)	—	(46,672)
Equity-based compensation	—	—	—	—	—	—	—	3,731	—	—	—	—	—	3,731
Issuance of common stock upon exercise of stock option awards, net of shares withheld for income taxes	27	—	—	—	—	—	—	32	—	—	—	—	—	32
Issuance of Class A shares upon conversion of Class V shares	32	—	—	(32)	—	—	—	(683)	—	—	683	—	—	—
<b>Balance as of June 30, 2023</b>	<b>3,394</b>	<b>\$</b>	<b>7</b>	<b>2,928</b>	<b>\$</b>	<b>6</b>	<b>\$</b>	<b>248,346</b>	<b>\$</b>	<b>(260,343)</b>	<b>\$</b>	<b>(110,927)</b>	<b>\$</b>	<b>(122,911)</b>
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	—	(16,653)	—	(8,769)	—	(25,422)
Equity-based compensation	—	—	—	—	—	—	—	6,686	—	—	—	—	—	6,686
Issuance of common stock upon exercise of stock option awards, net of shares withheld for income taxes	56	—	—	—	—	—	—	83	—	—	—	—	—	83
Issuance of Class A shares upon conversion of Class V shares	4	—	—	(4)	—	—	—	(2,239)	—	—	2,239	—	—	—
<b>Balance as of September 30, 2023</b>	<b>3,454</b>	<b>\$</b>	<b>7</b>	<b>2,924</b>	<b>\$</b>	<b>6</b>	<b>\$</b>	<b>252,876</b>	<b>\$</b>	<b>(276,996)</b>	<b>\$</b>	<b>(117,457)</b>	<b>\$</b>	<b>(141,564)</b>
<b>Balance as of January 1, 2024</b>	<b>3,537</b>	<b>\$</b>	<b>7</b>	<b>2,907</b>	<b>\$</b>	<b>6</b>	<b>\$</b>	<b>255,527</b>	<b>\$</b>	<b>(285,782)</b>	<b>\$</b>	<b>(124,456)</b>	<b>\$</b>	<b>(154,698)</b>
Net income and comprehensive income	—	—	—	—	—	—	—	—	—	1,263	—	986	—	2,249
Equity-based compensation	—	—	—	—	—	—	—	2,878	—	—	—	—	—	2,878
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for income taxes	103	—	—	—	—	—	—	(276)	—	—	—	—	—	(276)
Issuance of Class A shares upon conversion of Class V shares	36	—	—	(36)	—	—	—	(1,091)	—	—	—	—	1,091	—
<b>Balance as of March 31, 2024</b>	<b>3,676</b>	<b>\$</b>	<b>7</b>	<b>2,871</b>	<b>\$</b>	<b>6</b>	<b>\$</b>	<b>257,038</b>	<b>\$</b>	<b>(284,519)</b>	<b>\$</b>	<b>(122,379)</b>	<b>\$</b>	<b>(149,847)</b>
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	—	(8,707)	—	(6,686)	—	(15,393)
Equity-based compensation	—	—	—	—	—	—	—	2,672	—	—	—	—	—	2,672
Issuance of common stock through employee stock purchase plan	24	—	—	—	—	—	—	84	—	—	—	—	—	84
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for income taxes	106	—	—	—	—	—	—	(98)	—	—	—	—	—	(98)
Issuance of Class A shares upon conversion of Class V shares	13	—	—	(13)	—	—	—	(1,706)	—	—	—	—	1,706	—
<b>Balance as of June 30, 2024</b>	<b>3,819</b>	<b>\$</b>	<b>7</b>	<b>2,858</b>	<b>\$</b>	<b>6</b>	<b>\$</b>	<b>257,990</b>	<b>\$</b>	<b>(293,226)</b>	<b>\$</b>	<b>(127,359)</b>	<b>\$</b>	<b>(162,582)</b>
Net income and comprehensive income	—	—	—	—	—	—	—	—	—	4,332	—	2,290	—	6,622
Equity-based compensation	—	—	—	—	—	—	—	11,674	—	—	—	—	—	11,674
Issuance of Class A shares pursuant to Investment Agreement	2,915	1	—	—	—	—	—	5,453	—	—	—	—	—	5,454
Issuance of Investment Warrants and Investment Agreement Option pursuant to the Investment Agreement	—	—	—	—	—	—	—	4,546	—	—	—	—	—	4,546
Issuance of common stock upon vesting of restricted stock units, net of shares withheld for income taxes	461	—	—	—	—	—	—	(291)	—	—	—	—	—	(291)
Issuance of Class A shares upon conversion of Class V shares	2,858	2	(2,858)	(6)	(125,065)	—	—	—	—	—	125,069	—	—	—
<b>Balance as of September 30, 2024</b>	<b>10,053</b>	<b>\$</b>	<b>10</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>154,307</b>	<b>\$</b>	<b>(288,894)</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>(134,577)</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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**INSPIRATO INCORPORATED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
*(in thousands)thousands, unaudited*

	Six months ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (13,144)	\$ (52,575)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,448	3,725
Loss on disposal of fixed assets	164	588
Gain on fair value instruments	(3,833)	(276)
Asset impairments	—	30,054
Paid-in-kind interest included in net loss	1,030	—
Equity-based compensation	5,550	4,388
Amortization of right-of-use assets	31,789	42,362
Changes in operating assets and liabilities:		
Accounts receivable, net	483	(517)
Accounts receivable, net – related parties	(492)	388
Prepaid member travel	2,970	(2,270)
Prepaid expenses	241	(1,131)
Other assets	185	(1,192)
Accounts payable and accrued liabilities	(2,171)	(4,199)
Deferred revenue	(4,354)	(6,954)
Lease liabilities	(33,322)	(41,699)
Other liabilities	487	—
<b>Net cash used in operating activities</b>	<b>(8,969)</b>	<b>(29,308)</b>
Cash flows from investing activities:		
Development of internal-use software	(356)	(4,556)
Purchase of property and equipment	(3,170)	(2,500)
<b>Net cash used in investing activities</b>	<b>(3,526)</b>	<b>(7,056)</b>
Cash flows from financing activities:		
Payments of employee taxes for share based awards	(374)	(837)
Proceeds for purchases of shares for employee stock purchase plan	84	—
Proceeds from option exercises	—	1,307
<b>Net cash (used in) provided by financing activities</b>	<b>(290)</b>	<b>470</b>
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(12,785)</b>	<b>(35,894)</b>
Cash, cash equivalents and restricted cash – beginning of period	42,266	81,939

<b>Cash, cash equivalents and restricted cash – end of period</b>	<b>\$ 29,481</b>	<b>\$ 46,045</b>
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	<b>Nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (6,522)	\$ (77,997)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	8,512	7,047
Loss on disposal of fixed assets	216	589
Gain on fair value instruments	(3,675)	(543)
Asset impairments and (gain) on lease termination	(29,895)	34,348
Paid-in-kind interest	1,561	—
Equity-based compensation	17,224	11,074
Amortization of right-of-use assets	45,262	63,408
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, net	781	1,667
Accounts receivable, net – related parties	—	(185)
Prepaid member travel	6,062	2,275
Prepaid expenses	2,153	1,581
Other assets	(198)	(110)
Accounts payable and accrued liabilities	(3,258)	(3,594)
Deferred revenue	(13,461)	(18,828)
Lease liabilities	(48,067)	(66,137)
Other liabilities	591	—
<b>Net cash used in operating activities</b>	<b>(22,713)</b>	<b>(45,405)</b>
<b>Cash flows from investing activities:</b>		
Development of internal-use software	(528)	(5,924)
Purchase of property and equipment	(4,305)	(4,807)
<b>Net cash used in investing activities</b>	<b>(4,833)</b>	<b>(10,731)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the Note	—	25,000
Proceeds from the Investment Agreement	10,000	—
Payments of employee taxes for share based awards	(665)	(1,106)
Proceeds for purchases of shares for employee stock purchase plan	84	—
Proceeds from option exercises	—	1,659
<b>Net cash provided by financing activities</b>	<b>9,419</b>	<b>25,553</b>
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(18,127)</b>	<b>(30,583)</b>
Cash, cash equivalents and restricted cash – beginning of period	42,266	81,939
<b>Cash, cash equivalents and restricted cash – end of period</b>	<b>\$ 24,139</b>	<b>\$ 51,356</b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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**INSPIRATO INCORPORATED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
*(unaudited)*

**(1) Nature of Business**

Inspirato Incorporated and its subsidiaries (the "Company", also referred to as "Inspirato") is a subscription-based luxury travel company that provides exclusive access to a managed and controlled portfolio of curated vacation options, delivered through an innovative model designed to ensure the service, certainty and value that discerning customers demand. The Inspirato portfolio includes branded luxury vacation homes, accommodations at five-star hotel and resort partners and custom travel experiences.

For travelers, the Company offers access to a diverse portfolio of curated luxury vacation options that includes approximately 420 360 private luxury vacation homes available to the Company's customers and accommodations at over approximately 230 luxury hotel and resort partners in the Company's over 180 200 destinations around the world as of June 30, 2024 September 30, 2024. The Company's portfolio also includes *Inspirato Only* experiences, featuring one-of-a-kind luxury safaris, cruises and other experiences with Inspirato-only member lists along with *Bespoke* trips, which offer custom-designed "bucket list" itineraries. Every Inspirato trip comes with the Company's personalized service envelope — including pre-trip planning, on-site concierge and daily housekeeping — designed to meet the needs of discerning travelers and drive exceptional customer satisfaction.

As of June 30, 2024 September 30, 2024, the Company's only subsidiary is Inspirato LLC. Inspirato LLC generally has subsidiaries in the jurisdictions where the Company has rental properties located. These entities typically lease local properties.

***Liquidity Investment Agreement***

On August 12, 2024, the Company entered into an investment agreement (the "Investment Agreement") with One Planet Group LLC ("One Planet Group"), a Delaware limited liability company (the "Purchaser"), to sell 2.9 million shares of Class A Common Stock, \$0.0001 par value per share, at \$3.43 per share, and Management's Plans 2.9 million warrants (the "Investment Warrants") each redeemable for a share of Class A Common Stock, for an aggregate purchase price of \$10.0 million (the "One Planet Group Financing"). At the initial closing on August 13, 2024, the Purchaser acquired the first tranche of 1,335,271 shares for \$4.6 million. At the second closing on September 13, 2024, the Purchaser acquired the remaining 1,580,180 shares and the 2.9 million Investment Warrants for \$5.4 million. In addition, pursuant to the Investment Agreement, the Purchaser was granted an option to acquire additional shares of Class A Common Stock after November 29, 2024 and prior to December 29, 2024 for \$3.43 per share with an aggregate purchase price of up to \$2.5 million and with each incremental share purchase the Purchaser would also receive an equal number of additional Investment Warrants (collectively, the "Investment Agreement Option"). Each Investment Warrant can be exercised in exchange for a share of Class A Common Stock at \$3.43 per share and is exercisable for 5 years from issuance.

Further, on October 22, 2024, the Company entered into a secondary investment agreement (the "Secondary Investment Agreement") with two investors (the "Secondary Purchasers"), to sell approximately 757,576 shares of Class A Common Stock, \$0.0001 par value per share, at \$3.96 per share, the

closing price at October 22, 2024, for an aggregate purchase price of \$3.0 million. The closing of the transactions contemplated by the Secondary Investment Agreement occurred on October 24, 2024.

#### **Liquidity**

During the year ended December 31, 2023, and the **six nine** months ended **June 30, 2024** **September 30, 2024**, the Company experienced declines in active subscriptions and nights delivered and total average daily rates delivered. As a result of these negative trends, revenues declined to **\$67.4 million** **\$69.1 million** and **\$147.6 million** **\$216.7 million** for the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, respectively, from **\$84.1 million** **\$82.6 million** and **\$175.8 million** **\$258.4 million** for the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, respectively. The Company also experienced negative cash flows from operating activities of **\$9.0 million** **\$22.7 million** and **\$29.3 million** **\$45.4 million** for the **six nine** months ended **June 30, 2024**, **September 30, 2024** and 2023, respectively. As of **June 30, 2024** **September 30, 2024**, the Company had **\$18.8 million** **\$13.5 million** of cash and cash equivalents and \$10.7 million of restricted cash compared to \$36.6 million of cash and cash equivalents and \$5.7 million of restricted cash balances as of December 31, 2023.

As result of the continued operational challenges and significance of those conditions in relation to the Company's liquidity needs, management **has developed and is executing** **executed** on plans to address improvements in operations, including the Reorganization Plan, as well as obtain defined and discussed in Note 18 – Restructuring Charges, which was developed in conjunction with the One Planet Group Financing. Additionally, in October 2024, the Company obtained an additional new capital **investments that** **injection of \$3.0 million** through the Secondary Investment Agreement to purchase shares of Class A Common Stock. The Purchaser also has an option to purchase an additional \$2.5 million in Class A Shares and Investment Warrants between November 29, 2024 and December 29, 2024. The Company believes

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these investments will allow the Company to continue to meet its projected working capital and capital expenditure requirements for a period of at least the next twelve months. As of the date of these consolidated financial statements, the Company has implemented the following initiatives:

##### **Capital Initiatives:**

- On August 12, 2024, the Company entered into an investment agreement (the "Investment Agreement") with One Planet Group LLC, a Delaware limited liability company (the "Purchaser"), to acquire \$10.0 million of Class A common stock, \$0.00001 par value per share, at \$3.43 per share, and a warrant to acquire an additional 2.9 million shares of Class A common stock, for an aggregate purchase price of \$10.0 million (the "One Planet Financing"). Upon closing, the Purchaser has the ability to name three new Directors to the Inspiration Board of Directors and the size of the Company's Board is expected to remain at seven Directors. At the initial closing on August 13, 2024, the Purchaser acquired the first tranche of 1,335,271 shares for \$4.6 million. At the second closing, which is expected to occur in September 2024 and is subject to approval of the Company's stockholders, the Purchaser will acquire the remaining 1,580,180 shares for \$5.4 million, subject to a shareholder vote. In addition, pursuant to the Investment Agreement, the Purchaser was granted an option to acquire additional shares of Class A common stock for \$3.43 per share with an aggregate purchase price of up to \$2.5 million. The option may be exercised only if the second closing occurs. Additionally, along with each purchase of shares of Class A common stock, including optional additional shares, the Purchaser obtains an equivalent number of warrants which can each be exercised for an additional share of Class A common stock for \$3.43 per warrant and is exercisable for 5 years. These warrants will be issued only if the second tranche closing occurs.

The Company is also pursuing additional financing strategies and options. There can be no assurances that additional financing will be available at terms that will be satisfactory to the Company.

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##### **Operational Initiatives:**

- The Company initiated a:
  - 15% reduction of force of its headcount on August 12, 2024.
  - Entered into a Lease Termination and Surrender Agreement on August 12, 2024, effective August 31, 2024, (the "Termination Agreement") of certain previously impaired, underperforming leases whereby the Company is extinguishing approximately \$41.2 million in lease liabilities as of the effective date of the Termination Agreement for leases that previously did not have termination rights.

Based on management's plans, the Company expects to have sufficient liquidity for the continued operations of the Company's business and necessary capital expenditures for a period of at least the next twelve months.

#### **Reverse Stock Split**

A reverse stock split in the ratio of 1-for-20 of all classes of common and preferred stock (the "Reverse Stock Split") became effective as of October 16, 2023. The Reverse Stock Split had no effect on the par value of the Company's Common Stock. The total number of shares of Class A Common Stock that the Company is authorized to issue was reduced from 1,000,000,000 to 50,000,000, the total number of shares of Class B Non-Voting Common Stock that the Company is authorized to issue was reduced from 100,000,000 to 5,000,000, the total number of shares of Class V Common Stock that the Company is authorized to issue was reduced from 500,000,000 to 25,000,000 and the total number of shares of Preferred Stock that the Company is authorized to issue was reduced from 100,000,000 to 5,000,000. Immediately after the Reverse Stock Split, each stockholder's percentage ownership interest in the Company and proportional voting power remained unchanged, except for minor changes resulting from the treatment of fractional shares.

Proportional adjustments were also made to the number of shares of Class A Common Stock issuable pursuant to the Company's outstanding warrants, Note (as defined below) and equity awards, as well as the number of shares authorized and reserved for issuance pursuant to the Company's equity incentive and employee stock purchase plans. The exercise prices, conversion prices and stock price targets of outstanding warrants, Note and equity awards were also proportionately adjusted, as applicable. All historical share and per share amounts have been adjusted to reflect the Reverse Stock Split for all periods presented.

#### **(2) Significant Accounting Policies**

##### **(a) Basis of Presentation**

These unaudited condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements and the accompanying notes (collectively, the "Condensed Consolidated Financial Statements") should be read together with the audited consolidated financial statements and accompanying notes included in the Company's 2023 Form 10-K, which was filed with the SEC on March 12, 2024.

These Condensed Consolidated Financial Statements have been prepared on the same basis as the audited annual financial statements and reflect all adjustments, which include normal recurring adjustments, necessary for the fair statement of the Company's financial position as of **June 30, 2024** **September 30, 2024** and the results of operations for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2024** and **2024** **2023**. The results of operations for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** are not necessarily indicative of the results to be expected for the full year ending December 31, 2024 or any other future interim or annual period.

All amounts presented in these Condensed Consolidated Financial Statements are expressed in thousands of U.S. dollars, except share and per share amounts and unless otherwise noted.

Refer to **See** Note 2, Significant Accounting Policies to the consolidated financial statements in the Company's Annual Report on Form 10-K, filed with the SEC on March 12, 2024, for a summary and discussion of the Company's significant accounting policies, except as updated below.

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Reclassifications of previously reported amounts have been made to conform to the current year's presentation. Accounts payable and accrued liabilities, which had been previously reported separately, have been combined within the Condensed Consolidated Statements of Cash Flows. This reclassification did not impact previously reported amounts on the Company's Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Comprehensive Loss or Condensed Consolidated Statements of Equity (Deficit).

To conform with the current year's presentation where equity-based compensation reported is allocated between the applicable financial statement line items within the Condensed Consolidated Statements of Operations and Comprehensive Loss, Income (Loss), the Company reclassified \$1.2 million \$1.8 million and \$1.4 million \$3.2 million of equity-based compensation expense for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, out of general and administrative and into cost of revenue, sales and marketing, operations, and technology and development. This adjustment impacted the Company's gross margin presented within the Condensed Consolidated Statements of Operations and Comprehensive Loss, Income (Loss) for the three and six nine months ended June 30, 2023 September 30, 2023 by the amount of equity-based compensation reclassified to cost of revenue. This adjustment did not impact the Company's net loss presented within the Condensed Consolidated Statements of Operations and Comprehensive Loss, Income (Loss) for the three and six nine months ended June 30, 2023 September 30, 2023. This adjustment did not impact previously reported amounts on the Company's Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Equity (Deficit) or Condensed Consolidated Statements of Cash Flows.

See the table below for a reconciliation of previously reported balances to the adjusted balances for this year's presentation within the Condensed Consolidated Statements of Operations and Comprehensive Loss, Income (Loss) (in thousands):

	For the three months ended June 30, 2023			For the three months ended September 30, 2023		
	Previously		Adjusted	Previously		Adjusted
	Reported	Adjustment	Presentation	Reported	Adjustment	Presentation
Cost of revenue	\$ 64,686	\$ 30	\$ 64,716	\$ 57,704	\$ 22	\$ 57,726
General and administrative	\$ 17,885	\$ (1,205)	\$ 16,680	\$ 23,487	\$ (1,836)	\$ 21,651
Sales and marketing	\$ 7,954	\$ 355	\$ 8,309	\$ 8,600	\$ 769	\$ 9,369
Operations	\$ 6,419	\$ 547	\$ 6,966	\$ 8,623	\$ 722	\$ 9,345
Technology and development	\$ 3,007	\$ 273	\$ 3,280	\$ 2,355	\$ 323	\$ 2,678

	For the six months ended June 30, 2023		
	Previously		Adjusted
	Reported	Adjustment	Presentation
Cost of revenue	\$ 124,738	\$ 34	\$ 124,772
General and administrative	\$ 35,995	\$ (1,408)	\$ 34,587
Sales and marketing	\$ 14,601	\$ 418	\$ 15,019
Operations	\$ 14,624	\$ 638	\$ 15,262
Technology and development	\$ 6,369	\$ 318	\$ 6,687

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	For the nine months ended September 30, 2023		
	Previously		Adjusted
	Reported	Adjustment	Presentation
Cost of revenue	\$ 182,442	\$ 56	\$ 182,498
General and administrative	\$ 59,482	\$ (3,244)	\$ 56,238
Sales and marketing	\$ 23,201	\$ 1,187	\$ 24,388
Operations	\$ 23,247	\$ 1,360	\$ 24,607
Technology and development	\$ 8,724	\$ 641	\$ 9,365

**(c) Use of Estimates**

The preparation of Condensed Consolidated Financial Statements in conformity with 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 accompanying notes. Changes in facts and circumstances or discovery of new information may result in revised estimates, and actual results could differ from those estimates.

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**(3) Revenue**

Revenues are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024		2023		2024		2023	
	\$	2024	\$	2023	\$	2024	\$	2023
Travel	\$ 38,846	\$ 48,031	\$ 88,520	\$ 103,159	\$ 42,571	\$ 49,065	\$ 131,091	\$ 152,100
Subscription	25,240	36,038	53,305	72,549	22,998	33,344	76,303	105,100
Rewards and other revenue	3,296	23	5,802	84	3,545	189	9,347	10,258
<b>Total</b>	<b>\$ 67,382</b>	<b>\$ 84,092</b>	<b>\$ 147,627</b>	<b>\$ 175,792</b>	<b>\$ 69,114</b>	<b>\$ 82,598</b>	<b>\$ 216,741</b>	<b>\$ 258,100</b>

The Company recognizes assets and liabilities associated with its contracts with its members. Contract assets include commissions paid to the Company's sales staff for contracts with initial terms greater than one year; these costs are capitalized and amortized over the life of the contract. As of **June 30, 2024** **September 30, 2024**, the balance of capitalized commissions was **\$1.9 million** **\$2.3 million**, of which **\$1.2 million** is included within other current assets and **\$0.7 million** **\$1.1 million** is included within other noncurrent assets on the Company's Condensed Consolidated Balance Sheets. During the three months ended **June 30, 2024** **September 30, 2024** and 2023, the Company recognized **\$0.8 million** **\$0.4 million** and **\$0.1 million**, respectively, of amortization expense in sales and marketing within the Company's Condensed Consolidated Statements of Operations and Comprehensive **Loss**. **Income (Loss)**. During the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, the Company recognized **\$1.1 million** **\$1.5 million** and **\$0.1 million**, respectively, of amortization expense in sales and marketing within the Company's Condensed Consolidated Statements of Operations and Comprehensive **Loss**. **Income (Loss)**. Contract liabilities include deferred revenue as discussed below.

Assets and liabilities related to contracts with members are as follows (in thousands):

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023

<b>Assets:</b>					
Accounts receivable, net	\$ 2,823	\$ 3,306	\$ 2,525	\$ 3,306	
Prepaid member travel	\$ 17,577	\$ 20,547	\$ 14,485	\$ 20,547	
Other current assets	\$ 1,117	\$ 1,053	\$ 1,168	\$ 1,053	
Other noncurrent assets	\$ 744	\$ 845	\$ 1,116	\$ 845	
<b>Liabilities:</b>					
Deferred revenue, current	\$ 148,774	\$ 160,493	\$ 135,791	\$ 160,493	
Deferred revenue, noncurrent	\$ 24,391	\$ 17,026	\$ 28,267	\$ 17,026	

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Deferred revenue is comprised of the following (in thousands):

	June 30,		December 31,		September 30, 2024		December 31, 2023	
	2024	2023	2024	2023	2024	2023	2024	2023
Travel	\$ 81,012	\$ 81,613	\$ 72,147	\$ 81,613				
Subscriptions	63,793	66,367	63,171	66,367				
Travel credits	16,788	18,852	17,818	18,852				
Rewards	11,572	10,687	10,922	10,687				
<b>Total</b>	<b>173,165</b>	<b>177,519</b>	<b>164,058</b>	<b>177,519</b>				
Less: Deferred revenue, noncurrent	24,391	17,026	28,267	17,026				
<b>Deferred revenue, current</b>	<b>\$ 148,774</b>	<b>\$ 160,493</b>	<b>\$ 135,791</b>	<b>\$ 160,493</b>				

During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, **\$107.8 million** **\$132.7 million** of revenue was recognized that was included in the balance of deferred revenue as of December 31, 2023. Significant movements in the deferred revenue balance during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** consisted of increases due to payments received prior to transfer of control of the underlying performance obligations to the customer, which were offset by decreases as performance obligations were satisfied. During the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, **\$103.4 million** **\$138.4 million** of revenue was recognized that was included in the balance of deferred revenue as of December 31, 2022.

Deferred revenue includes payments received in advance from members and is generally recognized to revenue within 2 years. Deferred revenue related to *Inspirato Rewards* ("Rewards") represents multiple performance obligations associated with the Company's member loyalty program. Revenues related to *Rewards* are recognized over time based upon historical travel patterns and

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members' average life, which includes an estimate of *Rewards* benefits that will expire or will not be used during the benefit period of the *Rewards* material rights (up to 30 months). Deferred revenue related to *Inspirato Invited* ("Invited") subscriptions is amortized over the ten-year contract period.

**(4) Prepaid Expenses and Prepaid Member Travel**

**Prepaid expenses**

Prepaid expenses are as follows (in thousands):

	June 30,	December 31,	September 30,	December 31,
	2024	2023	2024	2023
Software	\$ 1,968	\$ 2,899	\$ 1,100	\$ 2,899
Insurance	2,522	1,873	1,934	1,873
Property operations	906	720	483	720
Operating supplies	498	643	465	643
<b>Total</b>	<b>\$ 5,894</b>	<b>\$ 6,135</b>	<b>\$ 3,982</b>	<b>\$ 6,135</b>

#### **Prepaid Member Travel**

Prepaid member travel of \$17.6 million \$14.5 million and \$20.5 million as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively, includes deposits for future member travel.

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#### **(5) Property and Equipment, Net**

Property and equipment, net are as follows (in thousands):

	Useful Life	June 30,	December 31,	Useful Life	September 30,	December 31,
	(years)	2024	2023	(years)	2024	2023
Residence leasehold improvements	3	\$ 21,465	\$ 21,372	3	\$ 21,414	\$ 21,372
Internal-use software	3	17,587	16,510	3	18,092	16,510
Corporate office leasehold improvements	3	3,901	5,323	3	3,901	5,323
Furniture, fixtures and equipment	5	1,262	1,214	5	1,262	1,214
Computer equipment	3	1,114	1,114	3	1,114	1,114
Residence vehicles	5	584	689	5	583	689
<b>Total cost</b>		<b>45,913</b>	<b>46,222</b>		<b>46,366</b>	<b>46,222</b>
<b>Property and equipment, gross</b>						
Accumulated depreciation and amortization		(28,196)	(26,718)		(30,500)	(26,718)
<b>Property and equipment, net</b>		<b>\$ 17,717</b>	<b>\$ 19,504</b>		<b>\$ 15,866</b>	<b>\$ 19,504</b>

#### **(6) Accounts Payable and Accrued Liabilities**

The following table presents the components of accounts payable and accrued liabilities (in thousands):

	June 30,	December 31,	September 30,	December 31,
	2024	2023	2024	2023
Trade creditors	\$ 10,742	\$ 11,644	\$ 16,518	\$ 11,644
Occupancy taxes payable	6,188	6,823	5,798	6,823
Compensation accruals	3,429	3,786	3,749	3,786
Income and other taxes payable	211	495	332	495
<b>Accounts payable and accrued liabilities</b>	<b>\$ 20,570</b>	<b>\$ 22,748</b>	<b>\$ 26,397</b>	<b>\$ 22,748</b>

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On August 7, 2023, the Company entered into an investment agreement with Oakstone Ventures, Inc. ("Oakstone"), an affiliate of Capital One Services, LLC ("Capital One"), relating to the sale and issuance to Oakstone of an 8% Senior Secured Convertible Note due 2028 in a principal amount of \$25.0 million (the "Note"). On September 29, 2023, the Company issued the Note. The total net proceeds from this offering were \$23.1 million, after deducting \$1.9 million of debt issuance costs.

The Note bears interest at a fixed rate of 8% per annum. Interest on the Note is payable quarterly on the last business day of each calendar quarter following the issuance of the Note and the Company has elected to pay interest in kind by increasing the outstanding principal amount of the Note by the amount of interest payable on such interest payment date. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the outstanding amount of the Note was **\$26.5 million** **\$27.1 million** and \$25.5 million, respectively.

The current conversion price of the Note is \$30 per share which has been adjusted for the September 26, 2023 Reverse Stock Split, and on or after September 29, 2026, the Note will be redeemable (subject to certain terms and conditions) by the Company in whole (but not in part) at a redemption price equal to the fair market value of the Class A Common Stock issuable upon conversion of the then-outstanding principal amount of the Note. The Note also includes a minimum liquidity threshold of \$10 million.

The Company has elected to carry the Note at fair value, with changes in its value recognized as fair value gains or losses on the Condensed Consolidated Statements of Operations and Comprehensive Loss. A fair value loss of **\$0.3 million** **\$0.1 million** and a fair value gain of **\$3.9 million** **\$3.8 million** for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively, were recorded in loss (gain) loss on fair value instruments within the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

[Table of Contents](#)**Loan Facility**

In October of 2020, the Company obtained a revolving line of credit that was scheduled to mature in October of 2023 and was terminated in March of 2023. The facility had a limit of \$14 million. There was no interest expense related to the facility for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

**Interest, Net**

The Company incurred net interest expense of **\$0.4 million** **\$0.5 million** and **\$0.7 million** **\$1.2 million** for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively, and net interest income **\$0.4 million** **\$1.7 million** and **\$0.5 million** **\$1.2 million** for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, respectively, which has been recognized to interest, net within the Company's Condensed Consolidated

Statements of Operations and Comprehensive **Loss**. Income (Loss). The Company incurred interest expense on the Note of \$0.5 million \$0.6 million and \$1.0 million \$1.6 million during the three and **six** nine months ended **June 30, 2024** September 30, 2024, respectively. The Company did not incur interest expense on the Note respectively, and \$2.0 million during both the three and **six** nine months ended **June 30, 2023** as the Note was not yet issued. September 30, 2023. The interest expense was offset by interest income from the Company's banking relationship of \$0.1 million and \$0.3 million \$0.4 million for the three and **six** nine months ended **June 30, 2024** September 30, 2024, respectively, and \$0.4 million \$0.3 million and \$0.5 million \$0.8 million for the three and **six** nine months ended **June 30, 2023** September 30, 2023, respectively.

## **(8) Leases**

The Company enters into operating leases primarily for standalone homes, luxury condos and hotel rooms and suites. As of **June 30, 2024** **September 30, 2024**, active leases have remaining terms ranging from **less than 1 year** to 19 years, and generally contain extension options at the approval of both parties. The Company has not generally included these renewal periods in the lease term as it is not reasonably certain that the renewal option will be exercised. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Variable lease expense includes expenses incurred as a result of the lease agreement, which are not considered known expenses at lease inception and are recognized as incurred. Variable expenses can include, but are not limited to, revenue shares, owner buyback adjustments and usage-based agreements. Operating lease expense and variable lease expense are included in cost of revenue within the Condensed Consolidated Statements of Operations and Comprehensive Loss. Income (Loss).

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The following table details the composition of operating lease expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30, Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Operating lease expense	\$ 18,830	\$ 22,360	\$ 38,558	\$ 45,158	\$ 18,076	\$ 20,232	\$ 56,634	\$ 65,390		
Variable lease expense	\$ 200	\$ 116	\$ 501	\$ 502	\$ 225	\$ 187	\$ 726	\$ 689		

The maturities of the Company's operating lease liabilities as of **June 30, 2024** **September 30, 2024** are as follows (in thousands):

<u>Fiscal Year Ending</u>		<u>Operating leases</u>	<u>Operating leases</u>
Remainder of 2024		\$ 41,573	\$ 18,574
2025		71,450	65,499
2026		52,994	45,570
2027		39,788	32,555
2028		31,032	23,767
2029 and thereafter		76,668	54,906
Total minimum lease payments		313,505	240,871
Less: interest expense		(67,006)	(48,232)
Present value of lease obligations		246,499	192,639
Less: current lease obligations		(61,302)	(55,276)
<b>Long-term lease obligations</b>		<b>\$ 185,197</b>	<b>\$ 137,363</b>

As of **June 30, 2024** **September 30, 2024**, the Company was party to **16** **10** leases that had not yet commenced. Future payments under these leases were **\$24.3 million** **\$14.1 million** as of **June 30, 2024** **September 30, 2024**.

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The following table presents additional information about the Company's operating lease obligations:

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Weighted-average remaining lease term (in years)	5.5	5.6	5.1	5.6
Weighted-average discount rate	8.83%	8.23%	9.10%	8.23%

***Impairment of Right-of-Use Assets***

The Company tests long-lived assets for recoverability whenever events or changes in circumstances suggest that the carrying value of an asset or group of assets may not be recoverable.

During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, the Company reviewed cash flow forecasts of leases against the carrying value of their right-of-use assets. The Company determined that none of the right-of-use assets for leases had net carrying values that exceeded their estimated undiscounted future cash flows and therefore no impairment was recorded for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**.

During the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company reviewed cash flow forecasts of leases against the carrying value of their right-of-use assets. The Company determined that the right-of-use assets for **thirty-three** **thirty-eight** leases had net carrying values that exceeded their estimated undiscounted future cash flows. These leases were primarily related to one group of underperforming properties in a single geographic location. The Company then estimated the fair value of the asset groups based on their cash flows discounted at a rate commensurate with the risk involved and based on assumptions representative of market participants. The carrying values of the asset groups exceeded their fair values and, as a result, the Company recorded right-of-use asset impairments of **\$30.1 million** **\$4.3 million** and no impairment of property and equipment for the **three** months ended **September 30, 2023** and right-of-use asset impairments of **\$34.0 million** and property and equipment impairment of **\$0.3 million** for the **three** and **six** **nine** months ended **June 30, 2023** **September 30, 2023**. These impairments are recorded in asset impairments and (gain) on lease termination within the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss. Income (Loss).

***14 Gain on Lease Termination***

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[Table](#) [The Company entered into a Lease Termination and Surrender Agreement on August 12, 2024, subsequently amended on August 30, 2024, effective August 31, 2024, \(the "Termination Agreement"\) of Contents](#) certain previously impaired, underperforming leases under which the Company did not previously have termination rights. The Termination Agreement resulted in a decrease to the Company's right-of-use assets of **\$4.6 million** and corresponding decrease to operating lease liabilities of approximately **\$41.7 million**, resulting in a gain on lease termination of **\$37.1 million**, which was recorded to asset impairments and (gain) on lease termination within the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). Additionally, as part of the Termination Agreement, the Company agreed to pay a termination fee of **\$6.6 million**, subject to certain adjustments, payable in installments from August 2024 to March 2025. The **\$6.6 million** termination fee was recognized against asset impairments and (gain) on lease termination within the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and **nine** months ended **September 30, 2024** and the remaining unpaid termination fee of **\$5.7 million** as of **September 30, 2024** is

recorded within accounts payable and accrued liabilities within the Company's Condensed Consolidated Balance Sheet. Last, as part of the Termination Agreement, the Purchaser agreed to act as guarantor of the \$6.6 million termination fee and as compensation for that guarantee the Company agreed to pay the Purchaser \$0.6 million ratably over six months beginning January 2025, which was recorded to asset impairments and (gain) on lease termination within the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2024 and the balance due as of September 30, 2024 is recorded within accounts payable and accrued liabilities within the Condensed Consolidated Balance Sheet.

#### (9) Income Taxes

As of June 30, 2024 September 30, 2024, Inspirato Incorporated holds 57.2% 100.0% of the economic and voting interest in Inspirato LLC (see Note 13), which is treated as a partnership for U.S. federal income tax purposes. As a partnership, Inspirato LLC is itself generally not subject to U.S. federal income tax under current U.S. tax laws as its net taxable income or loss is passed through to its members and included in their tax returns, even though such net taxable income may not have actually been distributed. Inspirato Incorporated is subject to U.S. federal income taxes, in addition to state and local income taxes, with respect to its 57.2% 100.0% distributive share of the net taxable income of Inspirato LLC. Inspirato Incorporated is also subject to taxes in foreign jurisdictions.

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The effective income tax rate was negative 0.4% 2.2% and negative 1.5% 5.7% for the three and six nine months ended June 30, 2024 September 30, 2024, respectively, and negative 0.5% 2.0% and negative 0.8% 1.2% for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The effective income tax rate for expense within the three Company's Condensed Consolidated Statements of Operations and six months ended June 30, 2024 differed from the statutory rate in the respective periods, primarily due to the losses allocated to noncontrolling interests and the recognition of a valuation allowance. Comprehensive Income tax expense recorded in the three and six months ended June 30, 2024 and 2023 (Loss) represents amounts owed to state and foreign taxing authorities.

The Company has assessed the realizability of the net deferred tax assets and in that analysis has considered the relevant positive and negative evidence available to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The Company has recorded a full valuation allowance against the deferred tax assets at Inspirato Incorporated as of June 30, 2024 September 30, 2024 and December 31, 2023, which will be maintained until there is sufficient evidence to support the reversal of all or some portion of these allowances.

On February 11, 2022, the Company entered into a Tax Receivable Agreement (the "TRA"). Under the TRA, the Company is generally required to pay holders of the noncontrolling interests in Inspirato LLC, who also hold noneconomic voting interests in Inspirato Incorporated through their ownership of Class V Common Stock of Inspirato Incorporated (the "Continuing Inspirato Members"), 85% of the amount of cash savings, if any, in U.S. federal, state or local tax that the Company realizes directly or indirectly (or are deemed to realize in certain circumstances) as a result of (i) certain tax attributes created as a result of any sales or exchanges (as determined for U.S. federal income tax purposes) to or with the Company or their interests in Inspirato for shares of Inspirato Incorporated's Class A common stock Common Stock or cash, including any basis adjustment relating to the assets of Inspirato and (ii) tax benefits attributable to payments made under the TRA (including imputed interest).

The original TRA provides that, in certain events, including Inspirato's exercise of early termination rights, Inspirato's obligations under the TRA will accelerate and Inspirato will be required to make a lump-sum cash payment to the applicable parties to the TRA equal to the present value of all forecasted future payments that would have otherwise been made under the TRA, which lump-sum payment would be based on certain assumptions, including those relating to Inspirato's future taxable income. On August 9, 2024, the TRA was terminated by the Company and the other parties signatory thereto. As so amended, consideration for the TRA will terminate in termination, the Company paid a full and in August 2024, final settlement amount of \$0.3 million, which is presented within restructuring charges within the Company will pay \$0.3 million to settle the TRA Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company's income tax filings are subject to audit by various taxing jurisdictions. The Company will monitor the status of U.S. federal, state and local income tax returns that may be subject to audit in future periods. No U.S. federal, state and local income tax returns are currently under examination by the respective taxing authorities.

As of **June 30, 2024** **September 30, 2024**, the Company has recorded amounts related to indirect taxes, uncertain tax positions and foreign income taxes, totaling **\$2.9 million** **\$3.0 million**, within other noncurrent liabilities on the **condensed consolidated balance sheets** **Condensed Consolidated Balance Sheets** based on its current estimate of their realizability.

#### **(10) Equity of Inspirato Incorporated**

**The** As of December 31, 2023, the Company had three classes of common stock as of June 30, 2024: stock: Class A Class V and Common Stock, Class B Common Stock. Holders of the Class A Stock and Class V Common Stock. On September 30, 2024, all remaining shares of Class V Common Stock were converted to shares of Class A Common Stock. See Note 13 for further information. As of September 30, 2024, no shares of Class B Common Stock were outstanding. Holders of the shares of Class A Common Stock will vote together as a single class on all matters submitted to stockholders for their vote or approval, except as required by applicable law, and each share of Class A or Class V Common Stock will be entitled to one vote on such matters. Holders of any shares of Class B Common Stock that may be issued in the future will not have voting rights. No class

##### ***Warrants***

###### ***Saks Warrants***

The Company issued warrants in connection with a commercial agreement with Saks.com LLC ("Saks"), which have been recorded within other noncurrent liabilities within the Condensed Consolidated Balance Sheets. On July 31, 2024, the Company and Saks mutually terminated the commercial agreement and the Company paid Saks less than \$0.1 million for the value of common stock has any conversion rights. the warrants Saks chose not to exercise, such that the warrants were no longer outstanding as of September 30, 2024.

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###### ***Public Warrants***

The Company is party to issued and outstanding Public Warrants to purchase shares of Class A Common Stock at a price of \$230 per share. As of both September 30, 2024 and December 31, 2023, there were 8.6 million Public Warrants outstanding. Each of the Public Warrants is exercisable for 0.05 shares of Class A Common Stock. The Public Warrants are recorded within other noncurrent liabilities in the Condensed Consolidated Balance Sheets.

###### ***Investment Warrants***

As discussed in Note 1 and pursuant to the Investment Agreement, along with each purchase of shares of Class A Common Stock, including optional additional shares, the Purchaser obtained an equivalent number of Investment Warrants, each of which can be exercised for additional shares of Class A Common Stock at \$3.43 per share and are exercisable for 5 years. The Investment Warrants are also exercisable at the election of the Purchaser in a cashless exercise. In the event of a cashless exercise, in lieu of paying the exercise price in cash, the Purchaser will surrender the number of shares necessary to settle the cash payment due from exercising of the Investment Warrants.

The Company valued the Investment Warrants using the Black-Sholes valuation model to which the Company's stock price, volatility and dividend rate as well as the risk-free rate, exercise price and time to maturity were considered in the model to estimate the value of the Investment Warrants upon issuance. The initial calculated valuation of the Investment Warrants was proportionally allocated with the aggregate cash purchase price received pursuant to the Investment Agreement. The calculated relative fair value of the Investment Warrants was \$4.5 million which has been reflected within the Company's Condensed Consolidated Statements of Equity (Deficit).

#### **(11) Loss Earnings (Loss) Attributable to Inspirato Incorporated per Class A Share**

Basic and diluted earnings (loss) per share ("EPS") is computed utilizing shares that participate in the Company's earnings – including dividend rights. The Company's Class A and Class B Common Stock are the classes of shares that are entitled to the Company's earnings and dividends.

EPS is computed using the two-class method. Under the two-class method, the Company allocates net income attributable to **Inspirato Incorporated** to Class A Common Stock (including those with vested share-based awards). Basic earnings per share is calculated by taking net income attributable to **Inspirato Incorporated**, less earnings allocated to Class A Common Stock, divided by the basic weighted-average Class A Common Stock outstanding. Net loss income (loss) per share is calculated by taking net loss income (loss) attributable to **Inspirato Incorporated** divided by weighted-average Class A Common Stock outstanding. In accordance with the two-class method, diluted earnings (loss) per share is calculated using the more dilutive of the impact of the treasury-stock method or from reducing net income for the earnings allocated to Class A Common Stock.

The following table presents the Company's basic and diluted EPS for the three and six months ended **June 30, 2024** **September 30, 2024** and 2023 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net loss attributable to <b>Inspirato Incorporated</b>	\$ (8,707)	\$ (23,420)	\$ (7,444)	\$ (26,316)				
Weighted average Class A Shares outstanding,								
Basic and Diluted	3,730	3,367	3,663	3,299				
Net loss attributable to <b>Inspirato Incorporated</b> per Class A Share,								
Basic and Diluted	\$ (2.33)	\$ (6.96)	\$ (2.03)	\$ (7.98)				
Net income (loss) attributable to <b>Inspirato Incorporated</b>					\$ 4,332	\$ (16,653)	\$ (3,112)	\$ (42,969)
Weighted average Class A Shares outstanding,								
Basic			5,639		3,419		4,326	3,339
Net income (loss) attributable to <b>Inspirato Incorporated</b> per Class A Share,								
Basic			\$ 0.77	\$ (4.87)	\$ (0.72)	\$ (12.87)		

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The following table presents the Company's diluted EPS for the three and nine months ended September 30, 2024 and 2023 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss) attributable to Inspirato Incorporated	\$ 4,332	\$ (16,653)	\$ (3,112)	\$ (42,969)
Impact of Note interest and fair market value adjustment attributable to Inspirato Incorporated Class A Shares	267	—	—	—
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ 4,599</b>	<b>\$ (16,653)</b>	<b>\$ (3,112)</b>	<b>\$ (42,969)</b>
Weighted average Class A Shares outstanding, Basic	5,639	3,419	4,326	3,339
Effect of dilutive securities	1,783	—	—	—
<b>Weighted average Class A Shares outstanding, Diluted</b>	<b>7,422</b>	<b>3,419</b>	<b>4,326</b>	<b>3,339</b>
Net income (loss) attributable to Inspirato Incorporated per Class A Share, Diluted	\$ 0.62	\$ (4.87)	\$ (0.72)	\$ (12.87)

Due to the net loss attributable to Inspirato Incorporated for the three and six months ended June 30, 2024 September 30, 2023 and the nine months ended September 30, 2024 and 2023, diluted weighted-average Class A shares outstanding are equal to basic weighted-average shares outstanding as the effect of any incremental equity awards is anti-dilutive. Additionally, the following securities are excluded from the computation of diluted shares for the three and six months ended June 30, 2024 September 30, 2024 and 2023 due to their anti-dilutive effects (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Restricted stock units	564	943	606	857	601	866	694	860
Performance-based units					261	—	88	—
Stock options	165	237	177	249	142	222	165	239
Warrants	431	431	431	431				
Public Warrants					431	431	431	431
Investment Warrants					—	—	192	—
Investment Agreement								
Option					—	—	1,458	—
Note	885	—	885	—	—	833	902	833
<b>Anti-dilutive securities</b>	<b>2,045</b>	<b>1,611</b>	<b>2,099</b>	<b>1,537</b>	<b>1,435</b>	<b>2,352</b>	<b>3,930</b>	<b>2,363</b>

## (12) Equity-Based Compensation

During the three and **six** nine months ended **June 30, 2024 and 2023, September 30, 2024**, the Company recognized **\$2.7 million \$11.7 million and \$17.2 million, \$5.6 million** respectively, of equity-based compensation. During the three and nine months ended **September 30, 2023, \$3.7 million** the Company recognized **\$6.7 million and \$4.4 million \$11.1 million**, respectively, of equity-based compensation. The following table details where equity-based compensation is recognized on the Company's Condensed Consolidated Statements of Operations and Comprehensive **Loss Income (Loss)** (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Cost of revenue	\$ 14	\$ 30	\$ 32	\$ 34	\$ 36	\$ 22	\$ 68	\$ 56
General and administrative	1,943	2,526	4,005	2,980	6,865	4,850	10,870	7,830
Sales and marketing	248	355	570	418	87	769	657	1,187
Operations	283	547	576	638	191	722	767	1,360
Technology and development	184	273	367	318	100	323	467	641
Restructuring charges (Note 18)					4,395	—	4,395	—
<b>Total equity-based compensation</b>	<b>\$ 2,672</b>	<b>\$ 3,731</b>	<b>\$ 5,550</b>	<b>\$ 4,388</b>	<b>\$ 11,674</b>	<b>\$ 6,686</b>	<b>\$ 17,224</b>	<b>\$ 11,074</b>

The Company also recognized income tax benefits from stock compensation of \$0.4 million, \$0.8 million, \$0.4 million and \$0.5 million for the three and six months ended June 30, 2024 and 2023, respectively.

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The Company also recognized income tax benefits from stock compensation of \$1.1 million and \$2.0 million for the three and nine months ended September 30, 2024, respectively, and \$0.8 million and \$1.3 million for the three and nine months ended September 30, 2023, respectively.

### **2021 Plan**

Under the 2021 Equity Incentive Plan (the "2021 Plan"), the Company may grant options, stock appreciation rights, restricted stock, restricted stock units ("RSU") and performance awards to employees, directors and consultants. The number of awards that may be issued pursuant to the 2021 Plan is calculated yearly based on provisions of the 2021 Plan. Once granted, the RSUs typically vest ratably over a period of one to four years with a cliff vesting on the first anniversary and continue to vest quarterly thereafter.

### **Inducement Plan**

On August 13, 2024, the 2024 Inducement Award Plan (the "Inducement Plan") became effective. Pursuant to the Inducement Plan, the Company may grant up to 2.0 million shares in the form of options, stock appreciation rights, restricted stock, RSUs and performance awards to new employees, directors and consultants, plus any additional shares that become available for issuance under the Inducement Plan. On August 13, 2024, the Company granted an award of 500,000 RSUs of Class A Common Stock, which shall vest 25% on the first anniversary of the date of grant, with the remaining 75% vesting in equal quarterly installments over the subsequent three years. On August 13, 2024, the Company also granted a performance-based equity award of 500,000 performance-based units ("PBUs") of Class A Common Stock (the "Performance-Based Equity Grant"). The Performance-Based Equity Grant awards will vest in full on the trading day after the Company's Class A Common Stock achieves the market condition of a closing price of \$15.00 per share or more over a period of at least 30 consecutive trading days from August 14, 2024 through August 13, 2025 (the "Performance Period"). If the performance stock price goal is not met during the Performance Period, the Performance Based Equity Grant will be forfeited on August 14, 2025.

## RSUs

The following table represents restricted stock unit ("RSU") RSU activity for the **six nine** months ended **June 30, 2024** **September 30, 2024** and **2023** (in thousands, except per share amounts):

	<b>Number of units (in thousands)</b>	<b>Weighted average grant date fair value</b>
Outstanding as of December 31, 2022		275 \$ 124.60
Granted	783	\$ 27.41
Vested	(85)	\$ 120.40
Forfeited	(42)	\$ 56.06
<b>Outstanding as of June 30, 2023</b>	<b>931</b>	<b>\$ 46.34</b>
Outstanding as of December 31, 2023		727 \$ 41.42
Granted	308	\$ 3.94
Vested	(300)	\$ 35.09
Forfeited	(30)	\$ 35.46
<b>Outstanding as of June 30, 2024</b>	<b>705</b>	<b>\$ 27.99</b>

	<b>Number of units</b>	<b>Weighted average grant date fair value</b>
Outstanding as of December 31, 2022	275	\$ 124.60
Granted	793	\$ 1.36
Vested	(159)	\$ 4.74
Forfeited	(147)	\$ 2.42
<b>Outstanding as of September 30, 2023</b>	<b>762</b>	<b>\$ 44.93</b>
Outstanding as of December 31, 2023	727	\$ 41.42
Granted	975	\$ 3.62
Vested	(833)	\$ 29.50
Forfeited	(41)	\$ 33.20
<b>Outstanding as of September 30, 2024</b>	<b>828</b>	<b>\$ 9.31</b>

As of **June 30, 2024** **September 30, 2024**, there was **\$14.4 million** **\$6.0 million** of unrecognized compensation cost related to the RSUs, which is expected to be recognized over a weighted average period of **1.7** **2.2** years. Additionally, during the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, the Company accelerated vesting of some RSUs, which resulted in **\$0.5 million** **\$10.2 million** and **\$0.8 million** **\$11.0 million**, respectively, of incremental compensation cost recognized in the period. **periods**.

The Company had 500,000 PBUs outstanding as of September 30, 2024 and there was \$0.5 million of unrecognized compensation cost related to PBUs. The Company recognized less than \$0.1 million in equity-based compensation expense related to PBUs during both the three and nine months ended September 30, 2024. The Company valued the issued PBUs using a Monte Carlo simulation.

#### Unit Option Plan

The Company had 152,000 132,000 and 204,000 stock options outstanding and exercisable as of June 30, 2024 September 30, 2024 and December 31, 2023, respectively. No stock options have been granted since January of 2021. There were no stock option exercises during the three and six months ended June 30, 2024 September 30, 2024. There were 7,000 56,000 and 37,000 174,000 stock option exercises during the three and six months ended June 30, 2023 September 30, 2023, respectively, at a weighted average exercise price of \$15.60 and \$15.60 per share, respectively, in each period.

#### (13) Noncontrolling Interest

As of June 30, 2024 and December 31, 2023 the noncontrolling interests owned 42.8% and 45.1%, respectively, of Inspirato LLC. During the three and six months ended June 30, 2024 and 2023, the Company issued 13,000 shares, 49,000 shares, 32,000 shares and 140,000 shares, respectively, of Class A Common Stock in exchange for the same number of New Common Units, resulting also in the cancellation of the same number of shares of Class V Common Stock.

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#### (13) Noncontrolling Interest

On August 30, 2024, the Board of Managers of Inspirato LLC approved a mandatory exchange of all units in Inspirato LLC, other than those held by the Company (the "Mandatory Exchange"). Pursuant to the Mandatory Exchange, each member of Inspirato LLC other than the Company exchanged their common units for a number of shares of Class A Common Stock of the Company equal to the number of common units exchanged. This exchange also involved the surrender and cancellation of the same number of outstanding shares of Class V Common Stock of the Company held by such members. The Mandatory Exchange occurred on September 30, 2024 and as of September 30, 2024, there is no remaining noncontrolling interest as Inspirato Incorporated fully owns Inspirato LLC.

As of December 31, 2023, the noncontrolling interests owned 45.1% of Inspirato LLC. During the three and nine months ended September 30, 2024, the Company issued 2,858,000 shares and 2,907,000 shares, respectively, of Class A Common Stock in exchange for the same number of common units, resulting also in the cancellation of the same number of shares of Class V Common Stock.

The following table summarizes the changes in share ownership of Inspirato LLC (in thousands):

	New Common Units				Common Units			
	Continuing		Inspirato		Continuing		Inspirato	
	Inspirato	LLC	Inspirato	Members	Inspirato	LLC	Inspirato	Members
Incorporated	Members	subject to vesting		Total	Incorporated	Members	subject to vesting	Total
Balance as of January 1, 2023	3,136	2,983	85	6,204	3,136	2,983	85	6,204

Conversion of Class V to Class A	140	(140)	—	—	144	(144)	—	—
Vesting of profits interests	—	22	(22)	—	—	79	(79)	—
Issuance of Common Stock from net option exercises	118	—	—	118				
<b>Balance as of June 30, 2023</b>	<b>3,394</b>	<b>2,865</b>	<b>63</b>	<b>6,322</b>				
Issuance of Common Stock from net option exercises and vesting of restricted stock units					174	—	—	174
<b>Balance as of September 30, 2023</b>					<b>3,454</b>	<b>2,918</b>	<b>6</b>	<b>6,378</b>
<b>Balance as of January 1, 2024</b>	<b>3,537</b>	<b>2,907</b>	<b>—</b>	<b>6,444</b>	3,537	2,907	—	6,444
Conversion of Class V to Class A	49	(49)	—	—	2,907	(2,907)	—	—
Issuance of Common Stock pursuant to Investment Agreement					2,915	—	—	2,915
Issuance of Common Stock from employee stock purchases and vesting of restricted stock units	233	—	—	233	694	—	—	694

Balance as of June 30, 2024	<u>3,819</u>	<u>2,858</u>	<u>—</u>	<u>6,677</u>
Balance as of September 30, 2024			<u>10,053</u>	<u>—</u>

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**(14) Commitments and Contingencies**

***Litigation***

The Company is involved in various legal proceedings. The Company establishes reserves for specific legal proceedings when the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. The Company does not believe that there is a reasonable possibility of material loss or loss in excess of the amount that the Company has accrued. The Company recognizes legal fees related to any ongoing legal proceeding as incurred.

On February 16, 2023, a class action lawsuit was filed in the U.S. District Court in the District of Colorado captioned *Keith Koch, Individually and on behalf of all others similarly situated v. Inspirato Incorporated, Brent Handler, and R. Webster Neighbor Neighbor*. The complaint alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder against all defendants, and Section 20(a) of the Exchange Act against the individual defendants. The complaint generally alleged that certain of the Company's prior public statements about its results of operations and financial condition were materially false and misleading because they misrepresented and failed to disclose adverse facts pertaining to the restatement of the Company's Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2022 and June 30, 2022. On July 16, 2024, the magistrate recommended the case be dismissed and the plaintiff filed objections a motion objecting to these recommendations on July 30, 2024. The Company responded to these objections and on August 13, 2024 and expects September 23, 2024, the Court granted the Company's motion to dismiss the shareholder lawsuit lawsuit without prejudice. On October 23, 2024, the plaintiff filed an amended motion for the Court's review.

***Financial Guarantee Requirement***

Inspirato LLC is a party to a financial guarantee requirement with a third party. The guarantee is satisfied through \$30 million in surety bonds bonds and \$10 million in restricted cash with a credit card issuer. The surety bond agreements remain in effect and their term is continuous. The surety has the right to terminate the bonds upon 180 days' notice. Inspirato LLC has the right to terminate the bonds upon termination and satisfaction of the agreement which that the bonds secure.

***Credit Card Reserve***

The Company has a \$10 million restricted cash reserve balance with a credit card issuer. As of June 30, 2024 September 30, 2024 and December 31, 2023, \$10.0 million and \$4.8 million, respectively, was reserved and is included in restricted cash within the Condensed Consolidated Balance Sheets.

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Under ASC 820, *Fair Value Measurements and Disclosures*, disclosures relating to how fair value is determined for assets and liabilities are required and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs, as follows:

- **Level 1** – Quoted prices in active markets for identical assets and liabilities.
- **Level 2** – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes several valuation techniques **in order** to assess the fair value of its financial assets and liabilities.

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The following tables set forth the fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis as of **June 30, 2024**, **September 30, 2024** and **December 31, 2023** based on the three-tier fair value hierarchy (in thousands):

	June 30, 2024				Balance Sheet Classification	September 30, 2024			
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
<b>Assets</b>									
Cash and cash equivalents	\$ 18,821	\$ —	\$ —	\$ 18,821	Cash and cash equivalents	\$ 13,479	\$ —	\$ —	\$ 13,479
Restricted cash	10,660	—	—	10,660	Restricted cash	10,660	—	—	10,660
<b>Total</b>	<b>\$ 29,481</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 29,481</b>		<b>\$24,139</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$24,139</b>
<b>Liabilities</b>									
Convertible Note	\$ —	\$ —	\$ 20,988	\$ 20,988	Convertible note	\$ —	\$ —	\$ 21,642	\$ 21,642
Warrants	112	—	—	112	Other noncurrent liabilities	147	—	—	147
Convertible note									
Public warrants									
<b>Total</b>	<b>\$ 112</b>	<b>\$ —</b>	<b>\$ 20,988</b>	<b>\$ 21,100</b>		<b>\$ 147</b>	<b>\$ —</b>	<b>\$ 21,642</b>	<b>\$ 21,789</b>

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 36,566	\$ —	\$ —	\$ 36,566
Restricted cash	5,700	—	—	5,700
<b>Total</b>	<b>\$ 42,266</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 42,266</b>
<b>Liabilities</b>				
Convertible Note	\$ —	\$ —	\$ 23,854	\$ 23,854
Warrants	48	—	—	48
<b>Total</b>	<b>\$ 48</b>	<b>\$ —</b>	<b>\$ 23,854</b>	<b>\$ 23,902</b>

	Balance Sheet Classification	December 31, 2023			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Cash and cash equivalents	Cash and cash equivalents	\$ 36,566	\$ —	\$ —	\$ 36,566
Restricted cash	Restricted cash	5,700	—	—	5,700
<b>Total</b>		<b>\$ 42,266</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 42,266</b>
<b>Liabilities</b>					
Convertible note	Convertible note	\$ —	\$ —	\$ 23,854	\$ 23,854
Public warrants	Other noncurrent liabilities	48	—	—	48
<b>Total</b>		<b>\$ 48</b>	<b>\$ —</b>	<b>\$ 23,854</b>	<b>\$ 23,902</b>

#### **Cash, Cash Equivalents and Restricted Cash**

Cash, cash equivalents and restricted cash are comprised of credit card receivables and cash and are categorized as Level 1 instruments. The Company maintains cash with various high-quality financial institutions and holds restricted cash with certain credit card processors as a deposit until services are rendered. Cash, cash equivalents and restricted cash are carried at cost, which management believes approximates fair value. As of June 30, 2024 September 30, 2024 and December 31, 2023, the Company had \$13.5 million and \$36.6 million, respectively, of cash and cash equivalents. As of September 30, 2024 and December 31, 2023, the Company had \$10.7 million and \$5.7 million, respectively, of restricted cash.

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#### **Public Warrants**

The Company is party to issued and outstanding Public Warrants, and has also issued warrants in connection with a commercial agreement with Saks.com LLC (the 'Saks Warrant Shares'), both of which have been recorded within other noncurrent liabilities within the Condensed Consolidated Balance Sheets. The Company accounts for the Public Warrants as liabilities at fair value as the Public Warrants do not meet the criteria for classification within equity. As the Public Warrants utilize an observable price in an active market to assess their fair value the warrants are categorized as Level 1 instruments. Additionally, as there was an immaterial amount of outstanding Saks Warrant Shares as of June 30, 2024 instruments and are subject to remeasurement at each balance sheet date. During the three and nine months ended September 30, 2024, the Company concluded the recognized less than \$0.1 million and \$0.1 million, respectively, in fair market value of adjustments, and during the outstanding Saks Warrant Shares to be less than less than \$0.1 million as of June 30, 2024. On July 31, 2024 three and nine months ended September 30, 2023, the Company terminated recognized \$0.3 million and \$0.5 million, respectively, in fair market value adjustments. Fair market value adjustments are recognized to loss (gain) on fair value instruments within the commercial agreement with Saks.com LLC Company's Condensed Consolidated Statements of Operations and paid a termination fee of less than \$0.1 million Comprehensive Income (Loss).

#### **Convertible Note**

The estimated fair value of the Note has been determined to be a Level 3 measurement, as the Company utilizes a binomial lattice model where both the debt and stock features of the Note are considered. In reviewing the debt features of the Note, the Company considered its scheduled coupon and principal payments and compared them to those of instruments currently outstanding in the market of companies with similar credit ratings as well as the risk-free rate. In considering the stock features of the Note, the Company considered the value and volatility of its own stock, in addition to considering volatility of similar instruments in the marketplace as well as the conversion feature of the Note, which is discounted at the risk-free rate.

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The Company has an employee stock purchase plan (the "ESPP"), under which the Company is authorized to issue 200,000 shares of Class A Common Stock. At **June 30, 2024** **September 30, 2024** and December 31, 2023, the Company had approximately 117,000 and 141,000 shares, **respectively**, of Class A Common Stock **respectively**, which remain available for issuance under the ESPP. Generally, all full-time employees who have been employed by **Inspirato** for at least six months are eligible to participate in the ESPP. Employee stock purchases are made through payroll deductions. The ESPP consists of six-month offering periods during which employees may enroll in the plan. The purchase price on each purchase date shall not be less than eighty-five percent (85%) of the lesser of (a) the fair market value of a share of stock on the offering date of the offering period or (b) the fair market value of a share of stock on the purchase date. During **both** the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, there were **no** and 24,000, **shares** **respectively**, employee purchases of Class A Common Stock purchased by employees through the ESPP. During both the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, there were no employee purchases of Class A Common Stock through the ESPP.

***401(k) Employee Savings Plan***

The Company sponsors a defined contribution 401(k) plan (the "Plan") that covers substantially all employees. During both the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, the Company made no matching contributions. During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, the Company matched **\$0.3 million** **\$0.2 million** and **\$0.9 million** **\$1.1 million**, respectively.

**(17) Related Party Transactions**

As part of the Portico acquisition in 2013, **Inspirato** LLC entered into certain ancillary and commercial arrangements with Exclusive Resorts, where several of the Company's significant shareholders also hold a significant investment, primarily involving the continuation of services to Portico members until such memberships terminate. As of June 30, 2024 and December 31, 2023, balances due from related parties for these arrangements totaled **\$1.3 million** and **\$0.8 million**, respectively, and are recorded to accounts receivable, net – related parties on the Company's Condensed Consolidated Balance Sheets. Revenue related to these arrangements is included in the Company's travel revenue. Separating revenue related to Portico's members from the Company's total travel revenue is not practicable.

**Inspirato** LLC was party to certain property usage agreements with Exclusive Resorts, pursuant to which **Inspirato** LLC paid Exclusive Resorts to use and operate certain Exclusive Resorts homes for **Inspirato** members' usage. For the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, **Inspirato** recognized no related party expense related to these agreements as these property usage agreements had been terminated during 2023. For the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, **Inspirato** recognized **\$0.1 million** **\$0.0 million** and **\$0.6 million**, respectively, in related party expense related to these agreements. As agreements, which is recorded to cost of **June 30, 2024** revenue within the Company's Condensed Consolidated Statements of Operations and December 31, 2023, **Inspirato** had paid all amounts due and payable under the property usage agreements. Comprehensive Income (Loss).

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In March of 2024, **Inspirato** LLC entered into license agreements with Exclusive Resorts for use of certain of the Company's leased properties. These agreements, as amended in April 2024, commence in May and September of 2024. The agreements have initial terms of three years, subject to early termination rights for both parties. Effective as of September 27, 2024, **Inspirato** LLC terminated one of these agreements. For the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, **\$0.1 million** and **\$0.1 million** **\$0.2 million**, respectively, of revenue was recognized in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss. Income (Loss).

Considering each agreement with Exclusive Resorts above, as of both September 30, 2024 and December 31, 2023, the amount due from Exclusive Resorts is \$0.8 million and is recorded to accounts receivable, net – related parties on the Company's Condensed Consolidated Balance Sheets.

Further, Inspirato LLC has entered into lease agreements with certain former Company executives and board members whereby Inspirato LLC leases property from those executives and board members and pays those executives and board members a fee in advance of the leased property becoming available for occupancy. Total payments made under these lease agreements were less than \$0.1 million during both the three and six nine months ended June 30, 2024 September 30, 2024. Total payments made under these lease agreements were less than \$0.1 million for both the three and nine months ended September 30, 2023.

In August of 2024, the Company entered into the Termination Agreement of certain previously impaired, underperforming leases. Under the Termination Agreement, the Company agreed to pay a termination fee of \$6.6 million, subject to certain adjustments, payable in installments from August 2024 to March 2025. As security for the Company's obligation to pay the termination fee, the Purchaser agreed to guarantee such payment upon the occurrence of any of the following events: (i) the Company's default in payment

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or performance of obligations, (ii) the Company's voluntary petition in bankruptcy or insolvency or (iii) any proceeding filed or brought against the Company. In exchange for the Purchaser's guarantee of the termination fee, the Company is paying the Purchaser \$0.6 million ratably over six months beginning January 2025.

Subsequent to the Investment Agreement with One Planet Group, the Company entered into various arrangements for expense reimbursements between One Planet Group and the Company relating to executive travel reimbursement and management consulting fees. Total payments were less than \$0.1 million for both the three and nine months ended June 30, 2023 September 30, 2024.

#### **(18) Restructuring Charges**

During the three months ended September 30, 2024, the Company developed a plan for a restructuring (the "Reorganization Plan"). The Reorganization Plan included provisions for the Termination Agreement, termination and settlement of the TRA, the reduction in force, acquisition of shares and infusion of cash from One Planet Group, change in Chief Executive Officer ("CEO") and the composition of the Company's Board of Directors as well as plan to review expenses and business processes.

The following table presents the components of restructuring charges during the three and nine months ended September 30, 2024 (in thousands):

##### **Cash Restructuring Charges:**

Severance and other employee-related benefits	\$ 1,846
Termination of the TRA	250
Other restructuring charges	494
<b>Total Cash Restructuring Charges</b>	<b>2,590</b>

##### **Non-Cash Restructuring Charges:**

Acceleration of equity-based compensation	4,395
<b>Total Restructuring Charges</b>	<b>\$ 6,985</b>

Through September 30, 2024, the Company paid \$1.3 million of the cash restructuring charges in connection with the Reorganization Plan and the remaining unpaid restructuring charges were \$1.3 million as of September 30, 2024 and are included in accounts payable and accrued liabilities within the Condensed Consolidated Balance Sheet.

Additionally, in connection with the Reorganization Plan, the Company also entered into the Termination Agreement of certain previously impaired, underperforming leases that resulted in a gain on lease termination of \$37.1 million. The Company's gain on lease termination was recorded to asset

impairments and (gain) on lease termination on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 8 for additional information.

#### **(18) (19) Supplemental Financial Information**

The following table presents the year-to-date supplemental and non-cash investing and financing activities (in thousands):

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Supplemental cash flow information:</b>		
Cash paid for income taxes	\$ 106	\$ 59
<b>Significant non-cash transactions:</b>		
Conversion of Class V to Class A stock	\$ 2,797	\$ —
Accounting principle adoption	\$ —	\$ 204
Fixed assets purchased but unpaid, included in accounts payable at period end	\$ 367	\$ 1,038
Operating lease right-of-use assets exchanged for lease obligations	\$ 20,993	\$ 35,068

#### **(19) Subsequent Events**

As discussed in Note 1 – Nature of Business, on August 12, 2024, the Company entered into the Investment Agreement for the One Planet Financing. At the initial closing on August 13, 2024, the Purchaser acquired the first tranche of 1,335,271 shares for \$4.6 million. At the second closing, which is expected to occur in September 2024 and is subject to approval of the Company's stockholders, the Purchaser will acquire the remaining 1,580,180 shares for \$5.4 million. In addition, pursuant to the Investment Agreement, the Purchaser was granted an option to acquire additional shares of Class A common stock for \$3.43 per share with an aggregate purchase price of up to \$2.5 million. The option may be exercised only if the second closing occurs. Additionally, along with each purchase of shares of Class A common stock, including optional additional shares, the Purchaser obtains an equivalent number of warrants which can each be exercised for an additional share of Class A common stock for \$3.43 per warrant and is exercisable for 5 years. These warrants will be issued only if the second tranche closing occurs. Further, as part of the Investment Agreement, on August 12, 2024, the Company performed a reduction in force of 15% of the Company's headcount as of that date. Additionally, on August 13, 2024, in connection with the financing transaction CEO Eric Grosse resigned from that position and Payam Zamai was named CEO and Chairman of the Board.

On August 12, 2024, the Company entered into the Termination Agreement, effective August 31, 2024, with a third party to terminate the Company's lease agreement related to one group of underperforming properties in a single geographic location. As part of the Termination Agreement, the Company will pay a termination fee of \$6.6 million, subject to certain adjustments, payable in installments from August 2024 to March 2025. The Termination Agreement will result in a decrease to the Company's operating lease liabilities of approximately \$41.2 million as of the effective date of the Termination Agreement. Additionally, as part of the Termination Agreement the Purchaser agreed to act as Guarantor of the \$6.6 million termination fee. As compensation for that guarantee the Company will pay the Purchaser \$0.6 million ratably over six months beginning January 2025.

On August 9, 2024, the TRA was amended by the Company and the other parties signatory thereto. As so amended, the TRA will terminate in full and in August 2024, the Company will pay \$0.3 million to settle the TRA. See Note 9 for further discussion on the TRA.

	<b>Nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Supplemental cash flow information:</b>		
Cash paid for income taxes	\$ 132	\$ 12
<b>Significant non-cash transactions:</b>		
Conversion of Class V to Class A stock	\$ 127,868	\$ —
Accounting principle adoption	\$ —	\$ 204
Fixed assets purchased but unpaid, included in accounts payable at period end	\$ 701	\$ 1,009
Operating lease right-of-use assets exchanged for lease obligations	\$ 23,588	\$ 52,629

## (20) Subsequent Events

On October 22, 2024, the Company entered into the Secondary Investment Agreement with the Secondary Purchasers, to sell approximately 757,576 shares of Class A Common Stock, \$0.0001 par value per share, at \$3.96 per share, the closing price at October 22, 2024, for an aggregate purchase price of \$3.0 million. The closing of the transactions contemplated by the Secondary Investment Agreement occurred on October 24, 2024.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes thereto as of and for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023 included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2023 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 12, 2024. This discussion includes both historical information and forward-looking statements based upon current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the sections titled "Risk Factors" and "Special Note Regarding Forward Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.*

#### **OVERVIEW**

Inspirato Incorporated and its subsidiaries (collectively, the "Company", "Inspirato", "we", or "our") is a subscription-based luxury travel company that provides exclusive access to a managed and controlled portfolio of curated vacation options, delivered through an innovative model designed to ensure the service, certainty and value that discerning customers demand. The Inspirato portfolio includes branded luxury vacation homes, accommodations at five-star hotel and resort partners and custom travel experiences.

For travelers, we offer access to a diverse portfolio of vacation options that includes approximately **420** **360** private luxury vacation homes available to our customers, and accommodations at **over** **approximately** 230 luxury hotel and resort partners in over **180** **200** destinations around the world as of **June 30, 2024** **September 30, 2024**. Our portfolio also includes *Inspirato Only* experiences, featuring one-of-a-kind luxury safaris, cruises and other experiences with *Inspirato*-only member lists along with *Bespoke* trips, which offer custom-designed "bucket list" itineraries. Every *Inspirato* trip comes with our personalized service envelope — including pre-trip planning, on-site concierge and daily housekeeping — designed to meet the needs of discerning travelers and drive exceptional customer satisfaction.

#### **Investment Agreement**

On August 12, 2024, we entered into an investment agreement (the "Investment Agreement") with One Planet Group LLC ("One Planet Group"), a Delaware limited liability company (the "Purchaser"), to sell 2.9 million shares of Class A Common Stock, \$0.0001 par value per share, at \$3.43 per share, and 2.9 million warrants (the "Investment Warrants"), each redeemable for a share of Class A Common Stock, for an aggregate purchase price of \$10.0 million (the "One Planet Group Financing"). At the initial closing on August 13, 2024, the Purchaser acquired the first tranche of 1,335,271 shares for \$4.6 million. At the second closing on September 13, 2024, the Purchaser acquired the remaining 1,580,180 shares and the 2.9 million Investment Warrants for \$5.4 million. In addition, pursuant to the Investment Agreement, the Purchaser was granted an option to acquire additional shares of Class A Common Stock after November 29, 2024 and prior to December 29, 2024 for \$3.43 per share with an aggregate purchase price of up to \$2.5 million and with each incremental share purchase the Purchaser would also receive an equal number of additional Investment Warrants (collectively, the "Investment Agreement Option"). Each Investment Warrant can be exercised in exchange for a share of Class A Common Stock at \$3.43 per share and is exercisable for 5 years from issuance. The Purchaser named four new directors to the *Inspirato* Board of Directors pursuant to the Investment Agreement, and the size of our Board remains at seven directors.

On October 22, 2024, we entered into a secondary investment agreement (the "Secondary Investment Agreement") with two investors (the "Secondary Purchasers"), to sell approximately 757,576 shares of Class A Common Stock, \$0.0001 par value per share, at \$3.96 per share, the closing price at October 22, 2024, for an aggregate purchase price of \$3.0 million. The closing of the transactions contemplated by the Secondary Investment Agreement occurred on October 24, 2024.

#### Reorganization Plan

During the three months ended September 30, 2024, we developed a plan for a restructuring (the "Reorganization Plan"). The Reorganization Plan included provisions for the Termination Agreement (discussed and defined below), termination and settlement of the Tax Receivable Agreement, the reduction in force, acquisition of shares and infusion of cash from One Planet Group, change in Chief Executive Officer ("CEO") and the composition of our Board of Directors as well as plan to review expenses and business processes.

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The following table presents the components of restructuring charges during the three and nine months ended September 30, 2024 (in thousands):

##### **Cash Restructuring Charges:**

Severance and other employee-related benefits	\$ 1,846
Termination of the TRA	250
Other restructuring charges	494
<b>Total Cash Restructuring Charges</b>	<b>2,590</b>

##### **Non-Cash Restructuring Charges:**

Acceleration of equity-based compensation	4,395
<b>Total Restructuring Charges</b>	<b>\$ 6,985</b>

Further, as discussed above, we entered into a Lease Termination and Surrender Agreement on August 12, 2024, subsequently amended on August 30, 2024, effective August 31, 2024, (the "Termination Agreement") of certain previously impaired, underperforming leases under which we did not previously have termination rights. The Termination Agreement resulted in a gain on lease termination of \$37.1 million and the removal of \$57.0 million of future lease payments through 2032. The gain on lease termination was recorded to asset impairments and (gain) on lease termination on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 8 – Leases for additional information. Additionally, as part of the Termination Agreement, we agreed to pay a termination fee of \$6.6 million, subject to certain adjustments, payable in installments from August 2024 to March 2025. Lastly, as part of the Termination Agreement, the Purchaser agreed to act as guarantor of the \$6.6 million termination fee and as compensation for that guarantee we agreed to pay the Purchaser \$0.6 million ratably over six months beginning January 2025. Both the termination fee and the purchaser's guarantor charge were recorded to asset impairments and (gain) on lease termination on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

#### Inspirato Invited

In June of 2024, we launched *Inspirato Invited* ("Invited"), a ten-year subscription that offers a fixed daily rate to our members in exchange for a substantial upfront enrollment initiation fee.

#### Our Loyalty Program

In August of 2023, we launched *Inspirato Rewards* ("Rewards"), our member loyalty program that supports our diverse portfolio of curated luxury vacation options for members with at least one active paid member subscription ("Subscription"). Rewards is designed to incentivize repeat business by rewarding members with exclusive discounts and benefits based on their activity with us. Members who earn one of the three Rewards statuses may earn, depending on their status, extra savings on *Inspirato Club* ("Club") bookings; early access to new property releases, new Experiences and year-end festive dates; and complimentary nights, among other benefits.

#### Capital One Ventures Investment and Strategic Partnership

In August of 2023, we entered into an investment agreement with an affiliate of Capital One Services, LLC ("Capital One"), providing for a \$25.0 million strategic investment by Capital One in **the Company** **Inspirato** through the private placement of an 8% Senior Secured Convertible Note due 2028 (the "Note"). On September 29, 2023, we sold and issued the Note. The total net proceeds from this offering were approximately \$23.1 million, after deducting \$1.9 million of debt issuance costs.

The Note is an unsubordinated secured obligation of **the Company** **Inspirato**. The Note is secured by a first priority security interest in substantially all of **Inspirato Incorporated's** and its domestic subsidiaries' assets. The Note is fully and unconditionally guaranteed by certain existing and future domestic subsidiaries of **the Company** **Inspirato**. The Note bears interest at a fixed rate of 8% per annum. Interest on the Note is payable quarterly on the last business day of each calendar quarter following the issuance of the Note and **the Company** **has** **we have** elected to pay interest in kind by increasing the outstanding principal amount of the Note by the amount of interest payable on such interest payment date. The Note will mature on September 29, 2028, subject to earlier conversion, redemption or repurchase.

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The Note is currently convertible at a conversion price of \$30 per share, subject to customary anti-dilution adjustments upon certain events, including any dividend of Company securities or other property, stock split, stock combination, reclassification, consolidation, merger or a sale of all or substantially all of **the Company's** **our** assets.

Additionally, our strategic partnership with Capital One is expected to provide us with a long-term partner with the ability to deliver increased demand for travel services as well as **highly-qualified** **highly qualified** lead generation opportunities for our **Inspirato Club** ("Club") and **Inspirato Pass** ("Pass") Subscription offerings, while providing Capital One a highly differentiated and exclusive luxury travel benefit for its consumers.

#### [Reverse Stock Split](#)25

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[A reverse stock split in the ratio Table of 1-for-20 of our Class A Common Stock, Class B Non-Voting Common Stock and Class V Common Stock \("the Reverse Stock Split"\) became effective as of October 16, 2023. Immediately after the Reverse Stock Split, each stockholder's percentage ownership interest in the Company and proportional voting power remained unchanged, except for minor changes resulting from the treatment of fractional shares.](#) [Contents](#)

Proportional adjustments were also made to the number of shares of Class A Common Stock issuable pursuant to the Company's outstanding warrants, Note, and equity awards, as well as the number of shares authorized and reserved for issuance pursuant to the Company's equity incentive and employee stock purchase plans. The exercise prices, conversion prices and stock price targets of outstanding warrants, Note and equity awards were also proportionately adjusted, as applicable. Accordingly, (i) with respect to the Company's publicly traded warrants trading under the symbol "ISPOW," each 20 warrants outstanding immediately prior to the Reverse Stock Split are now exercisable for one share of Class A Common Stock at an exercise price of \$230.00 per share, which is 20 times \$11.50, the exercise price per share in effect prior to the Effective Time and (ii) with respect to the Note, the conversion price is now \$30 per share, which is 20 times \$1.50, the conversion price in effect prior to the Effective Time. All historical share and per share amounts have been adjusted to reflect the Reverse Stock Split for all periods presented.

#### **Key Business Metrics**

We review 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 financial projections and business plans, and make strategic decisions.

#### **Active Subscriptions**

We define Active Subscriptions as Subscriptions that are paid in full, as well as those for which we expect payment for renewal. We use Active Subscriptions to assess the adoption of our subscription offerings, which is a key factor in assessing our penetration of the market in which we operate and a key driver of revenue. Members can have one or more Active Subscriptions. The following table shows our approximate total number of Active Subscriptions as of **June 30, 2024** **September 30, 2024** and 2023:

	June 30,		September 30,	
	2024	2023	2024	2023
Legacy	7,200	8,700	6,900	8,300
Pass	1,900	3,000	1,700	2,700
Club	3,600	3,500	3,800	3,500
<b>Total Active Subscriptions</b>	<b>12,700</b>	<b>15,200</b>	<b>12,400</b>	<b>14,500</b>

*Inspirato Legacy ("Legacy")* Subscriptions, an offering we no longer sell, had substantial **enrollment initiation** fees and have annual dues that **are** **were** lower than annualized dues for *Club* Subscriptions. *Club* and *Pass* Subscriptions are available through monthly, semi-annual, annual, and multi-year contracts. *Invited* Subscriptions are available through ten-year contracts **and include fixed nightly rates for the duration of the contract term** and are included as part of *Club* subscriptions above given the limited number of sales as the program was launched in June of 2024. The majority of our Subscriptions are annual or multi-year contracts.

Subscription revenue is comprised of **enrollment initiation** fees and recurring dues, net of discounts and travel incentives provided to members. We typically bill upfront for *Club* and *Pass* Subscriptions and Subscription payments are non-refundable. Our Subscription agreements typically auto-renew after the initial term. Our agreements are generally cancellable by providing 30 days' notice.

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Amounts that have been billed are initially recorded as deferred revenue until the revenue is recognized. Revenue is recognized ratably over the related contractual term, generally beginning on the date that our platform is made available to a member. *Invited* Subscription revenue is amortized over the ten-year contract period.

Our Subscription revenue and operating results are impacted by our ability to attract and maintain **members, including through our Rewards program.** **members.**

#### **Average Daily Rates and Total Occupancy**

Average daily rate ("ADR") is defined as the total paid travel revenue, divided by total paid nights in leased residences or hotel rooms and suites. ADR does not include *Pass* nights utilized. Occupancy is defined as all paid, *Pass*, *Inspirato for Good ("IFG")*, *Inspirato for Business ("IFB")*, employee and complimentary nights in all at-risk properties divided by the total number of at-risk nights available. Net-rate hotel partners are excluded from Hotel Occupancy as these are dependent on the hotel having capacity for *Inspirato* requests.

We monitor (i) paid nights delivered, **as a percentage of total nights delivered**, (ii) ADR and (iii) Occupancy for our residences and leased hotels as we bear the financial responsibility in these properties and can more closely control both the nightly rates and costs as compared to our net-rate hotel partners. Average rates at our hotel partners are typically lower than our residences, as our residences are typically larger and accommodate more guests than hotel rooms and suites.

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The combination of ADR and Occupancy provides us insights regarding how effectively we are utilizing our at-risk properties. Below we have summarized our travel operating statistics:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
<b>Residences</b>								
Paid Nights Delivered	13,600		14,000		30,500		31,200	
Total Nights Delivered	21,700		27,900		47,300		57,700	
Occupancy	70 %		72 %		74 %		74 %	
ADR	\$ 1,535	\$	1,744	\$	1,744	\$	1,969	\$
	1,624	\$			1,618	\$	1,724	\$
								1,866
<b>Hotels</b>								
Paid Nights Delivered								
(1)	8,300		11,100		17,400		22,000	
Total Nights Delivered								
(1)	14,000		19,500		29,800		40,300	
Occupancy		%		%		%		%
(2)	79	%	76	%	73	%	73	%
ADR (2)	\$ 1,035	\$	922	\$	1,044	\$	988	\$
ADR (1)								
	\$ 1,105	\$			832	\$	1,063	\$
								938
<b>Total</b>								
Paid Nights Delivered								
(1)	21,900		25,100		47,900		53,100	
Total Nights Delivered								
(1)	35,700		47,400		77,000		98,000	
Occupancy		%		%		%		%
(2)	71	%	73	%	74	%	74	%
ADR (2)	\$ 1,346	\$	1,379	\$	1,514	\$	1,563	\$
ADR (1)								
	\$ 1,449	\$			1,311	\$	1,492	\$
								1,490

(1) Includes net-rate hotel nights.

(2) Excludes net-rate hotel nights as we purchase individual nights but do not have a total number of nights obligation.

Travel revenue is generally recognized when travel occurs. Amounts that have been billed are initially recorded as deferred revenue until recognized when travel occurs. We derive our travel revenue by charging a nightly rate for stays at our portfolio of residences and hotels. For residence and hotel stays, a service charge is also included. Travel revenue also includes amounts collected from fees when a trip is cancelled. A portion of travel revenue comes from customers who do not have paid Subscriptions; these customers receive trial Subscriptions and are primarily from *IFG* and *IFB* or are

customers who are under promotions with partners, such as Exclusive Resorts. We also earn revenue from *Inspirato Only* experiences and Bespoke trips.

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Our travel revenue and operating results are impacted by the number of trips that we are able to deliver to our members as well as the rates we charge for stays. Our revenue management team establishes nightly rates to optimize desired occupancy and revenue.

#### **Other Factors Affecting Our Performance and Trends and Uncertainties**

We believe that the growth and future success of our business depend on many factors, including those from the Key Business Metrics discussed above. While each of these factors presents significant opportunities for our business, they also pose important challenges that we have to successfully address in order to continue to grow our business and further improve our results of operations.

#### **Seasonality**

Our travel revenues are seasonal, reflecting typical travel behavior patterns of travelers over the course of the calendar year. In a typical year, the first, third, and fourth quarters have higher travel revenues than the second quarter. Our Subscription services are seasonal to the extent that interest from potential new members tends to also follow travel revenue. However, subscription revenues from existing members are not impacted by seasonality.

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#### **Results of operations**

The following table sets forth our Condensed Consolidated Statements of Operations and Comprehensive Loss Income (Loss) for the three months ended June 30, 2024 September 30, 2024 and 2023 (in thousands, other than percentages):

	Percent				Percent			
	Three Months Ended		Amount of increase (decrease)	change favorable (unfavorable)	Three Months Ended		Amount of increase (decrease)	change favorable (unfavorable)
	June 30, 2024	2023			2024	2023		
Revenue	\$ 67,382	\$ 84,092	\$ (16,710)	(20)%	\$ 69,114	\$ 82,598	\$ (13,484)	(16)%
Cost of revenue (1)	51,201	64,716	(13,515)	21 %	49,620	57,726	(8,106)	14 %
Asset impairments	—	30,054	(30,054)	100 %				
Asset impairments and (gain) on lease termination					(29,895)	4,294	(34,189)	n/m
Gross margin	\$ 16,181	\$ (10,678)	\$ (26,859)	252 %	\$ 49,389	\$ 20,578	\$ 28,811	140 %
Gross margin percent	24 %	(13)%	(37)pp		71 %	25 %	47 pp	
General and administrative (1)	\$ 13,994	\$ 16,680	\$ (2,686)	16 %	\$ 19,795	\$ 21,651	\$ (1,856)	9 %

Sales and marketing (1)	8,772	8,309	463	(6)%	7,209	9,369	(2,160)	23 %
Operations (1)	4,766	6,966	(2,200)	32 %	5,269	9,345	(4,076)	44 %
Technology and development (1)	2,266	3,280	(1,014)	31 %	1,728	2,678	(950)	35 %
Depreciation and amortization	1,013	1,015	(2)	(0)%	1,010	998	12	(1)%
Interest, net	373	(414)	787	n/m				
Interest expense, net					454	1,731	(1,277)	74 %
Loss (gain) on fair value instruments	316	(380)	696	n/m	158	(267)	425	n/m
Restructuring charges					6,985	—	6,985	n/m
Other expense, net	18	321	(303)	94 %	8	3	5	(167)%
Loss and comprehensive loss before income taxes	(15,337)	(46,455)	31,118	67 %				
Income (loss) and comprehensive income (loss) before income taxes					6,773	(24,930)	31,703	n/m
Income tax expense	56	217	(161)	74 %	151	492	(341)	69 %
Net loss and comprehensive loss	\$ (15,393)	\$ (46,672)	\$ (31,279)	67 %				
Net income (loss) and comprehensive income (loss)					\$ 6,622	\$ (25,422)	\$ 32,044	n/m

n/m - non-meaningful

pp - percentage point

(1) Note the The balances presented for cost of revenue, general and administrative, sales and marketing, operations and technology and development for the three months ended June 30, 2023 September 30, 2023 have been adjusted to reflect the current year's presentation of the allocation of stock-based compensation. This change impacted gross margin for the three months ended June 30, 2023 September 30, 2023 by the amount of equity-based compensation reclassified to cost of revenue. This change did not impact the loss before income taxes but, rather, was a reclassification between the financial statement line items. See the reclassification of prior year presentation footnote within Note 2 – Significant Accounting Policies in the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

#### Comparison of the three months ended June 30, 2024 September 30, 2024 and 2023:

**Revenue.** Total revenue decreased \$16.7 million \$13.5 million from \$84.1 million \$82.6 million for the three months ended June 30, 2023 September 30, 2023 to \$67.4 million \$69.1 million for the three months ended June 30, 2024 September 30, 2024, a decrease of 20% 16%. Disaggregated revenue for the three months ended June 30, 2024 September 30, 2024 and 2023 is as follows (in thousands, other than percentages):

	Percent			
	Three Months Ended		Amount of increase (decrease)	change favorable (unfavorable)
	June 30,	2024		
Travel	\$ 38,846	\$ 48,031	\$ (9,185)	(19)%
Subscription	25,240	36,038	(10,798)	(30)%
Rewards and other revenue	3,296	23	3,273	14,230 %
Total	\$ 67,382	\$ 84,092	\$ (16,710)	(20)%

	Percent			
	Three Months Ended		Amount of increase (decrease)	change favorable (unfavorable)
	September 30,	2024		
Travel	\$ 42,571	\$ 49,065	\$ (6,494)	(13)%
Subscription	22,998	33,344	(10,346)	(31)%
Rewards and other revenue	3,545	189	3,356	1,776 %

Total	\$ 69,114	\$ 82,598	\$ (13,484)	(16)%
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Travel revenue decreased **\$9.2 million** **\$6.5 million** from **\$48.0 million** **\$49.1 million** for the three months ended **June 30, 2023** **September 30, 2023** to **\$38.8 million** **\$42.6 million** for the three months ended **June 30, 2024** **September 30, 2024**. The decrease in travel revenue is primarily driven by a **13%** **an 11%** decrease in paid nights delivered **as well as** due to fewer members resulting in a **2%** decrease of **\$5.6 million** partially offset by an **11%** increase in the ADR recognized for those paid nights resulting in **decreases** **an increase** of **\$6.1 million** and **\$1.2 million**, respectively, **\$3.3 million** to travel revenue. Travel revenue further declined by **\$1.6 million** for deferrals from the *Rewards* program that did not exist during the three months ended June 30, 2023. Further declines in **travel** revenue were caused by **net decreases** in **service fee revenue**, **cancel fee revenue**, **partner commission revenue** and **other travel revenue** of **\$1.6 million** and **a \$2.6 million decrease** in **contra revenue** recognized for perks consumed for travel of **\$1.5 million**. These decreases were partially offset by an increase of **\$3.0 million** in revenue from *IFG* and *IFB*, as well as a decrease of **\$1.6 million** for deferrals from the *Inspirato Rewards* ("Rewards") program that was launched in August of 2023.

Subscription revenue decreased **\$10.8 million** **\$10.3 million** from **\$36.0 million** **\$33.3 million** for the three months ended **June 30, 2023** **September 30, 2023** to **\$25.2 million** **\$23.0 million** for the three months ended **June 30, 2024** **September 30, 2024**. The decrease is primarily due to a **16%** **14%** decrease in the number of subscriptions during the three months ended **June 30, 2024** **September 30, 2024** as compared to the three months ended **June 30, 2023** **September 30, 2023**, resulting in a **\$5.9 million** **\$3.4 million** decrease to subscription revenue as well as a **\$3.8 million** **\$5.8 million** decrease from a decline in the revenue recognized per subscription due to the decline in *Pass* subscriptions. Additionally, subscription revenue further declined by **\$1.1 million** **\$1.2 million** for deferrals from the *Rewards* program that **did not exist** during the three months ended June 30, 2023, was launched in August of 2023.

Rewards and other revenue increased **\$3.3 million** **\$3.4 million** from **less than \$0.1 million** **\$0.2 million** for the three months ended **June 30, 2023** **September 30, 2023** to **\$3.3 million** **\$3.5 million** for the three months ended **June 30, 2024** **September 30, 2024**. The increase is primarily the result of estimated usage related to *Rewards*, our member loyalty program, which was launched in August of 2023.

**Cost of revenue.** Cost of revenue decreased **\$13.5 million** **\$8.1 million** from **\$64.7 million** **\$57.7 million** for the three months ended **June 30, 2023** **September 30, 2023** to **\$51.2 million** **\$49.6 million** for the three months ended **June 30, 2024** **September 30, 2024**, a decrease of **21%** **14%**. The decrease is primarily a result of **decreases** in **lease costs** of **\$5.6 million**, **decreases** in **booking fees** of **\$9.9 million** **\$1.7 million** driven by **lower** **fewer bookings**, **net decreases** in **lease costs** of **\$3.5 million** and a **net decrease** of **\$0.2 million** from the transition of certain employees from **cost of revenue** to **operations** after June 30, 2023 partially offset by **increases** **\$0.5 million** in **employee costs** remaining in **cost of revenue**. Additionally, **cost of revenue** further declined by **\$0.4 million** from **lower** **property management**, **resort** and **housekeeping fees**.

**Asset impairments, impairments and (gain) on lease termination.** Asset impairments decreased **\$30.1 million** from **\$30.1 million** and gain on lease termination consisted of asset impairments of **\$4.3 million** during the three months ended September 30, 2023 and a gain on lease termination of **\$29.9 million** for the three months ended **June 30, 2023** to **\$0.0 million** for the three months ended June 30, 2024 **September 30, 2024**. During the three months ended **June 30, 2023** **September 30, 2023**, we identified **335** leases for which the right-of-use assets and related property and equipment had net carrying values that exceeded their estimated fair value as determined by their estimated discounted future cash flows. Most of these leases were related to one group of underperforming properties in a single geographic location. Based on this information, we recorded right-of-use asset impairments of **\$30.1 million** and property plant and equipment impairments of **\$0.3 million** **\$4.3 million** for the three months ended **June 30, 2023** **September 30, 2023**. During the three months ended September 30, 2024, we entered into the *Termination Agreement* for certain previously impaired, underperforming leases that resulted in a decrease to our right-of-use assets of **\$4.6 million** and a decrease to our operating lease liabilities of **\$41.7 million**, resulting in a gain on lease termination of **\$37.1 million**. The gain was partially offset by the termination fee of **\$6.6 million** as well as the payment of **\$0.6 million** to One Planet Group for the guarantee. No asset impairments were identified for the three months ended **June 30, 2024** **September 30, 2024**.

**General and administrative.** General and administrative expenses decreased **\$2.7 million** **\$1.9 million** from **\$16.7 million** **\$21.7 million** for the three months ended **June 30, 2023** **September 30, 2023** to **\$14.0 million** **\$19.8 million** for the three months ended **June 30, 2024** **September 30, 2024**, a decrease of **16%** **9%**. The decrease is primarily a result of a **net decrease** of **\$1.8 million** **\$4.6 million** in **corporate costs** and a **decrease** of **\$3.7 million**

due to lower headcount from the reductions in force that took place during 2023 and in August of 2024. These decreases of \$0.6 million due to lower software license expenses, net decreases of \$0.8 million from other expenses, including merchant processing fees and taxes and fees, were partially offset by \$0.5 million increases of \$3.4 million due to higher legal equity-based compensation expense, \$1.9 million from other non-recurring professional fees not incurred during 2023 and professional services fees. \$1.1 million from increased cloud software amortization.

**Sales and marketing.** Sales and marketing expenses increased \$0.5 million decreased \$2.2 million from \$8.3 million \$9.4 million for the three months ended June 30, 2023 September 30, 2023 to \$8.8 million \$7.2 million for the three months ended June 30, 2024 September 30, 2024, an increase a decrease of 6% 23%. The increase decrease is primarily a result of higher lower employee compensation of \$1.9 million due to the transition reduction in force in August of certain employees from operations to sales and marketing during 2023 2024 as well as increases in decreases for employee costs between periods periods. Sales and marketing further decreased \$0.3 million from net decreases in spending on software purchases and license fees, online advertising and events.

**Operations.** Operations expenses decreased \$2.2 million \$4.1 million from \$7.0 million \$9.3 million for the three months ended June 30, 2023 September 30, 2023 to \$4.8 million \$5.3 million for the three months ended June 30, 2024 September 30, 2024, a decrease of 32% 44%, primarily due to a decrease of \$1.3 million from the net transition of certain employees from cost of revenue into operations and from operations to sales and marketing and a net decrease of \$0.8 million \$2.4 million from lower spend due to decreases in the number of residences and other cost savings initiatives initiatives and a decrease of \$1.6 million due to the reduction in force in August of 2024.

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**Technology and development.** Technology and development expenses decreased \$1.0 million from \$3.3 million \$2.7 million for the three months ended June 30, 2023 September 30, 2023 to \$2.3 million \$1.7 million for the three months ended June 30, 2024 September 30, 2024, a decrease of 31% 35%, primarily due to the reductions in force that took place during 2023 which were weighted towards personnel within the technology and development department, in August of 2024.

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**Depreciation and amortization.** Depreciation and amortization expenses remained flat for the three months ended June 30, 2023 September 30, 2023 and the three months ended June 30, 2024 September 30, 2024, primarily due to stabilized capital spend that serves to replace long-lived assets as they come to the end of their useful lives.

**Interest expense, net.** Interest expense, net changed decreased \$1.3 million from net interest income of \$0.4 million \$1.7 million for the three months ended June 30, 2023 September 30, 2023 to net interest expense of \$0.4 million \$0.5 million for the three months ended June 30, 2024 September 30, 2024, primarily due to a decrease of 74%. We incurred interest expense incurred in relation to on the Note of \$0.5 million \$0.6 million during the three months ended September 30, 2024 as compared to debt issuance costs and interest expense of \$2.0 million during the three months ended June 30, 2024 as well as a decrease in September 30, 2023. The interest expense was offset by interest income from our cash investments from \$0.4 million banking relationship of \$0.1 million for the three months ended June 30, 2023 September 30, 2024 as compared to \$0.1 million \$0.3 million for the three months ended June 30, 2024 September 30, 2023.

**Loss (gain) on fair value instruments.** Gains Losses and losses gains on fair value instruments changed from a gain of \$0.4 million \$0.3 million for the three months ended June 30, 2023 September 30, 2023 to a loss of \$0.2 million for the three months ended September 30, 2024. Public Warrant fair value gains decreased \$0.3 million from a gain of \$0.3 million for the three months ended June 30, 2024. Warrant fair value gains were \$0.4 million for the three months ended June 30, 2023 and warrant fair value losses

were September 30, 2023 to a loss of less than \$0.1 million for the three months ended June 30, 2024 September 30, 2024. The fair value loss recognized on the Note was \$0.3 million \$0.1 million during the three months ended June 30, 2024 September 30, 2024, primarily due to changes in discount rates. The Note was not yet outstanding as of June 30, 2023 issued on September 29, 2023.

**Restructuring charges.** Restructuring charges were \$7.0 million during the three months ended September 30, 2024 compared to no restructuring charges during the three months ended September 30, 2023. The increase is primarily a result of \$4.4 million acceleration of equity-based compensation expense and \$2.6 million cash restructuring charges that were incurred during the three months ended September 30, 2024.

**Other expense, net.** Other expense, net decreased from \$0.3 million remained flat for the three months ended June 30, 2023 to less than \$0.1 million for September 30, 2024 and the three months ended June 30, 2024 primarily due to \$0.3 million lower loss on retirement of fixed assets during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 September 30, 2023.

**Income tax expense.** Income tax expense decreased \$0.1 million \$0.3 million from \$0.5 million during the three months ended September 30, 2023 to \$0.2 million during the three months ended June 30, 2023 September 30, 2024. The decrease was primarily due to \$0.1 million during the three months ended June 30, 2024. We continue lower amounts owed to maintain a valuation allowance against the full value of our net deferred tax assets as we believe it is more likely than not that the recoverability of these deferred tax assets will not be realized state and as such, do not record any significant income tax expense. foreign taxing authorities.

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The following table sets forth our Condensed Consolidated Statements of Operations and Comprehensive Loss Income (Loss) for the six nine months ended June 30, 2024 September 30, 2024 and 2023 (in thousands, other than percentages):

	Six Months Ended				Percent change favorable (unfavorable)	Nine Months Ended				Percent change favorable (unfavorable)			
	June 30,		Amount of increase (decrease)	2024		September 30,		Amount of increase (decrease)	2024				
	2024	2023		2023		2024	2023		2024				
Revenue	\$ 147,627	\$ 175,792	\$ (28,165)		(16)%	\$ 216,741	\$ 258,390	\$ (41,649)		(16)%			
Cost of revenue (1)	99,725	124,772	(25,047)		20 %	149,345	182,498	(33,153)		18 %			
Asset impairments	—	30,054	(30,054)		100 %								
Asset impairments and (gain) on lease termination						(29,895)	34,348	(64,243)		n/m			
Gross margin	\$ 47,902	\$ 20,966	\$ 26,936		128 %	\$ 97,291	\$ 41,544	\$ 55,747		134 %			
Gross margin percent	32 %	12 %	21 pp			45 %	16 %	29 pp					
General and administrative (1)	\$ 28,643	\$ 34,587	\$ (5,944)		17 %	\$ 48,438	\$ 56,238	\$ (7,800)		14 %			
Sales and marketing (1)	17,498	15,019	2,479		(17)%	24,707	24,388	319		(1)%			
Operations (1)	11,789	15,262	(3,473)		23 %	17,058	24,607	(7,549)		31 %			
Technology and development (1)	4,316	6,687	(2,371)		35 %	6,044	9,365	(3,321)		35 %			
Depreciation and amortization	2,014	1,994	20		(1)%	3,024	2,992	32		(1)%			

Interest expense (income), net	696	(527)	1,223	n/m				
Interest expense, net					1,150	1,204	(54)	4 %
Gain on fair value instruments	(3,833)	(276)	(3,557)	(1,289)%	(3,675)	(543)	(3,132)	577 %
Restructuring charges					6,985	—	6,985	n/m
Other (income) expense, net	(277)	378	(655)	n/m	(269)	381	(650)	n/m
Loss and comprehensive loss before income taxes	(12,944)	(52,158)	39,214	75 %	(6,171)	(77,088)	70,917	92 %
Income tax expense	200	417	(217)	52 %	351	909	(558)	61 %
<b>Net loss and comprehensive loss</b>	<b>\$ (13,144)</b>	<b>\$ (52,575)</b>	<b>\$ 39,431</b>	<b>75 %</b>	<b>\$ (6,522)</b>	<b>\$ (77,997)</b>	<b>\$ 71,475</b>	<b>92 %</b>

n/m - non-meaningful

pp - percentage point

(1) Note the The balances presented for cost of revenue, general and administrative, sales and marketing, operations and technology and development for the ~~six~~ nine months ended ~~June~~ September 30, 2023 ~~September 30, 2023~~ have been adjusted to reflect the current year's presentation of the allocation of stock-based compensation. This change impacted gross margin for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 by the amount of equity-based compensation reclassified to cost of revenue. This change did not impact the loss before income taxes but, rather, was a reclassification between the financial statement line items. See the reclassification of prior year presentation footnote within Note 2 – Significant Accounting Policies in the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

Comparison of the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023:

**Revenue.** Total revenue decreased ~~\$28.2 million~~ \$41.6 million from ~~\$175.8 million~~ \$258.4 million for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 to ~~\$147.6 million~~ \$216.7 million for the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024, a decrease of 16%. Disaggregated revenue for the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024 and 2023 is as follows (in thousands, other than percentages):

	Six Months Ended			Percent		Percent			
	June 30,		Amount of	change		September 30,		change	
	2024	2023	increase	favorable	(unfavorable)	2024	2023	increase	
Travel	\$ 88,520	\$ 103,159	\$ (14,639)	(14)%		\$ 131,091	\$ 152,224	\$ (21,133)	(14)%
Subscription	53,305	72,549	(19,244)	(27)%		76,303	105,893	(29,590)	(28)%
Rewards and other revenue	5,802	84	5,718	6,807 %		9,347	273	9,074	3,324 %
<b>Total</b>	<b>\$ 147,627</b>	<b>\$ 175,792</b>	<b>\$ (28,165)</b>	<b>(16)%</b>		<b>\$ 216,741</b>	<b>\$ 258,390</b>	<b>\$ (41,649)</b>	<b>(16)%</b>

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Travel revenue decreased ~~\$14.6 million~~ \$21.1 million from ~~\$103.2 million~~ \$152.2 million for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 to ~~\$88.5 million~~ \$131.1 million for the ~~six~~ nine months ended ~~June 30, 2024~~ September 30, 2024. The decrease in travel revenue is primarily driven by a 10% decrease in paid nights delivered as well as due to fewer members resulting in a 3% decrease in the of ~~\$15.7 million~~ while ADR recognized for those paid nights resulting in decreases of ~~\$10.1 million~~ and ~~\$3.3 million~~, respectively, to travel revenue, remained flat. Travel revenue further decreased ~~\$3.5 million~~ \$5.1 million for deferrals from the Rewards program that did travel allocation as the Rewards program was not exist launched until the third quarter of 2023 and, therefore, deferrals for travel revenue were not incurred during the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023. Further declines in travel revenue were caused by net decreases in service fee revenue, cancel fee revenue, partner

commission revenue and other travel revenue of \$2.0 million and a decrease in contra revenue recognized for perks consumed for travel of \$1.5 million \$3.6 million. These decreases were partially offset by an increase of \$5.8 million \$3.3 million in revenue from IFG and IFB.

Subscription revenue decreased \$19.2 million \$29.6 million from \$72.5 million \$105.9 million for the six nine months ended June 30, 2023 September 30, 2023 to \$53.3 million \$76.3 million for the six nine months ended June 30, 2024 September 30, 2024. The decrease is primarily due to a 16% 14% decrease in the number of subscriptions during the six nine months ended June 30, 2024 September 30, 2024 as compared to the six nine months ended June 30, 2023 September 30, 2023, resulting in an \$11.9 million a \$15.3 million decrease to subscription revenue as well as a \$4.9 million \$10.7 million decrease from a decline in the revenue recognized per subscription due primarily to the decline in Pass subscriptions. Additionally, subscription revenue further declined by \$2.4 million \$3.6 million for deferrals from the Rewards program that did not exist during the six months ended June 30, 2023, was launched in August of 2023.

Rewards and other revenue increased \$5.7 million \$9.1 million from \$0.1 million \$0.3 million for the six nine months ended June 30, 2023 September 30, 2023 to \$5.8 million \$9.3 million for the six nine months ended June 30, 2024 September 30, 2024. The increase is primarily the result of estimated usage related to Rewards, our member loyalty program, which was launched in August of 2023.

**Cost of revenue.** Cost of revenue decreased \$25.0 million \$33.2 million from \$124.8 million \$182.5 million for the six nine months ended June 30, 2023 September 30, 2023 to \$99.7 million \$149.3 million for the six nine months ended June 30, 2024 September 30, 2024, a decrease of 20% 18%. The decrease is primarily a result of decreases in booking fees of \$14.1 million \$15.8 million driven by lower fewer bookings, net decreases in lease costs of \$6.8 million \$12.4 million, decreases of \$2.1 million \$2.5 million from lower property management, resort and housekeeping fees and net decreases of \$2.0 million \$2.5 million from the transition of certain employees from cost of revenue to operations after June 30, 2023 partially offset by increases in employee costs remaining in cost of revenue.

**Asset impairments. impairments (gain) on lease termination.** Asset impairments decreased \$30.1 million from \$30.1 million and gain on lease termination consisted of asset impairments of \$34.3 million for the six nine months ended June 30, 2023 to \$0.0 million September 30, 2023 and a gain on lease termination of \$29.9 million for the six nine months ended June 30, 2024 September 30, 2024. During the six nine months ended June 30, 2023 September 30, 2023, we identified 33 38 leases for which the right-of-use assets and related property and equipment had net carrying values that exceeded their estimated fair value as determined by their estimated discounted future cash flows. Most of these leases were related to one group of underperforming properties in a single geographic location. Based on this information, we recorded right-of-use asset impairments of \$30.1 million \$34.3 million and property plant and equipment impairments of \$0.3 million for the six nine months ended June 30, 2023 September 30, 2023. During the nine months ended September 30, 2024, we entered into the Termination Agreement for certain previously impaired, underperforming leases that resulted in a decrease to our right-of-use assets of \$4.6 million and a decrease to our operating lease liabilities of \$41.7 million, resulting in a gain on lease termination of \$37.1 million. The gain was partially offset by the termination fee of \$6.6 million as well as the payment of \$0.6 million to One Planet Group for the guarantee. No asset impairments were identified for the six nine months ended June 30, 2024 September 30, 2024.

**General and administrative.** General and administrative expenses decreased \$5.9 million \$7.8 million from \$34.6 million \$56.2 million for the six nine months ended June 30, 2023 September 30, 2023 to \$28.6 million \$48.4 million for the six nine months ended June 30, 2024 September 30, 2024, a decrease of 17% 14%. The decrease is primarily a result of a decrease in payroll-related expenses of \$3.3 million \$7.0 million due to lower headcount from the reductions in force that took place during 2023 and in August of 2024 as well as a decrease of \$1.6 million \$6.8 million from lower audit corporate costs. These decreases were partially offset by increases of \$3.0 million due to higher equity-based compensation expense, \$1.1 million from increased cloud software amortization and professional services expenses, a decrease an increase of \$0.6 million \$1.9 million from other taxes and non-recurring professional fees and a decrease of \$0.4 million from lower equity-based compensation expense, not incurred during 2023.

**Sales and marketing.** Sales and marketing expenses increased \$2.5 million \$0.3 million from \$15.0 million \$24.4 million for the six nine months ended June 30, 2023 September 30, 2023 to \$17.5 million \$24.7 million for the six nine months ended June 30, 2024 September 30, 2024, an increase of 17% 1%. The increase is primarily a result of higher higher employee compensation of \$0.6 million due to the transition of certain employees from operations to sales and marketing during 2023 as well as increases in employee costs between periods. The increase was partially offset by a decrease of \$0.3 million from decreases in spending on software purchases and license fees, online advertising and events.

**Operations.** Operations expenses decreased \$3.5 million \$7.5 million from \$15.3 million \$24.6 million for the six nine months ended June 30, 2023 September 30, 2023 to \$11.8 million \$17.1 million for the six nine months ended June 30, 2024 September 30, 2024, a decrease of 23% 31%, primarily due to a decrease of \$2.4 million \$4.0 million from the net transition of certain employees from cost of revenue into operations and from operations to sales and marketing and a net decrease of \$1.1 million \$3.5 million from lower spend due to decreases in the number of residences events expense, mileage and meals and other cost savings initiatives.

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**Technology and development.** Technology and development expenses decreased ~~\$2.4 million~~ \$3.3 million from ~~\$6.7 million~~ \$9.4 million for the six nine months ended ~~June 30, 2023~~ September 30, 2023 to ~~\$4.3 million~~ \$6.0 million for the six nine months ended ~~June 30, 2024~~ September 30, 2024, a decrease of 35%, primarily due to the reductions in force that took place during 2023 which were weighted towards personnel within the technology and development department, in August of 2024.

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**Depreciation and amortization.** Depreciation and amortization expenses remained flat for the six nine months ended ~~June 30, 2023~~ September 30, 2023 and the six nine months ended ~~June 30, 2024~~ September 30, 2024, primarily due to stabilized capital spend that serves to replace long-lived assets as they come to the end of their useful lives.

**Interest expense, (income), net.** Interest expense, net changed from net interest income of \$0.5 million remained flat for the six nine months ended ~~June 30, 2023~~ September 30, 2023 and the nine months ended September 30, 2024. We incurred interest expense on the Note of \$1.6 million during the nine months ended September 30, 2024 as compared to net debt issuance costs and interest expense of \$0.7 million for \$2.0 million during the six nine months ended June 30, 2024, primarily due to September 30, 2023. The interest expense incurred in relation to the Note of \$1.0 million for the six months ended June 30, 2024 partially was offset by interest income from our banking relationship of \$0.3 million \$0.4 million for the nine months ended September 30, 2024 as compared to \$0.8 million for the nine months ended September 30, 2023.

**Gain on fair value instruments.** Gains Gain on fair value instruments increased ~~\$3.1 million~~ \$0.3 million \$0.5 million for the six nine months ended ~~June 30, 2023~~ September 30, 2023 to ~~\$3.8 million~~ \$3.7 million for the six nine months ended ~~June 30, 2024~~ September 30, 2024, an increase of 577%. Public Warrant fair value gains were \$0.3 million decreased \$0.6 million from a gain of \$0.5 million for the six nine months ended June 30, 2023 and warrant fair value losses were September 30, 2023 to a loss of \$0.1 million for the six nine months ended ~~June 30, 2024~~ September 30, 2024. The fair value gain recognized on the Note was ~~\$3.9 million~~ \$3.8 million during the six nine months ended ~~June 30, 2024~~ September 30, 2024, primarily due to changes in discount rates. The Note was not yet outstanding as issued on September 29, 2023.

**Restructuring charges.** Restructuring charges were \$7.0 million for the nine months ended September 30, 2024 compared to no restructuring charges during the nine months ended September 30, 2023. The increase is primarily a result of ~~June 30, 2023~~ \$4.4 million acceleration of equity-based compensation expense and \$2.6 million cash restructuring charges that were incurred during the nine months ended September 30, 2024.

**Other (income) expense, net.** Other (income) expense, net changed from other expense, net of \$0.4 million for the six nine months ended ~~June 30, 2023~~ September 30, 2023 to other income, net of \$0.3 million for the six nine months ended ~~June 30, 2024~~ September 30, 2024. The change from expense to income is primarily due to \$0.3 million lower loss on retirement of fixed assets during the six nine months ended ~~June 30, 2024~~ September 30, 2024 as compared to the six nine months ended ~~June 30, 2023~~ September 30, 2023 and insurance recoveries of \$0.4 million during the six nine months ended ~~June 30, 2024~~ September 30, 2024 that were not received during the six nine months ended ~~June 30, 2023~~ September 30, 2023.

**Income tax expense.** Income tax expense decreased ~~\$0.2 million~~ \$0.6 million from \$0.9 million for the nine months ended September 30, 2023 to \$0.4 million for the six nine months ended June 30, 2023 September 30, 2024. The decrease was primarily due to ~~\$0.2 million~~ for the six months ended June 30, 2024. We continue lower amounts owed to maintain a valuation allowance against the full value of our net deferred tax assets as we believe it is more likely than not that the recoverability of these deferred tax assets will not be realized state and as such, do not record any significant income tax expense. foreign taxing authorities.

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## Liquidity and Capital Resources

### Overview

During the year ended December 31, 2023, and the six months ended June 30, 2024, the Company experienced declines in active subscriptions, nights delivered and total average daily rates. As a result of these negative trends, revenues declined to \$67.4 million and \$147.6 million for the three and six months ended June 30, 2024, respectively, from \$84.1 million and \$175.8 million for the three and six months ended June 30, 2023, respectively. The Company also experienced negative cash flows from operating activities of \$9.0 million and \$29.3 million for the six months ended June 30, 2024, and 2023, respectively. As of **June 30, 2024** **September 30, 2024**, we had **\$18.8 million** **\$13.5 million** of cash and cash equivalents and \$10.7 million of restricted cash compared to \$36.6 million of cash and cash equivalents and \$5.7 million of restricted cash balances cash. Further, as of December 31, 2023.

As a result of the continued operational challenges and significance Reorganization Plan entered into in conjunction with the closing of those conditions the One Planet Group Financing, we have engaged in relation several initiatives that together are expected to the Company's liquidity needs, management has developed and is executing on plans to address improvements result in operations as well as obtain new capital investments that the Company believes will allow the Company to continue to meet its projected working capital and capital expenditure requirements for a period of at least the next twelve months. The Company has implemented the following initiatives:

#### Capital Initiatives:

- On August 12, 2024, the Company entered into an investment agreement (the "Investment Agreement") with One Planet Group LLC, a Delaware limited liability company, (the "Purchaser") to acquire \$10.0 million of Class A common stock, \$0.00001 par value per share, at \$3.43 per share, and a warrant to acquire an additional 2.9 million shares of Class A common stock, for an aggregate purchase price of \$10.0 million (the "One Planet Financing"). At the initial closing on August 13, 2024, the Purchaser acquired the first tranche of 1,335,271 shares for \$4.6 million. At the second closing, which is expected to occur in September 2024 and is subject to approval of the Company's stockholders, the Purchaser will acquire the remaining 1,580,180 shares for \$5.4 million, subject to a shareholder vote. In addition, pursuant to the Investment Agreement, the Purchaser was granted an option to acquire additional shares of Class A common stock for \$3.43 per share with an aggregate purchase price of up to \$2.5 million. The option may be exercised only if the second closing occurs. Additionally, along with each purchase of shares of Class A common stock, including optional additional shares, the Purchaser obtains an equivalent number of warrants which can each be exercised for an additional share of Class A common stock for \$3.43 per warrant and is exercisable for 5 years. These warrants will be issued only if the second tranche closing occurs.

We are also pursuing additional financing strategies and options. There can be no assurances that additional financing will be available at terms that will be satisfactory to us.

#### Operational Initiatives: cash savings on an annual basis:

- We initiated a performed a reduction in force on August 12, 2024, which resulted in approximately \$15.0 million in annualized cash savings. Additional headcount reductions from the planned elimination of positions as employees departed Inspirato after August 12, 2024 resulted in approximately \$3.0 million in additional annualized cash savings.
- 15% reduction The Termination Agreement resulted in the removal of force \$57.0 million in future lease payments through 2032 resulting in annualized cash savings of its headcount on August 12, 2024 approximately \$7.5 million.
- Entered into We have reviewed and negotiated non-critical spend such as professional fees, software and noncritical marketing which has resulted in annualized savings of approximately \$10.0 million.
- We are currently reviewing our lease portfolio to either renegotiate unfavorable leases or to exit unprofitable properties, a Lease Termination and Surrender Agreement on August 12, 2024, effective August 31, 2024, (the "Termination Agreement") of certain previously impaired, underperforming leases whereby we are extinguishing process that is expected to yield approximately \$41.2 million \$7.5 million in lease liabilities as of the effective date of the Termination Agreement for leases that previously did not have termination rights. annualized savings.

Through Additionally, on October 22, 2024, we entered into the above-mentioned equity financing agreement, in conjunction Secondary Investment Agreement with the reduction Secondary Purchasers, to sell approximately 757,576 shares of Class A Common Stock, \$0.0001 par value per share, at

\$3.96 per share, the closing price at October 22, 2024, for an aggregate purchase price of \$3.0 million. Further, the Investment Agreement Option can be exercised for an aggregate purchase price of up to \$2.5 million any time between November 29, 2024 and December 29, 2024.

Together these strategic initiatives through the Reorganization Plan, as well as obtaining additional new capital investments, including, but not limited to, the Secondary Investment Agreement as well as the Investment Agreement Option from the Purchaser to purchase an additional \$2.5 million in force, future Class A Shares and Investment Warrants, support our belief that our cash receipts related to us repositioning existing products and launching new products that improve profitability and working capital dynamics and additional cost reduction measures, led by the lease termination of previously impaired, poorly performing leases, we believe our cash

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and cash equivalents on hand will be sufficient to meet our projected working capital and capital expenditure requirements for a period of at least the next twelve months.

We are operating in an uncertain economic environment, however, and we cannot make assurances that our Reorganization Plan will result in the cash savings we anticipate, that our business will generate sufficient cash flow from operations or that financing will be available to us and in amounts sufficient to enable us to fund our other liquidity needs. If cash generated from our operations is not sufficient or available to meet our liquidity requirements, then we may be required to obtain additional financing in the future. There can be no assurances that equity or debt financing will be available to us if financing is or when we need it or, if available, the terms will be satisfactory to us and not dilutive to our stockholders, us.

Our principal sources of liquidity have historically consisted of cash flow from financing activities as well as operating activities, primarily from revenue related to travel and Subscriptions. On September 29, 2023, we sold and issued the Note for net proceeds of approximately \$23.1 million. We are in compliance with all covenants under the Note. For additional information on the Note, refer to "Overview—Capital One Ventures Investment and Strategic Partnership" above. Additionally, on August 12, 2024 we entered into the Investment Agreement, which provided \$10.0 million in cash to the business through an equity infusion. For additional information on the Investment Agreement, refer to "Overview—Investment Agreement" above.

We have generally maintained a working capital deficit, in which meaning that our current liabilities exceed our current assets, primarily due to our significant deferred revenue and operating leases. Deferred revenue relates primarily to travel, subscriptions and travel credits purchased, all of which are paid to us in advance but are not yet taken or consumed and accordingly do not represent an obligation to make future cash payments other than to fund trip-related expenses, and to a lesser extent Rewards, which is an accounting allocation to defer a portion of members' spend. As of June 30, 2024 September 30, 2024, deferred revenue included \$81.0 million \$72.1 million, \$63.8 million \$63.2 million, \$16.8 million \$17.8 million and \$11.6 million \$10.9 million for travel, subscriptions, travel credits and Rewards, respectively. Also, as of June 30, 2024,

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September 30, 2024, our current operating lease liabilities totaled \$61.3 million \$55.3 million and our noncurrent operating lease liabilities totaled \$185.2 million \$137.4 million. Our cash needs vary from period to period primarily based on the timing of travel and sales promotions.

Our future capital requirements will depend on many factors including our rate of member and revenue growth, travel bookings, change in the number of properties, other initiatives including the success of Rewards and Invited and overall economic conditions.

The following table presents summarized information from our Condensed Consolidated Statements of Cash Flows for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023 (in thousands):

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net cash used in operating activities	\$ (8,969)	\$ (29,308)	\$ (22,713)	\$ (45,405)
Net cash used in investing activities	(3,526)	(7,056)	(4,833)	(10,731)
Net cash (used in) provided by financing activities	(290)	470		
Net cash provided by financing activities			9,419	25,553
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>\$ (12,785)</b>	<b>\$ (35,894)</b>	<b>\$ (18,127)</b>	<b>\$ (30,583)</b>

## Cash Flows

**Cash flows used in operating activities.** Cash used in operating activities decreased from **\$29.3 million** **\$45.4 million** during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** to **\$9.0 million** **\$22.7 million** during the **six** **nine** months ended **June 30, 2024** **September 30, 2024**. This decrease change is primarily driven by an increase in a reduction of net income loss of **\$39.4 million** **\$71.5 million**, an increase in equity compensation of **\$1.2 million**, as well as favorable **\$6.2 million** and changes in operating assets and liabilities of **\$5.2 million** including a **\$5.4 million** change in deferred revenue, a **\$3.8 million** change in prepaid member travel, a **\$2.6 million** **\$1.6 million** change to paid-in-kind interest and a **\$1.5 million** change in deferred revenue a **\$2.0 million** depreciation and amortization. The change in accounts payable and accrued liabilities, a **\$1.4 million** change in prepaid expenses and a **\$1.0 million** change in accounts receivable, net. These were partially offset by a **\$30.1 million** **\$64.2 million** change in from asset impairments as well as to a **\$3.6 million** gain on lease termination and a **\$3.1 million** change in gain on fair value instruments.

**Cash flows used in investing activities.** Cash used in investing activities decreased from **\$7.1 million** **\$10.7 million** during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** to **\$3.5 million** **\$4.8 million** during the **six** **nine** months ended **June 30, 2024** **September 30, 2024**. The decrease change was driven by lower expenditures related to both ongoing internal software development projects of **\$4.2 million** partially offset by higher expenditures for **\$5.4 million** and property and equipment of **\$0.7 million** **\$0.5 million**.

**Cash flows (used in) provided by financing activities.** Cash (used in) provided by flows from financing activities changed from cash provided by financing activities of **\$0.5 million** **\$25.6 million** during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** to cash used in financing activities of **\$0.3 million** **\$9.4 million** during the **six** **nine** months ended **June 30, 2024** **September 30, 2024**. The change decrease is primarily due to decreased cash proceeds from option exercises of **\$1.3 million** partially offset by decreases for employee taxes for share based awards of **\$0.5 million** and increased the **\$25.0 million** Note that was issued during the nine months ended September 30, 2023 as compared to the proceeds from purchases the Investment Agreement of shares through **\$10.0 million** during the nine months ended September 30, 2024. Additionally, further decreases are from a **\$1.1 million** decrease in net proceeds from employee stock purchase plan of **\$0.1 million** during the six months ended June 30, 2024. compensation activity.

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### Use of Cash and Contractual Obligations

We expect to meet our cash requirements for the next twelve months through use of our available cash and cash equivalents and cash flows from operating activities. We expect to meet our long-term cash requirements with cash flows from operating and financing activities, including but not limited to potential future issuances of debt or equity. Our primary uses of cash are for operating expenses, lease payments and capital expenditures.

Our future commitments consist of obligations under the Note (including principal and coupon interest) and operating leases, primarily for vacation properties and our corporate headquarters. The leases may require us to pay taxes, insurance, utilities and maintenance costs. We have been undergoing a lease optimization process to decrease our cash commitments related to operating leases, whereby we have renegotiated certain leases and terminated certain leases, depending on the individual lease situation. See Note 8 – Leases in our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

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Future minimum annual commitments under these operating leases as of **June 30, 2024** **September 30, 2024** are as follows (in thousands):

<b>Fiscal Year Ending</b>	<b>Operating leases</b>		<b>Operating leases</b>	
	<b>Leases</b>	<b>Leases</b>	<b>Leases</b>	<b>Leases</b>
Remainder of 2024			\$ 41,573	\$ 18,574
2025			71,450	65,499
2026			52,994	45,570
2027			39,788	32,555
2028			31,032	23,767
2029 and thereafter			76,668	54,906
<b>Total minimum lease payments</b>			<b>\$ 313,505</b>	<b>\$ 240,871</b>

As of **June 30, 2024** **September 30, 2024**, the Company was we were party to **16** **10** leases that had not yet commenced. Future payments under these leases were **\$24.3 million** **\$14.1 million** as of **June 30, 2024** **September 30, 2024**.

The \$25.0 million Note is an unsubordinated secured obligation of the Company. **Inspirato**. The Note bears interest at a fixed rate of 8% per annum. Interest on the Note is payable quarterly on the last business day of each calendar quarter following the issuance of the Note and is payable at **the** **our** election of the Company in cash or in kind by increasing the outstanding principal amount of the Note by the amount of interest payable on such interest payment date. The Note will mature on September 29, 2028, subject to earlier conversion, redemption or repurchase.

On February 11, 2022, we entered into a Tax Receivable Agreement (the "TRA"). The TRA provides that, in certain events, including **Inspirato's** exercise of early termination rights, **Inspirato's** obligations under the TRA will accelerate and **Inspirato** will be required to make a lump-sum cash payment to the applicable parties to the TRA equal to the present value of all forecasted future payments that would have otherwise been made under the TRA, which lump-sum payment would be based on certain assumptions, including those relating to **Inspirato's** future taxable income. On August 9, 2024, the TRA was amended by us and the other parties signatory thereto. As so amended, the TRA will terminate in full and in August 2024, we will pay \$0.3 million to settle the TRA.

On August 12, 2024, we entered into the Termination Agreement, effective August 31, 2024, with a third party to terminate our lease agreement related to one group of underperforming properties in a single geographic location. The Termination Agreement will result in a decrease to our operating lease liabilities of approximately \$41.2 million as well as decrease our total committed future minimum lease payments by \$57.0 million as of the effective date of the Termination Agreement. As part of the Termination Agreement, we will pay a termination fee of \$6.6 million, subject to certain adjustments, payable in installments from August 2024 to March 2025. Additionally, as part of the Termination Agreement the Purchaser agreed to act as **Guarantor** of the \$6.6 million termination fee. As compensation for that guarantee the Company will pay the Purchaser \$0.6 million ratably over six months beginning January 2025.

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**Non-GAAP Financial Metrics**

In addition to our results determined in accordance with GAAP, we use Adjusted Net Loss, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our Board concerning our business and financial performance. We believe that these non-GAAP financial measures provide useful information to investors about our business and financial performance, enhance their overall understanding of our past performance and future prospects, and allow for greater transparency with respect to metrics used by our management in their financial and operational decision making. We are presenting these non-GAAP financial measures to assist investors in seeing our business and financial performance through the eyes of management, and because we believe that these non-GAAP financial measures provide an additional tool for investors to use in comparing results of operations of our business over multiple periods with other companies in our industry.

There are limitations related to the use of these non-GAAP financial measures, including that they exclude significant expenses that are required by GAAP to be recorded in our financial measures. Other companies may calculate non-GAAP financial measures differently or may use other measures to calculate their financial performance, and therefore, our non-GAAP financial measures may not be directly comparable to similarly titled measures of other companies. Thus, these non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, measures of financial performance prepared in accordance with GAAP and should not be considered as an alternative to any measures derived in accordance with GAAP.

We provide a reconciliation of Adjusted Net Loss, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow to their respective related GAAP financial measures. We encourage investors and others to review our business, results of operations, and financial information in its entirety, not to rely on any single financial measure, and to view Adjusted Net Loss, Adjusted EBITDA, Adjusted EBITDA Margin and Free Cash Flow in conjunction with their respective related GAAP financial measures.

#### ***Adjusted Net Loss***

We define Adjusted Net Loss as net **loss** **income** **(loss)** and comprehensive **loss** **income** **(loss)** less **asset impairments** and **(gain)** on **lease termination**, fair value gains and losses on financial instruments, **restructuring charges** and **asset impairments**, **other non-recurring professional fees**.

The above items are excluded from Adjusted Net Loss because our management believes that they are not indicative of our core operating performance and do not reflect the underlying economics of our business.

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The following table presents a reconciliation of our net **loss** **income** **(loss)** and comprehensive **loss** **income** **(loss)**, the closest GAAP measure, to Adjusted Net Loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Net loss and comprehensive loss</b>	\$ (15,393)	\$ (46,672)	\$ (13,144)	\$ (52,575)
Asset impairments	—	30,054	—	30,054
Loss (gain) on fair value instruments	316	(380)	(3,833)	(276)
<b>Adjusted Net Loss</b>	<b>\$ (15,077)</b>	<b>\$ (16,998)</b>	<b>\$ (16,977)</b>	<b>\$ (22,797)</b>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Net income (loss) and comprehensive income (loss)</b>	\$ 6,622	\$ (25,422)	\$ (6,522)	\$ (77,997)
Asset impairments and (gain) on lease termination	(29,895)	4,294	(29,895)	34,348

Loss (gain) on fair value instruments	158	(267)	(3,675)	(543)
Restructuring charges	6,985	—	6,985	—
Other non-recurring professional fees (1)	1,828	—	1,828	—
<b>Adjusted Net Loss</b>	<b>\$ (14,302)</b>	<b>\$ (21,395)</b>	<b>\$ (31,279)</b>	<b>\$ (44,192)</b>

(1) Included in general and administrative on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

#### **Adjusted EBITDA and Adjusted EBITDA Margin**

We define Adjusted EBITDA as net **loss** **income** **(loss)** and comprehensive **loss** **income** **(loss)** less interest, income taxes, depreciation and amortization, equity-based compensation expense, fair value gains and losses on financial instruments, **restricting charges**, **other non-recurring professional fees** and asset **impairments**. **impairments** and **(gain)** **on lease termination**. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenue for the same period.

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The above items are excluded from our Adjusted EBITDA measure because our management believes that they are not indicative of our core operating performance and do not reflect the underlying economics of our business. The following table represents a reconciliation of our net **loss** **income** **(loss)** and comprehensive **loss**, **income** **(loss)**, the closest GAAP measure, to Adjusted EBITDA (in thousands, other than percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Net loss and comprehensive loss</b>	<b>\$ (15,393)</b>	<b>\$ (46,672)</b>	<b>\$ (13,144)</b>	<b>\$ (52,575)</b>
Interest expense (income), net	373	(414)	696	(527)
Income tax expense	56	217	200	417
Depreciation and amortization	2,820	1,819	5,448	3,725
Equity-based compensation	2,672	3,731	5,550	4,388
Loss (gain) on fair value instruments	316	(380)	(3,833)	(276)
Asset impairments	—	30,054	—	30,054
<b>Adjusted EBITDA</b>	<b>\$ (9,156)</b>	<b>\$ (11,645)</b>	<b>\$ (5,083)</b>	<b>\$ (14,794)</b>
<b>Adjusted EBITDA Margin</b>	<b>(13.6)%</b>	<b>(13.8)%</b>	<b>(3.4)%</b>	<b>(8.4)%</b>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 6,622</b>	<b>\$ (25,422)</b>	<b>\$ (6,522)</b>	<b>\$ (77,997)</b>
Interest expense, net	454	1,731	1,150	1,204
Income tax expense	151	492	351	909
Depreciation and amortization	3,064	3,321	8,512	7,047
Equity-based compensation	7,279	6,686	12,829	11,074
Loss (gain) on fair value instruments	158	(267)	(3,675)	(543)
Restructuring charges	6,985	—	6,985	—
Other non-recurring professional fees (1)	1,828	—	1,828	—
Asset impairments and (gain) on lease termination	(29,895)	4,294	(29,895)	34,348
<b>Adjusted EBITDA</b>	<b>\$ (3,354)</b>	<b>\$ (9,165)</b>	<b>\$ (8,437)</b>	<b>\$ (23,958)</b>
<b>Adjusted EBITDA Margin</b>	<b>(4.9)%</b>	<b>(11.1)%</b>	<b>(3.9)%</b>	<b>(9.3)%</b>

<sup>(1)</sup> Included in general and administrative on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

### Free Cash Flow

We define Free Cash Flow as net cash provided by (used in) operating activities less **development of internal-use software and purchases of property and equipment and development of internal-use software, equipment**. We believe that Free Cash Flow is a meaningful indicator of liquidity that provides information to our management and investors about the amount of cash generated from operations, after **development of internal-use software and purchases of property and equipment, and development of internal-use software**, that can be used for strategic initiatives, if any.

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The following table presents a reconciliation of our net cash used in operating activities, the closest GAAP measure, to Free Cash Flow (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net cash used in operating activities	\$ (1,767)	\$ (11,721)	\$ (8,969)	\$ (29,308)	\$ (13,744)	\$ (11,721)	\$ (22,713)	\$ (45,405)
Development of internal-use software	(120)	(2,624)	(356)	(4,556)	(172)	(2,624)	(528)	(5,924)
Purchase of property and equipment	(1,904)	(1,223)	(3,170)	(2,500)	(1,135)	(1,223)	(4,305)	(4,807)
<b>Free Cash Flow</b>	<b>\$ (3,791)</b>	<b>\$ (15,568)</b>	<b>\$ (12,495)</b>	<b>\$ (36,364)</b>	<b>\$ (15,051)</b>	<b>\$ (15,568)</b>	<b>\$ (27,546)</b>	<b>\$ (56,136)</b>

### Recently Adopted Accounting Pronouncements

For information on recently adopted accounting pronouncements, see Note 2 to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our principal market **risk is risks** are our exposure to foreign currency **risk and our equity** risk.

#### Foreign Currency Risk

We are exposed to foreign currency risk, mainly related to non-lease operating expenditures that we incur in foreign countries. Many of our leases, which are the most significant component of operating costs in foreign countries, are denominated in U.S. dollars and thus do not result in foreign currency risk. During the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, our operating expenditures denominated in foreign currencies were approximately **\$7.3 million** **\$4.7 million** and **\$13.3 million** **\$18.0 million**, respectively, primarily in Mexican Pesos and Euros. A hypothetical 10% increase or decrease in the value of the U.S. dollar relative to the Mexican Peso and Euro would have a **\$0.7 million** **\$0.5 million** and **\$1.3 million** **\$1.8 million** impact to our Condensed Consolidated Financial Statements for the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, respectively.

## **Equity Risk**

We are exposed to equity risk related to our stock price and overall market capitalization. The fair market value of our stock price could increase or decrease substantially in the near term and could have a material impact to our consolidated balance sheets and statements of operations with respect to future stock-based compensation costs and other equity transactions.

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

#### **Disclosure Controls and Procedures**

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer (the "Executives"), to allow timely decisions regarding required disclosures.

Our management, with the participation of the Executives, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on that evaluation, and as a result of the material weakness described below, the Executives concluded that as of June September 30, 2024, our disclosure controls and procedures were not effective to a reasonable assurance level.

Nevertheless, based on the performance of additional procedures by management designed to ensure reliability of financial reporting, our management has concluded that, notwithstanding the material weaknesses described below, the Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q, fairly present, in all material respects, our financial position, results of operations, and cash flows as of the dates, and for each of the periods presented, in conformity with U.S. GAAP.

#### **Remediation Plan for Material Weaknesses in Internal Control Over Financial Reporting**

In response to the material weaknesses identified in "Part II, Item 9A. Controls and Procedures" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, we, with oversight from the Audit Committee of the Board of Directors, developed a plan to remediate the material weaknesses. Ongoing remediation activities include:

- Continue to design and implement a comprehensive and continuous risk assessment process to identify and assess financial statement risks and ensure that the financial reporting process and related internal controls are in place to respond to those risks;
- Continue to enhance the design of and implement additional process-level control activities and ensure they are properly evidenced and operating effectively; and
- Enhance the training provided to our control operators.

We believe the foregoing efforts will effectively remediate the material weaknesses described in our Annual Report on Form 10-K for the year ended December 31, 2023. Because the reliability of the internal control process requires repeatable execution, the successful on-going remediation of the material weaknesses will require on-going review and evidence of effectiveness prior to concluding that controls are effective.

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

As outlined above, we are in the process of taking steps to remediate the material weaknesses. We made no other changes in internal control over financial reporting during the quarter ended June 30, 2024 September 30, 2024, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we may become involved in litigation or other legal proceedings arising in the ordinary course of our business. Except as described below, we are not currently a party to any material litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, negative publicity, reputational harm and other factors.

#### ***Class Action Complaint Relating to Restatement***

On February 16, 2023, a class action lawsuit was filed in the U.S. District Court in the District of Colorado captioned *Keith Koch, Individually and on behalf of all others similarly situated v. Inspirato Incorporated, Brent Handler, and R. Webster Neighbor, Neighbor*. The complaint alleges violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder against all defendants, and Section 20(a) of the Exchange Act against the individual defendants. The complaint seeks certification as a class action and an unspecified amount of damages, attorneys' fees, expenses, and other costs. The complaint generally alleges that certain of our prior public statements about our results of operations and financial condition were materially false and misleading because they misrepresented and failed to disclose adverse facts pertaining to the restatement of our unaudited Consolidated Financial Statements as of and for the three months ended March 31, 2022 and June 30, 2022. On July 16, 2024, the magistrate recommended the case be dismissed and the plaintiff filed **objections** a motion objecting to these recommendations on July 30, 2024. **The Company will respond** We responded to these objections and **expects** on September 23, 2024, the Court **granted our motion** to dismiss the **shareholder lawsuit** lawsuit without prejudice. On October 23, 2024, the plaintiff filed an amended motion for the Court's review.

### Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, except for the following:

#### ***Resales of our Class A Common Stock in the public market may cause the trading price to fall.***

Resales of a substantial number of shares of our Class A Common Stock could depress the trading price of our Class A Common Stock. Such sales could also result in resales of our Class A Common Stock by our other current stockholders, potentially leading to further decreases in the trading price of the Class A Common Stock.

#### ***There can be no assurance that our securities will continue to be listed on Nasdaq or that will be able to comply with the continued listing standards of Nasdaq.***

In May 2024, On October 28, 2024, we received a notice from the Staff of the Listing Qualifications Department of Nasdaq that we had not regained compliance are now compliant with Nasdaq Listing Rule 5450(b)(2)(C) concerning the minimum market value of our publicly held shares (the "MVPHS Rule"). We appealed Nasdaq's delisting determination by filing a hearing request with the Nasdaq Hearings Panel (the "Panel") on July 18, 2024. This request stayed the suspension of trading of the Company's securities pending the Panel's decision. On August 5, 2024, the Company received written notification from the Panel notifying us of its decision to grant the Company's request to continue its listing on the Nasdaq Stock Market subject to us meeting certain conditions outlined in the letter.

- On or before August 30, 2024, we shall file a registration statement with the SEC for a public offering;
- On or before November 22, 2024, we shall file a Form 10-Q demonstrating compliance with Listing Rule 5450(b)(2).

If Nasdaq delists the Company's securities from trading on its exchange for failure to meet the listing standards, the Company and our stockholders could face significant negative consequences including:

- limited availability of market quotations for the Company's securities;
- a determination that our Class A Common Stock is a "penny stock" which will require brokers trading in our Class A Common Stock to adhere to more stringent rules;
- a possible reduction in the level of trading activity in the secondary trading market for shares of our Class A Common Stock;
- a limited amount of analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future

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standards.

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

None.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Other Information.**

On August 13, 2024, in connection with the financing transaction described in Note 19 – Subsequent Events, CEO Eric Grosse resigned from that position and as a director, and CFO Robert Kaiden temporarily assumed the duties of principal executive officer. Effective upon the filing of this report, Mr. Kaiden will cease acting as principal executive officer and Payam Zamani will become CEO as contemplated by the investment agreement governing the financing transaction. Biographical information for Mr. Kaiden is set forth in the Company's proxy statement for its 2024 annual meeting of stockholders. Not applicable.

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**Item 6. Exhibits.**

The exhibits listed below are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Exhibit Description	Provided Herein	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date

3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of the Company.</a>	10-Q	001-39791	3.1	November 9, 2023
3.1.1	<a href="#">Certificate of Amendment to Second Amended and Restated Certificate of Incorporation of the Company.</a>	8-K	001-39791	3.2	October 18, 2023
3.2	<a href="#">Amended and Restated Bylaws of the Company.</a>	8-K	001-39791	3.2	February 14, 2022
10.1	<a href="#">Employment Agreement, dated as of March 20, 2024, by and between Inspirato LLC and Robert Kaiden</a>	8-K	001-39791	10.1	March 28, 2024
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	X			
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	X			
32.1+	<a href="#">Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	X			
101.INS	INLINE XBRL Instance Document				
101.SCH	INLINE XBRL Taxonomy Extension Schema Document				
101.CAL	INLINE XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	INLINE XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	INLINE XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	INLINE XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document or included within the Exhibit 101 attachments)				

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Provided Herein	Form	File No.	Exhibit	Filing Date
1.1	<a href="#">Equity Distribution Agreement, dated September 24, 2024, by and between Inspirato Incorporated and Northland Securities, Inc.</a>	8-K	001-39791	1.1	September 25, 2024	
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of the Company.</a>	10-Q	001-39791	3.1	November 9, 2023	
3.1.1	<a href="#">Certificate of Amendment to Second Amended and Restated Certificate of Incorporation of the Company.</a>	8-K	001-39791	3.2	October 18, 2023	
3.2	<a href="#">Amended and Restated Bylaws of the Company.</a>	8-K	001-39791	3.2	February 14, 2022	
10.1	<a href="#">Investment Agreement, dated as of October 22, 2024, by and among Inspirato Incorporated, Tribridge Limited, and Julian MacQueen</a>	8-K	001-39791	10.1	October 25, 2024	
10.2	<a href="#">Investment Agreement, dated as of August 12, 2024, between Inspirato Incorporated and One Planet Group LLC</a>	8-K	001-39791	10.1	August 15, 2024	
10.3	<a href="#">Form of Voting Agreement</a>	8-K	001-39791	10.2	August 15, 2024	

10.4	<a href="#"><u>Executive Employment Agreement, dated as of August 13, 2024, between Inspirato LLC and Payam Zamani</u></a>	8-K	001-39791	10.3	August 15, 2024
10.5	<a href="#"><u>Separation and Release Agreement, dated as of August 13, 2024, between Inspirato LLC and Brad Handler</u></a>	8-K	001-39791	10.4	August 15, 2024
10.6	<a href="#"><u>Separation and Release Agreement, dated as of August 13, 2024, between Inspirato LLC and Eric Grosse</u></a>	8-K	001-39791	10.5	August 15, 2024
10.7	<a href="#"><u>Inspirato Incorporated 2024 Inducement Plan</u></a>	8-K	001-39791	10.1	August 16, 2024
10.8	<a href="#"><u>Letter agreement amending Investment Agreement dated August 12, 2024.</u></a>	8-K	001-39791	10.2	September 3, 2024
10.9	<a href="#"><u>Offer Letter between Company and Mr. Arthur dated October 1, 2024</u></a>	8-K	001-39791	10.1	October 4, 2024
31.1	<a href="#"><u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>	X			
31.2	<a href="#"><u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>	X			
32.1+	<a href="#"><u>Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>	X			
101.INS	INLINE XBRL Instance Document				
101.SCH	INLINE XBRL Taxonomy Extension Schema Document				
101.CAL	INLINE XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	INLINE XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	INLINE XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	INLINE XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (embedded within the Inline XBRL document or included within the Exhibit 101 attachments)				

The exhibits listed below are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

- + The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Inspirato Incorporated under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Inspirato  
Incorporated

Date: **August 14, 2024** October 30, 2024

By: **/s/ Payam Zamani**  
**Payam Zamani**

**Chief Executive Officer and Chairman of the Board**  
**(Principal Executive Officer)**

Date: October 30, 2024

By: **/s/ Robert Kaiden**  
**Robert Kaiden**  
**Chief Financial Officer**  
**(Principal Executive, Financial and Accounting Officer)**

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**Exhibit 31.1**

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, **Robert Kaiden, Payam Zamani**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inspirato Incorporated;
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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 14, 2024** October 30, 2024

By: **/s/ Robert Kaiden Payam Zamani**

Name: **Robert Kaiden Payam Zamani**

Title: Chief **Financial Executive** Officer

(Principal Executive **Financial and Accounting** Officer)

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**Exhibit 31.2**

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Robert Kaiden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inspirato Incorporated;
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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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: **August 14, 2024** October 30, 2024

By: /s/ Robert Kaiden

Name: Robert Kaiden

Title: Chief Financial Officer

(Principal **Executive, Financial and Accounting Officer**)

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**Exhibit 32.1**

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**  
**PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, **Robert Kaiden, Payam Zamani**, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Inspirato Incorporated for the fiscal quarter ended **June 30, 2024** **September 30, 2024** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Inspirato Incorporated.

Date: **August 14, 2024** October 30, 2024

By: /s/ Payam Zamani

Name: Payam Zamani

Title: Chief Executive Officer

(Principal Executive Officer)

I, Robert Kaiden, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Inspirato Incorporated for the fiscal quarter ended **September 30, 2024** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Inspirato Incorporated.

Date: October 30, 2024

By: /s/ Robert Kaiden

Name: Robert Kaiden

Title: Chief Financial Officer

(Principal **Executive, Financial and Accounting Officer**)

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