Risk Factors Comparison 2024-02-28 to 2023-03-08 Form: 10-K

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

We may be unable to attract and retain members and we may not effectively optimize revenue per center membership, either of which could have a negative effect on our business, results of operations and financial condition. The success of our business depends on our ability to attract and retain members and to optimize our revenue per center membership. There are numerous factors that could lead to a decline in membership ~~levels~~ or ~~sales of~~ in- center ~~services~~ - **service levels** or that could prevent us from increasing **our** ~~membership~~ **memberships** and optimizing our revenue per center membership, any of which could adversely impact our business ~~and~~ **,** results of operations **and financial condition** . These factors include **our ability to deliver premium member experiences,** changing desires and behaviors of consumers and our ability to anticipate and respond to shifts in consumer preferences **, introductions of new products, services or technology** , changing consumer confidence, changes in discretionary spending trends and general economic conditions, market or center maturity or saturation, ~~a decline in our ability to deliver quality service,~~ direct and indirect competition in our trade areas ~~, a decline in the public' s interest in health and fitness~~ , as well as social fears such as terror or health threats ~~. As we have emerged and grown out of the COVID- 19 pandemic, we have implemented a new pricing strategy in an effort to optimize the number of memberships per club and the price for such memberships. This strategy reflects at least initially a lower number of memberships paying on average higher membership dues, which benefits us as we bring on new members but also increases the adverse impact on our results of operations if we were to lose these memberships~~ . All of our members are able to cancel their membership at any time upon providing advance notice. We must therefore continually engage existing members and attract new members in order to maintain our membership ~~levels~~ and ~~sales from~~ in- center ~~services~~ - **service levels** and earn the membership dues **and service fees** that we charge our members ~~. We are executing on several strategies to elevate and broaden our member experiences and drive additional revenue per center membership~~ . Elevating our member experiences requires investment in our team members, programs, products, services and centers. These investments may impact our short- term results of operations and cash flows as our investments in our business may be made more quickly than we see the returns on our investments. Additionally, we cannot be certain that these strategies will attract and retain members or deliver higher revenue per center membership. Our business could be adversely affected by ~~strong~~ competition in the highly competitive health, fitness and wellness industry. We compete with numerous industry participants as detailed in " Item 1 — Business — Competition " of this Annual Report. Competitors compete with us to attract members in our markets **and digitally** . Competitors may also attempt to copy all or portions of our business model **or services** , which could erode our market share and brand recognition or impair our business and results of operations. It is also possible that competitors could introduce new products and services or new ways to provide those products and services that negatively impact consumer preference or willingness to pay for our ~~business model~~ **products and services** . Certain competitors may have advantages over us including greater name recognition and / or resources, and non- profit and government organizations may be able to obtain land and construct centers at a lower cost and collect membership fees without paying taxes, thereby allowing them to charge lower prices. Additionally, consolidation in the health, fitness and wellness industry could result in increased competition among participants. ~~Furthermore, due to the increased number of low- cost health center and fitness center alternatives, we may face increased competition during periods when we increase our prices, discretionary spending declines or unemployment increases.~~ This competition may limit our ability to attract and retain members or to optimize our revenue per center membership, each of which could materially and adversely affect our business, results of operations and financial condition. Our business, results of operations and prospects may be adversely affected by the environments in which we operate, including with respect to the macroeconomy, the political climate, global pandemics or other health crises, severe weather, natural disasters, hostilities, gun violence and social unrest. The macroeconomic environment in which we operate can adversely impact our business, results of operations and prospects, including with respect to inflation, interest rates, labor and supply chain issues, as well as a potential economic recession. **The** ~~For example, the~~ inflation rate has **improved but** ~~remained~~ **remains** elevated, which impacts our expenses **and capital expenditures** in several areas, including wages, construction costs and other operating expenses. These inflationary impacts pressure our margin performance ~~,~~ **and** increase our capital expenditures ~~and may cause us to delay new center construction~~ . The rising interest rate environment has also increased the cost of our ~~term loan facility~~ **borrowings. The combined impact of inflation** and **higher interest** ~~our revolving credit facility and may result in increased cap~~ rates **caused us to temporarily slow down the start of new construction** on **our ground- up suburban builds as** future sale- leaseback transactions **were delayed. If our investment in new centers is higher than we had planned, if the capitalization rates on our sale- leaseback transactions are higher than historical levels or if our investment takes longer to execute due to any number of reasons, we may need to outperform our operational plan to achieve our targeted return** . Additionally, ~~our business could be sensitive to reductions in discretionary consumer spending and in a depressed economic and consumer environment,~~ consumers and businesses may **reduce or** postpone spending in response to tighter credit, negative financial news and / or declines in income or asset values, which could have a negative effect on the demand for our services and products. Global pandemics or other health crises can also adversely impact our business, results of operations, financial condition and prospects. We experienced ~~a~~ significant ~~reduction~~ **reductions** in membership levels, revenue per center membership, center activity and new center growth related to the COVID- 19 pandemic, including the ~~response~~ **responses** of governmental authorities to community transmission of COVID- 19, which required closure of our centers in March 2020 and the suspension of significant real estate development and construction projects. **Our business took time to** ~~Several of our centers are still recovering~~ --- **recover** from **that pandemic** ~~those negative~~

~~impacts, depending in large part on when the governmental operating restrictions on our centers were lifted~~ , similar to how our new centers take several years to mature to expected performance ~~. Failure~~ **, and the recovery varied** by ~~these centers to recover as we expect could materially and adversely affect our business, results of operations and financial condition. Each of our centers and in-~~ center ~~businesses may continue to be impacted differently based upon considerations such as applicable government restrictions, community transmission and the sentiment of members or team members in particular geographic locations~~ . We cannot be certain that we will not need to close our centers, restrict operations within our centers or suspend or reduce the level of real estate or construction activities again related to ~~continued community transmission of the coronavirus or its variants or~~ another pandemic or health crisis ~~. The COVID- 19 pandemic or any other pandemic or health crises may also lead to significant economic shifts across our areas of operation, which may reduce or change consumer demand in our industry~~ . Severe weather, natural disasters, shifting climate patterns, hostilities, gun violence, social unrest or terrorist activities (or expectations about them) can adversely affect our members, consumer spending and confidence levels, supply availability and costs, as well as the local operations in impacted markets, all of which could have an adverse effect on our results of operations and financial condition. We may also be forced to temporarily close centers due to any number of unforeseen circumstances, including as a result of fire, flood, technical difficulties, shortage of employees, loss of power, a health and safety incident, social unrest, terrorist incident, natural disaster or an active shooting or other violence. The severity and impact of center closures and center damage or destruction, and the cost to operate our centers, could increase as the climate and social environment changes **, including with respect to our water usage and the cost to cool our facilities** . That severity and impact could also be greater in the various geographical locations across the country where we operate multiple centers and as we expand. Any prolonged closures may adversely affect our results of operations and financial condition and may also result in longer term reductions in revenue as a result of termination of memberships at the affected centers. Our receipt of proceeds under any insurance we maintain with respect to some of these risks may be delayed or the proceeds may be insufficient to cover our losses fully ~~. We may incur rising or higher costs related to our business, including for construction of new centers, employees and maintenance and operation of our existing centers. If we are not able to pass these cost increases through to our members, our financial results may be adversely affected. Our centers require significant upfront and ongoing investment. If our investment is higher than we had planned, including due to the macroeconomy as detailed above, or if our investment takes longer to execute due to any number of reasons, we may need to outperform our operational plan to achieve our targeted return. Over the longer term, we believe that we can offset cost increases by increasing our membership dues and other fees and improving profitability through cost efficiencies, but market and economic pressures and higher costs in regions where we are opening new centers may be difficult to offset in the short term~~ . Additionally, while we have been a company focused on environmental, social and governance (" ESG ") matters from our formation, as we continue to develop and execute on our ESG initiatives, we could incur additional costs or risks that adversely impact our business ~~. Our results of operations are subject to seasonal and quarterly variations in our revenues and results of operations. We have experienced, and expect to continue to experience, seasonal and quarterly variations in our revenues and results of operations. These variations are primarily related to increased membership during the first quarter, as members tend to exercise more regularly at the beginning of each calendar year as a part of achieving goals that were set for the upcoming year. We also experience increased membership in certain centers during the summer pool season and a slight increase in in- center business activity with summer programming and operating expenses due to our outdoor operations. We then typically experience decreased membership and in- center business activity in the third and fourth quarters. Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including the timing of new center openings, changes in pricing and revenues mix and changes in operating expenses. As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our operating results between different quarters within a single year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance~~ . Our dependence on third- party suppliers for equipment and certain products and services could result in disruptions to our business and could adversely affect our business, results of operations and financial condition. Equipment and certain products and services needed for us to operate our business efficiently and to consistently meet our business requirements, including our exercise equipment and certain of our software and hardware, are sourced from third- party suppliers. The ability of these third- party suppliers to successfully provide reliable and high- quality services is subject to economic, technical and operational uncertainties that are beyond our control. Any disruption to our suppliers' operations, or any inability by us to identify and enter into agreements with alternative suppliers on a timely basis and on acceptable terms, could impact our supply chain and our ability to service our centers and elevate our brand. Transitioning to new suppliers could be time- consuming and expensive and may result in interruptions in our operations. If any of these events occurs, it could have a material adverse effect on our business, results of operations and financial condition. Risks Relating to Our Brand Our business depends on the quality and reputation of our brand, and any deterioration in the quality or reputation of our brand or the health, fitness and wellness industry could materially adversely affect our market share, business, results of operations and financial condition. Our brand and our reputation are among our most important assets. Our ability to attract and retain members and expand our business **may be impacted by** ~~depends, in part, upon~~ the external perceptions of Life Time, the quality **and consistency** of our centers and **premium** services and our corporate and management integrity. Any **operation of our centers that does not meet expectations, any** adverse incidents, including any involving the potential safety of our members, guests or employees, physical or sexual abuse or other harm to a child at any of our children play areas **,** or **any negative** events or ~~negative~~ publicity regarding us, our competitors or the health, fitness and wellness industry, may damage our brand and our reputation, cause a loss of consumer confidence in Life Time and our industry and could have an adverse effect on our market share, business, results of operations and financial condition. Use of social media platforms, and email, text messaging, phone and social media marketing, may adversely impact our reputation, business, results of operations, and financial condition or subject us to fines or other penalties. There has been a substantial increase in the use of social media platforms. Negative commentary about us or calls for collective action against us, such as boycotts, may be posted on social media platforms or similar devices at any time to a broad audience and may harm our brand, reputation or business without affording us an opportunity for redress or correction in a timely manner or at all. Consumers value readily available information about health, fitness and wellness and often act on such information without further investigation and without regard to its accuracy. We also use email, text messaging, phone and social medial platforms as marketing tools. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our business, results of operations and financial condition or subject us to fines or other penalties. Our intellectual property rights may be inadequate to protect our business or may be infringed, misappropriated or challenged by others. We may also become involved in costly litigation or be required to pay royalties or fees. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third- party nondisclosure and assignment agreements. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason, whether in the United States or internationally, could have a material adverse effect on our business, results of operations and financial condition. We rely on our trademarks, trade names and brand names to distinguish our products and services from the products and services of our competitors, and we have registered or applied to register many of these trademarks. There is no assurance that our trademark applications will be approved in the United States or internationally. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products or services, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands and to replacing products. In particular, although we own a United States federal trademark registration for use of the LIFE TIME ® mark in the field of health and fitness centers, we are aware of entities in certain locations around the country and internationally that use LIFE TIME FITNESS, LIFE TIME or other similar marks in connection with goods and services related to health, fitness and wellness, including dietary food supplements. The rights of these entities in such marks may predate our rights. Accordingly, if we open any centers or otherwise operate in the areas in which these parties operate, we may be required to pay royalties or other fees or may be prevented from using the mark in such areas. Furthermore, if any third party were to successfully seek cancellation of our federal trademark registrations, we may be prevented from using such marks throughout the United States. Further, there is no assurance that competitors or other businesses will not infringe on our trademarks or other intellectual property rights or that we will not have disputes with third parties to enforce our intellectual property rights, protect our trademarks, determine the validity and scope of the proprietary rights of others or defend ourselves from claims of infringement, invalidity, misappropriation or unenforceability. In the event of any such infringement or claimed infringement, the value of our brand may be harmed and we may be required to incur substantial costs and divert resources to pursue, or defend against, any claim. Additionally, any damage to our brand or reputation could cause membership levels to decline and make it more difficult to attract new members. If we were to fail to successfully defend a claim against us, we may have to pay significant fees (and fines and penalties) and enter into royalty or licensing agreements, we may be prevented from using the intellectual property within certain markets in connection with goods and services that are material to our business or we may be unable to prevent a third party from using our intellectual property. Any such failure to successfully protect our intellectual property rights, or to defend against any claims or infringement, invalidity, misappropriation or unenforceability, for any reason, could have an adverse effect on our business, results of operations and financial condition. Risks Relating to the Growth of Our Business If we are unable to **successfully execute** ~~identify and acquire or~~ **our asset- light** ~~lease suitable sites for centers or if we face increased construction and development costs, our revenue~~ growth ~~rate~~ **strategy, our results of operations, cash flow** and ~~profits~~ **return on invested capital** may be negatively impacted. Our center profitability may decline as we open new centers **. We are executing on a strategy to grow our business by expanding the number of our centers in an asset- light manner as detailed in " Item 1 — Business — Our Growth Strategies and Member Experience Initiatives " of this Annual Report** . To successfully expand our business, we must identify and acquire or lease sites that meet the site selection criteria we have established. We may face significant competition for sites that meet our criteria, and as a result, we may lose those sites, our competitors could copy our format or we could be forced to pay significantly higher prices for those sites. Additionally, as we ~~partner~~ **grow the number of our centers in an asset- light manner, we must engage and negotiate** with ~~real estate~~ **numerous third parties, including landlords,** developers ~~in mall / retail and residential tower locations~~ , **sellers, contractors and governmental authorities.** ~~their~~ **Their** timeline and ability to move forward may differ from ours. If we are unable to cost- effectively identify and acquire or lease sites for new centers, our revenue growth rate ~~and~~ **,** profits **, cash flow and return on invested capital** may be negatively impacted. Additionally, if our analysis of the suitability of a site is incorrect or if we do not **adapt to or** anticipate all of the challenges relating to the expansion of our operations **, including the more diverse locations, sizes and types of buildings, remodels and timelines in new markets and spaces** , we may not be able to expand profitably or recover our capital investment in developing and building **or remodeling** the new center on the timeline or at the rate we expected. Any of these results could have a negative impact on our revenue growth rate ~~and~~ **,** profits **, cash flow and return on invested capital** . Our ~~current~~ focus for new centers continues to include wealthier demographic locations, including in urban and coastal markets and at **ground- up suburban builds,** mall ~~/~~ **or** retail ~~and~~ **locations, vertical** residential ~~tower~~ **and urban** locations. If we are unable to leverage our brand and what we bring to these markets and locations, we may be required to pay relatively higher costs for land or lease payments. We could also have increased construction costs and higher development costs to offer more luxurious amenities and features within the new centers. We have also experienced escalating construction costs more generally due to inflation. ~~The higher~~ **Higher** gross invested capital and higher occupancy costs at these centers would require increases in the value of sale- leaseback transactions or higher operating profits per center to produce our targeted ~~level~~ **rate** of return. At the same time, however, a result of opening new centers is that our center operating margins may be lower than they have been historically while the centers build membership base. **An** ~~We expect both the~~ increase in pre- opening expenses and ~~the~~ lower revenue volumes characteristic of newly opened centers ~~to~~ **would** affect our operating margins at these new centers. Opening new centers in existing markets may attract some memberships away from other centers in those markets, ~~thereby leading~~ **which could lead** to diminished revenue and profitability. In addition, as a result of new center openings in existing markets, and because older centers will represent an increasing proportion of our center base over time, our same- center revenue increases may be lower in future periods than in the past. Delays in new center openings could have an adverse effect on our growth. A significant amount of time and expenditure of capital is required to develop and construct **our ground- up suburban builds, mall or retail locations, vertical residential and urban locations. Our temporary delay in the start of** new **ground- up suburban builds** ~~centers. If we are forced to halt development or construction or if we delay construction starts~~ due to ~~escalating~~ **elevated** construction costs **and** ~~or to manage~~ **management of** capital expenditures ~~or are otherwise significantly delayed in opening new centers, we~~ could ~~face~~ **result in** increased costs and our competitors may be able to open new centers in the same market before we open our centers or improve centers currently open. ~~This change in the competitive landscape could negatively impact our pre- opening sales of memberships and increase our investment costs.~~ In addition, delays in opening **these** new centers could hurt our ability to meet our growth objectives and could have an adverse effect on our results of operations and financial condition. Our ability to open new centers on schedule and on budget or at all depends on a number of factors, many of which are beyond our control. These factors include: • obtaining acceptable financing including executing sale- leaseback transactions to fund construction of new sites **and negotiating tenant improvement contributions from developers and landlords** ; • obtaining entitlements, permits and licenses necessary to complete construction of the new center on schedule and to operate the center; • **negotiating the terms of the acquisition or lease of new centers; •** securing access to and the costs of labor and materials necessary to develop and construct **or remodel** our centers; • delays or cost increases due to material shortages, labor issues, design changes, weather conditions, acts of God, pandemics or epidemics, discovery of contaminants, accidents, deaths or injunctions; • recruiting, training and retaining qualified employees; and • general economic conditions. Our growth and changes in the industry could place strains on our management, employees, information systems and internal controls, which may adversely impact our business. Our plans for current and future expansion and development, including an increase in the number of our centers, development of **existing and** new businesses and memberships, expansion of our " Healthy Way of Life " ecosystem and acquisitions of other businesses, as well as changes in the industry, may place significant demands on our administrative, operational, financial, technological and other resources. Any failure to manage growth and development effectively could ~~seriously~~ harm our business. To be successful, we will need to continue to develop technologically and implement management information systems and improve our operating, administrative, financial and accounting systems and controls. We will also need to train new employees and maintain close coordination among our executive, accounting, finance, legal, human resources, risk management and operations functions. These processes are time- consuming and expensive, increase management responsibilities and divert management attention. We may incur significant costs in the development and implementation of new or re- imagined businesses or strategies with no guarantee of success. In order to elevate and broaden member experiences, increase our revenue per center membership, remain competitive, respond to consumer demands and expand our business, we have developed, and expect to continue to develop and re- imagine, in- center, digital and ancillary businesses and strategies as well as co- working and living spaces. We may incur significant costs in the development or refinement of these businesses and strategies, some of which may be outside of our core competency. In addition, we cannot guarantee that these businesses or strategies will be successful and contribute to earnings, and any of these businesses or strategies may lose money and have an adverse effect on our business, financial condition and operating results. We may be unable to successfully acquire or invest in suitable businesses or, if we do acquire or invest in them, that may disrupt our business, we may be unable to successfully integrate the businesses into our existing business or the acquired assets may be subject to impairment, any of which may have an adverse effect on our results of operations and financial condition. In order to remain competitive and to expand our business, we have acquired or invested in, and expect to continue to acquire or invest in, complementary businesses and centers. We may not be able to find suitable acquisition candidates or joint venture partners in the future. If we do find suitable candidates, we may not be in a financial position to pursue the transactions or we may not be able to conduct effective due diligence or execute the transactions on favorable terms or at all. We may also have to incur debt or issue equity securities to pay for any acquisition or investment, which could adversely affect our financial condition or dilute our stockholders. If we do acquire other businesses, we cannot provide any assurances that we will be able to successfully integrate those businesses and integrating those businesses into our existing business may place significant demands on our administrative, operational, financial and other resources and may require significant management time, which may disrupt our other businesses. We may also need to invest significant capital into the acquired businesses or centers to deliver experiences consistent with the Life Time brand. Our ability to acquire and integrate larger or more significant companies is unproven. Any failure to integrate an acquired business or center into our existing business could have an adverse effect on our existing business, results of operations and financial condition. Additionally, as we have acquired other businesses, we have recorded assets, liabilities and intangible assets at fair value at the time of acquisition. If the fair value of the long- lived assets or intangible assets were determined to be lower than the carrying value, the assets would be subject to impairment, which could adversely affect our financial results. Risks Relating to Our Technological Operations We rely on technology and ~~may need~~ **if we are unable** to adapt to significant and rapid technological change **and** ~~in order to~~ deliver connected and digital experiences ~~and to~~ **, we may not** compete effectively **and our business could be adversely affected** . Technology is a key component of our business model and we regard it as crucial to our success moving forward. We increasingly use electronic and digital means to interact with our members, provide services and products to our members and collect, maintain and store individually identifiable information. We use an integrated and proprietary member management system to manage the flow of member information within each of our centers and between centers and our corporate office. We also continue to invest in our mobile application and systems, which enable us to, among other things, enroll new members with an electronic membership agreement, streamline the collection of membership dues electronically, capture digital pictures of members for identification purposes, offer online reservations, offer live streaming classes and capture and maintain specific member information, including usage. While we seek to offer our members best- in- class technology solutions to ensure a smooth customer experience, we operate in an environment that has undergone, and continues to experience, significant and rapid technological change **, including with respect to artificial intelligence** . To remain competitive, we must continue to maintain, enhance and improve the functionality, capacity, accessibility, reliability and features of our automated member interfaces and other technology offerings. Our growth and success will depend, in part, on our ability to continue to elevate and broaden our member experiences, including through developing our omni- channel ecosystem, licensing leading technologies, systems and use rights, enhancing our existing platforms and services and creating new platforms and services ~~, and to~~ **. We must also** respond to member demands, technological advances and emerging industry standards and practices on a cost- effective and timely basis. The adoption of new technologies or market practices **(including artificial intelligence)** may require us to devote significant additional resources to improve and adapt our services. We may also need to secure and maintain the rights to use music with our content, which can be costly depending on the method we use to provide our content and may involve many third parties and navigating complex and evolving legal issues. Keeping pace with these ever- increasing technological and use requirements can be expensive, and we may be unable to make these improvements to our technology infrastructure or obtain the necessary use rights in a timely manner or at all. If we are unable to anticipate and respond to the demand for new services, products and technologies on a timely and cost- effective basis, or to adapt to and leverage technological advancements and changing standards ~~as successfully as our competitors~~ , ~~we may be unable to compete effectively, which could materially and adversely affect~~ our business, results of operations and financial condition **could be materially and adversely affected** . Furthermore, we may rely on the ability of our members to have the necessary hardware products (smartphones, tablets, watches, etc.) to support our new product offerings. To the extent our members are not prepared to invest or lack the necessary resources or infrastructure, the success of any new initiatives may be compromised. If we fail to properly maintain the ~~operations~~ - **operation** , integrity and security of our systems and **the security of our** data or the data of our members, guests and employees, to comply with applicable privacy laws, or to strategically implement, upgrade or consolidate existing information systems, our reputation and business could be adversely affected. The ~~operations~~ - **operation** , integrity and security of our systems and **the security of our** data and the data of our members, guests and employees is critical to us. Despite the security measures we have in place and our continuous assessment and improvements, our ~~facilities and~~ systems, and those of our third- party service providers, may be vulnerable to security breaches, acts of cyber terrorism, demands for ransom, vandalism or theft, computer viruses, misplaced or lost data, programming and / or human errors or other similar events. Because such attacks are increasing in sophistication **(including from the use of artificial intelligence)** and frequently change in nature, we and our third- party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of our systems, or those of our third- party providers, may not be discovered and remediated promptly. Changes in consumer behavior following **such an** ~~a security breach or perceived breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error or other similar~~ event affecting us ~~,~~ **or** a **third party** ~~competitor, large retailer or financial institution~~ may materially and adversely affect our business, which in turn may materially and adversely affect our reputation, results of operations and financial condition. Our receipt of proceeds under any insurance we maintain with respect to some of these risks may be delayed or the proceeds may be insufficient to cover our losses fully, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, the collection, maintenance, use, disclosure and disposal of individually identifiable **or other personal** data by our businesses are regulated at the federal, state and foreign levels as well as by certain financial industry groups, such as the Payment Card Industry Security Standards Council, ~~NACHA~~ **Nacha** , Canadian Payments Association and individual credit card issuers. Some of this data is sensitive and could be an attractive target of a criminal attack by malicious third parties with a wide range of motives and expertise. Federal, state and foreign regulators and financial industry groups ~~have and may~~ continue to ~~also~~ **adopt or** consider new privacy and security requirements that may apply to our businesses. Compliance with evolving **and fragmenting** privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on our business models and the development of new administrative processes. They also may impose further restrictions on our collection, disclosure and use of ~~individually identifiable~~ information that ~~are~~ **is** housed in one or more of our databases. Noncompliance with privacy laws, financial industry group requirements or a security breach involving the misappropriation, loss or other unauthorized disclosure of personal, sensitive and / or confidential information, whether by us or by one of our vendors, could have adverse effects on our business, operations, brand, reputation and financial condition, including decreased revenue, fines and penalties, increased financial processing fees, compensatory, statutory, punitive or other damages, adverse actions against our licenses to do business and injunctive relief. Moreover, any failure or unforeseen issues, such as bugs, data inconsistencies **, cloud concentration issues** , outages, fires, floods, changes in business processes and other interruptions with our systems or the systems of third- party vendors could adversely impact our business and member experiences and cause us to lose members. Disruptions or failures that affect our billing and other administrative functions could also have an adverse effect on our results of operations. Correcting any disruptions or failures that affect our systems could be difficult, time- consuming and expensive. Additionally, if we need to move to different third- party systems, or otherwise significantly modify our systems, our operations and member experiences could be interrupted and negatively impacted. Risks related to our acceptance of ACH, credit card, debit card and digital payments could harm our brand or our results of operations. We accept payments through ACH, credit card, debit card and digital transactions. For such transactions, we pay interchange and other fees, which may increase over time. Additionally, if we or any of our processing vendors have problems with our billing software, or the billing software malfunctions, it could have an adverse effect on our member satisfaction and could cause one or more of the major companies to disallow our continued use of their payment products. If our billing software fails to work properly and, as a result, we do not automatically charge our members' credit cards, debit cards or bank accounts on a timely basis or at all, we could lose membership revenue, which would harm our results of operations. If we fail to adequately control fraudulent ACH, credit card, debit card and digital transactions, we may face civil liability, diminished public perception of our security measures and significantly higher ACH, credit card and debit card related costs, each of which could adversely affect our business, results of operations and financial condition. The termination of our ability to process payments through ACH transactions or on any major credit or debit card would significantly impair our ability to operate our business. Risks Relating to Our Capital Structure and Lease Obligations Our ~~substantial~~ **level of** indebtedness and lease obligations, and the restrictive covenants in the documents governing such indebtedness and lease obligations, could adversely affect our financial condition and prevent us from growing our business, taking certain actions ~~,~~ **or** responding to changes in the economy or our industry ~~or fulfilling our obligations under our indebtedness and lease obligations~~ . As of December 31, ~~2022~~ **2023** , we had total consolidated indebtedness outstanding of approximately $ 1, ~~840~~ **948** million, as detailed in Note 8 — Debt, to our consolidated financial statements included in Part II, Item 8 of this Annual Report. For the year ended December 31, ~~2022~~ **2023** , our interest expense, net of interest income was $ ~~114~~ **131** million. Our annual debt service obligation **for 2024** is expected to be approximately $ ~~121~~ **146** . ~~5~~ **4** million for ~~2023~~ **interest and $ 73. 8 million primarily for mortgage principal payments** . Despite our level of indebtedness, we and our subsidiaries may still incur substantially more debt, including secured debt. ~~This could further exacerbate the risks described below and impair our ability to operate our business. We also have significant property lease obligations.~~ As of December 31, ~~2022~~ **2023** , we had ~~156~~ **165** leased properties, including ~~122~~ **129** center leases (of which 11 are ground leases) and centers under construction. For the year ended December 31, ~~2022~~ **2023** , our rent expense was **approximately** $ ~~245~~ **275** million. In addition to minimum lease payments, some of our center leases provide for additional rental payments based on a percentage of net sales, or " percentage rent, " if sales at the respective centers exceed specified levels, as well as the payment of common area maintenance charges, real property insurance and real estate taxes. Many of our leases also have defined escalating rent provisions over the initial term and any extensions. As we continue to execute on our asset **-** light ~~approach~~ **growth strategy** , including sale- leaseback transactions, we expect to lease, rather than own, the majority of our new centers in the future. The indentures governing our secured and unsecured notes and the credit agreement governing our senior secured credit facility contain a number of covenants imposing significant restrictions on our business, including we are required to comply with a first lien net leverage ratio covenant under the revolving portion of our senior secured credit facility. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. Similarly, since as a lessee we do not completely control the land and improvements underlying our operations, we may not be able to take certain actions that we desire or the lessors under our leases could take certain actions to disrupt our rights in the centers we lease. Our ability to comply with these covenants may be affected by circumstances and events beyond our control, such as prevailing economic conditions, pandemics or epidemics and changes in regulations, and there is no assurance that we will be able to comply with such covenants. Specifically, our ~~high~~ level of indebtedness and lease obligations, and the restrictions imposed thereby, could have material consequences, including: • making it more difficult for us to satisfy our obligations with respect to our indebtedness **and lease obligations** , and if we fail to comply with these requirements, an event of default could result; • limiting our ability to obtain or guarantee additional indebtedness or make certain investments, which could impact our ability ~~or flexibility~~ to fund or execute on future working capital, capital expenditures, our growth strategy ~~including the development and construction of new centers, investments or acquisitions~~ or other general corporate requirements or business opportunities; • requiring a substantial portion of our cash flows to be dedicated to debt service and lease obligations ~~instead of other purposes~~ , thereby reducing the amount of cash flows available for working capital, capital expenditures, our growth strategy ~~, investments or acquisitions~~ and other general corporate purposes or business opportunities, and restricting our ability to pay dividends or make distributions on our capital stock; • limiting our ability to incur liens, to sell assets ~~, including capital stock of restricted subsidiaries, to agree to payment restrictions affecting our restricted subsidiaries~~ , to consolidate, merge, sell or otherwise dispose of all or substantially all of our assets or to enter into transactions with our affiliates; • increasing our vulnerability to general adverse economic and industry conditions; • limiting our flexibility in planning for and reacting to changes in the industry in which we compete and to changing business and economic conditions; • placing us at a disadvantage compared to other, less leveraged competitors ~~and affecting our ability to compete~~ ; and • increasing our cost of borrowing or limiting our ability to refinance indebtedness. Additionally, a breach of any of the restrictive covenants could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related indebtedness and may result in the acceleration of any other indebtedness that is subject to an applicable cross- acceleration or cross- default provision. An event of default under the credit agreement governing our senior secured credit facility would permit the lenders thereunder to terminate all commitments to extend further credit under the facilities. Furthermore, if we were unable to repay the amounts due and payable under our secured indebtedness, those lenders or holders, as applicable, could proceed against the collateral granted to them, including our available cash, to secure that indebtedness, subject to the provisions of the applicable intercreditor agreement. In the event our lenders or holders of our secured or unsecured notes accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. Similarly, a number of our leases, including those pursuant to the sale- leaseback transactions, may be terminated in the event of a breach and certain other circumstances. The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations and ability to grow our business or satisfy our obligations. Rates under our senior secured credit facility are variable **, which could result in increased debt service obligations** and **decreased net income and cash flows** ~~currently use LIBOR as a benchmark for establishing certain interest rates~~ . Borrowings under the revolving portion of our senior secured credit facility (the " Revolving Credit Facility ") and the term loan portion of our senior secured credit facility (the " Term Loan Facility " and, together with the Revolving Credit

Facility, the " Credit Facilities ") are at variable rates of interest and expose us to interest rate risk. ~~If~~ **As** interest rates ~~were to~~ increase, our debt service obligations on the variable rate indebtedness ~~would increase~~ **increases** even though the amount borrowed ~~remained~~ **remains** the same, and our net income and cash flows, including cash available for servicing our indebtedness, ~~would~~ correspondingly ~~decrease~~ **decreases** . Assuming no prepayments of the Term Loan Facility and that the Revolving Credit Facility is fully drawn (and to the extent that ~~LIBOR~~ **SOFR** is in excess of the floor rate applicable to the Term Loan Facility), each one percentage point change in interest rates would result in an approximately $ 7. ~~5~~ **9** million change in annual interest expense on the indebtedness under the Credit Facilities. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility or risk. However, we may not maintain interest rate swaps with respect to any of our variable rate indebtedness, and any swaps we enter into may not fully or effectively mitigate our interest rate risk. ~~In addition, certain of our financial arrangements, including the Credit Facilities, use the London Interbank Offered Rate (" LIBOR ") (or metrics derived from or related to LIBOR), as a benchmark for establishing the interest rate. While the Credit Facilities have a built- in mechanism to transition automatically from LIBOR as its benchmark, the consequences of the end of LIBOR and any related developments cannot be entirely predicted and could have an adverse impact on the market value for or value of our LIBOR- linked securities, loans and other financial obligations or extensions of credit held by or due to us.~~ Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows. We may not be able to generate sufficient cash to service all of our indebtedness and lease obligations and may be forced to take other actions to satisfy our obligations, which may not be successful. We depend on cash flow from operations to pay our indebtedness and lease obligations. We also ~~expect that we will~~ need to refinance all or a portion of our indebtedness on or before maturity ~~, including the need to repay, refinance, replace or otherwise extend the maturity of the Term Loan Facility and our secured notes before the maturity of our unsecured notes~~ . Our ability to make scheduled payments on our indebtedness and lease obligations, to refinance our debt obligations or to negotiate favorable terms on new or expiring leases depends on our financial condition and operating performance, which ~~are~~ **could be** subject to prevailing economic and competitive conditions and to certain financial, business, market, legislative, regulatory, environmental and other factors beyond our control. Our inability to generate sufficient cash flows to satisfy our debt and lease obligations, or to refinance our indebtedness at comparable interest rates and on commercially reasonable terms or at all, or to renew our leasehold interests on their expiration or on terms that are as favorable as the current terms, would materially and adversely affect our business, financial position and results of operations. We could also face substantial liquidity problems and be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our operating needs or our scheduled debt service obligations. ~~If we cannot make scheduled payments on our debt and lease obligations, we will be in default, and holders of our secured and unsecured notes could declare all outstanding principal and interest to be due and payable, our landlords could declare us in breach and terminate the applicable lease (s), and the lenders under the Credit Facilities and our secured notes could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.~~ Our ability to raise capital in the future may be limited **, which could impact our operations and ability to grow** . Our business **requires capital to operate** and **grow** ~~operations may consume resources faster than we anticipate~~ . We may need or choose to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms, or at all ~~. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements~~ . If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could further restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest. Risks Relating to Our Human Capital If we cannot retain our key employees, hire additional highly qualified employees and optimize our support structure, we may not be able to successfully manage our businesses, ~~expand~~ **achieve** our ~~margins~~ **growth targets** and pursue our strategic objectives. We may also continue to face increased labor costs that could reduce our profitability. We are highly dependent on the services of our senior management team and other key employees at both our corporate headquarters and our centers. Competition for such employees is intense. Our inability to attract, retain, train and motivate qualified employees ~~, including due to a significant portion of the equity awards granted to key employees now being vested and exercisable,~~ could reduce member satisfaction, harm our brand and reputation and adversely affect our operating efficiency and financial results. We ~~have implemented several initiatives to rewire~~ **rewired** the corporate and management support of our centers to operate more effectively and efficiently. Failure to operate as planned under these ~~new~~ structures could adversely affect our business ~~and reduce our expected margin expansion from these initiatives~~ . Staffing shortages, including for our centers and for key corporate and technology resources, could also hinder our ability to implement our business **and growth** strategy ~~and increase our labor costs~~ . Payroll costs are a major component of the operating expenses at our centers. We have experienced and may continue to experience a labor market that requires higher wages, which places pressure on our profitability ~~and margin expansion initiatives~~ . Increases in minimum wage rates could also result in increased costs for us, which may adversely affect our results of operations and financial condition. Attempts by labor organizations to organize groups of our employees or changes in labor laws could disrupt our operations or increase our labor costs. Although none of our employees are currently covered under collective bargaining agreements, we may become subject to collective bargaining agreements, similar agreements or regulations enforced by governmental entities in the future. Changes in the federal regulatory scheme could make it easier for unions to organize groups of our employees. Unionization could hinder our ability to cross-train and cross- promote our employees due to prescribed work rules and job classifications. Labor regulations could also lead to higher wage and benefit costs, changes in work rules that raise operating expenses and legal costs, and limit our ability to take cost saving measures. If relationships with our employees or other personnel become adverse, our centers could experience labor disruptions such as strikes, lockouts and public demonstrations. These or similar agreements, legislation or changes in regulations could disrupt our operations, reduce our profitability or interfere with the ability of our management to focus on executing our business and operating strategies. Risks Relating to Legal Compliance and Risk Management We are subject to extensive governmental laws and regulations, and changes in these laws and regulations could have a negative effect on our results of operations and financial condition. Our operations are subject to various United States and foreign national, federal, state, provincial and local laws and regulations, including but not limited to the following: • consumer protection laws related to the advertising, marketing and sale of our products and services; • statutes that regulate the sale and terms of our membership contracts; • health or safety regulations related to various center operations, such as our Dynamic Personal Training, **MIORA,** LifeCafe, LifeSpa, Life Time Swim and Life Time Kids; • regulation or licensing of ancillary health, fitness and wellness-related products and services; • licensing or other regulation of our service providers, such as cosmetologists, massage therapists and registered dietitians; • environmental and workplace safety laws and regulations; • laws and regulations on fair housing and accessibility; • laws and regulations governing privacy and security of information; and • wage and hour or other employment related laws and regulations. Any changes in such laws or regulations or any failure by us to comply with such laws or regulations, including by any of our team members, could have an adverse effect on our results of operations and financial condition. Additionally, as we expand our business and " Healthy Way of Life " ecosystem, including potentially offering our digital membership or other services internationally, we could be exposed to new or incremental regulatory, economic and political risks in addition to those we already face in the United States and Canada. We could be subject to claims related to the construction or operation of our facilities and ~~in~~ the use or condition of our premises, facilities, equipment, services, activities or products, which could have a negative effect on our results of operations and financial condition. Use of our premises, facilities, equipment, services, activities or products pose potential health or safety risks to members and guests. Claims may be asserted against us for loss, injury or death suffered by someone (including a minor child) using our premises, facilities, equipment, services, activities or products. We could also face claims in connection with the construction and remodel of our centers and other facilities, as well as claims related to environmental matters or remediation. While we carry insurance generally applicable to such claims, we face exposure for losses within any self- insured retention or for uninsured damages. We could also face claims for economic or other damages by members, guests or employees, including consumer protection, wage and hour, health center contract, or other statutory or common law claims arising from our business operations. Such claims may be uninsured or the proceeds of our insurance coverages for such claims may be insufficient to cover our losses fully. Depending upon the outcome, these matters may have a material adverse effect on our business, results of operations and financial condition. We could be subject to claims related to our health, fitness and wellness- related offerings or other claims, and the value and reputation of our brand may suffer. We offer directly or through third parties a variety of health, fitness and wellness- related products and services, such as nutritional **and weight loss** products, blood screenings and other fitness assessments **, anti- aging and longevity services** , health and fitness content and services, chiropractic services and medi- spa services. There is no assurance that there will be no claims against us related to these services and products, including regarding the ingredients in, manufacture of or results of using our nutritional products, our provision of other health, fitness and wellness- related services or our relationships with third parties. Furthermore, there is no assurance that any rights we have under indemnification provisions and / or insurance policies will be sufficient to cover any losses that might result from such claims. Any publicity surrounding such claims may negatively impact the value of our brand. In the ordinary course of conducting our business, we are exposed to claims that can have significant adverse effects upon our financial position, results of operations and cash flows, including wage and hour claims and class action claims. See " Item 3 — Legal Proceedings " in this Annual Report. At any given time, there may be one or more civil actions initiated against us. If one or more of these pending lawsuits, or any lawsuits in the future, are adjudicated in a manner adverse to our interests, or if a settlement of any lawsuit requires us to pay a significant amount, the result could have an adverse impact on our financial position, results of operations and cash flows. In addition, any litigation, regardless of the outcome, may distract our management from the operation of our business. We may not be able to maintain the required type or level of insurance coverage on acceptable terms or at an acceptable cost. We may not be able to maintain insurance, including general liability and property insurance, on acceptable terms or maintain a level of insurance that would provide adequate coverage against potential third- party liability, health and safety and other claims. An increase in the number of claims against health and fitness center operators generally or against us in particular may cause the cost of insurance for the industry as a whole or us in particular to rise, and comprehensive insurance coverage may become more difficult to attain. Any gaps in insurance or any increase in the cost of insurance may have a material adverse effect on our business, results of operations and financial condition. Adverse developments in applicable tax laws could have a material and adverse effect on our business, financial condition and results of operations. Our effective tax rate could also change materially as a result of various evolving factors, including changes in income tax law or changes in the scope of our operations. We are subject to taxation in the United States at the federal level and by certain states and municipalities and foreign jurisdictions because of the scope of our operations. While our existing operations have been implemented in a manner we believe is in compliance with current prevailing laws, one or more taxing jurisdictions could seek to impose incremental or new taxes on us. In addition, jurisdictions in which we operate are actively considering significant changes to current tax laws, including increasing the corporate income tax rate in the United States. Any adverse developments in tax laws or regulations, including legislative changes, judicial holdings or administrative interpretations, could have a material and adverse effect on our business, financial condition and results of operations. ~~Finally, changes~~ **Changes** in the scope of our operations, including expansion to new products or new geographies, could **also** increase the amount and type of taxes to which we are subject, and could increase our effective tax rate. Risks Relating to Ownership of Our Common Stock Our share price may change significantly, and stockholders may not be able to resell our common stock at or above the price per share paid or at all. The ~~stock market has experienced volatility, and the~~ trading price of our common stock has ~~also~~ experienced volatility. Stock volatility often has been unrelated or disproportionate to the operating performance of particular companies. Additionally, **how active and liquid** the ~~development of a~~ trading market on the NYSE for our common stock **is or** ~~and how active and liquid that market~~ may become may be impacted by the fact that certain of our existing stockholders who were stockholders before the IPO, who we ~~collectively~~ refer to as the " Voting Group, " collectively held as of ~~December 31~~ **February 26** , ~~2022~~ **2024** , approximately ~~84~~ **74** . ~~3~~ **7** % of the voting power of our common stock. If an active and liquid trading market does not develop or continue, stockholders may have difficulty selling any of the shares of common stock that they purchased. Stockholders may also not be able to resell our common stock at or above the price per share paid due to a number of factors, such as those listed in other portions of this " Risk Factors " section and the following: • results of operations that vary from the expectations of securities analysts and investors; • if securities analysts do not publish research or reports about our business, or if they downgrade our common stock or our industry; • results of operations that vary from those of our competitors; • changes in expectations as to our future financial performance and growth, including financial estimates and investment recommendations by securities analysts and investors; • investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives; • the public' s response to press releases or other public announcements by us or third parties, including our filings with the SEC; • guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance; and • changes in accounting principles. These broad market and industry fluctuations may materially adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock remain low. In the past, following periods of market volatility, stockholders **of companies** have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation. We are controlled by certain of our stockholders, whose interests may not be aligned with yours. The Voting Group is party to an amended and restated stockholders agreement with the Company (the " Stockholders Agreement ") and collectively held ~~as of December 31, 2022~~ approximately ~~84~~ **74** . ~~3~~ **7** % of the voting power of our common stock **as of February 26, 2024** . The Voting Group includes investment funds affiliated with Leonard Green & Partners, L. P. and its affiliates (" LGP ") and TPG Inc. and its affiliates (" TPG "), which collectively ~~hold~~ **held** approximately ~~52~~ **51** . ~~4~~ **8** % of the voting power of our common stock **as of February 26, 2024** . Pursuant to the terms of the Stockholders Agreement, certain members of the Voting Group are entitled to designate individuals to be included in the slate of nominees recommended by our board of directors for election to our board of directors, subject to certain stock ownership thresholds set forth in the Stockholders Agreement, and the members of the Voting Group have agreed to vote their shares of our common stock in favor of the election of such nominees. As a result, the Voting Group has the ability to elect all of the members of our board of directors, and thereby, control our management and affairs, including virtually all matters requiring stockholder approval. The directors so elected have the authority, subject to the terms of our indebtedness and applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. Even if the Voting Group were to own or control less than a majority of our total outstanding shares of common stock, they will be able to influence the outcome of corporate actions so long as they own a significant portion of our total outstanding shares of common stock. It is possible that members of the Voting Group may have interests that are different from other stockholders and may vote in a way with which other stockholders may disagree and that may be adverse to other stockholders' interests. Further, members of the Voting Group may have differing views from each other, none of which may align with other stockholders' interests. In addition, the Voting Group' s concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our common stock to decline or prevent our stockholders from realizing a premium over the market price for their common stock. Additionally, certain of the members of the Voting Group are in the business of making investments in companies and may from time to time acquire interests in businesses that directly or indirectly compete with certain portions of our business or supply us with goods and services. Such members of the Voting Group may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue. We are a " controlled company " within the meaning of the NYSE rules and the rules of the SEC. As a result, we qualify for and are currently relying on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies. As a result of the Voting Group owning a majority of our common stock, we are a " controlled company " within the meaning of the corporate governance standards of the NYSE **and the rules of the SEC** . Under these rules, a " controlled company " may elect not to comply with certain corporate governance requirements, including: • the requirement that a majority of our board of directors consist of " independent directors " as defined under the rules of the NYSE; • the requirement that we have a compensation committee that is composed entirely of directors who meet the NYSE independence standards for compensation committee members with a written charter addressing the committee' s purpose and responsibilities; • the requirement that our director nominations be made, or recommended to our full board of directors, by our independent directors or by a nominations committee that consists entirely of independent directors and that we adopt a written charter or board resolution addressing the nominations process; and • the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. We ~~are currently relying on certain of the exemptions listed above, including that we~~ do not currently have a nominating and corporate governance committee or compensation committee that consists entirely of independent directors. We may also elect to rely on additional exemptions for so long as we remain a " controlled company. " As a result, in the future our board of directors and those committees may have more directors who do not meet the NYSE' s independence standards than they would if those standards were to apply. The independence standards are intended to ensure that directors who meet those standards are free of any conflicting interest that could influence their actions as directors. Accordingly, stockholders may not have the same protections afforded to stockholders of other companies that are subject to all of the corporate governance requirements of the NYSE. Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline. The sale of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. As of ~~December 31~~ **February 26** , ~~2022~~ **2024** , we had a total of ~~194~~ **196** , ~~271~~ **705** , ~~493~~ **443** shares of common stock outstanding and the Voting Group held ~~163~~ **146** , ~~820~~ **864** , ~~107~~ **926** shares, or approximately ~~84~~ **74** . ~~3~~ **7** %, of our common stock. The shares of our common stock held by the Voting Group are " restricted securities " under Rule 144 of the Securities Act and subject to certain restrictions on resale. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144. The Voting Group has certain registration rights under the Stockholders Agreement. Registration of any of these outstanding shares of common stock would result in such shares becoming freely tradable without compliance with Rule 144 upon effectiveness of the registration statement. If the Voting Group exercises its registration rights, the market price of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our common stock or other securities. In addition, our shares of common stock subject to outstanding awards or reserved for future issuance under our 2021 Incentive Award Plan and our 2021 Employee Stock Purchase Plan will become eligible for sale in the public market once those shares are issued, subject to provisions relating to ~~various~~ **any** vesting agreements. **We** ~~In the future, we~~ may also issue our securities in connection with investments or acquisitions. The amount of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then- outstanding common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our stockholders and the securities issued may have rights that are senior to our common stock. Some provisions of our charter documents and Delaware law may have anti- takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management. Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws, as well as provisions of the Delaware General Corporation Law (the " DGCL "), could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions include: • establishing a classified board of directors such that not all members of the board are elected at one time; • allowing the total number of directors to be determined exclusively (subject to the rights of holders of any series of preferred stock to elect additional directors) by resolution of our board of directors and granting to our board the sole power (subject to the rights of holders of any series of preferred stock or rights granted pursuant to the Stockholders Agreement) to fill any vacancy on the board; • limiting the ability of stockholders to remove directors without cause; • authorizing the issuance of " blank check " preferred stock by our board of directors, without further stockholder approval, to thwart a takeover attempt; • prohibiting stockholder action by written consent (and, thus, requiring that all stockholder actions be taken at a meeting of our stockholders), if the Voting Group collectively ceases to own, or no longer has the right to direct the vote of, at least 50 % of the voting power of our common stock; • eliminating the ability of stockholders to call a special meeting of stockholders, except for LGP and TPG, so long as the Voting Group collectively owns, or has the right to direct the vote of, at least 50 % of the voting power of our common stock; • establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at annual stockholder meetings; • requiring the approval of the holders of at least two- thirds of the voting power of all outstanding stock entitled to vote thereon, voting together as a single class, to amend or repeal our amended and restated certificate of incorporation or amended and restated bylaws if the Voting Group collectively ceases to own, or no longer has the right to direct the vote of, at least 50 % of the voting power of our common stock; and • electing not to be governed by Section 203 of the DGCL. These provisions could discourage, delay or prevent a transaction involving a change in control of our Company. They could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take corporate actions other than those which ~~the~~ **our** stockholders desire ~~. We are exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes- Oxley Act. As a public company, we are required to evaluate our internal control over financial reporting in a manner that meets the standards of publicly traded companies required by Section 404 (a) of the Sarbanes- Oxley Act of 2002 (" Section 404 " and the " Sarbanes- Oxley Act, " respectively). Our internal control over financial reporting is currently managed by an internal financial reporting team with support from a third-party service provider. The process of designing and implementing effective internal controls that we manage is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. If we are unable to establish or maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our results of operations. In addition, this Annual Report is our first that we are required, pursuant to Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Our independent registered public accounting firm may be required to issue an attestation report on effectiveness of our internal controls. We may encounter problems or delays in completing the remediation of any deficiencies identified by our independent registered public accounting~~

~~firm in connection with the issuance of their attestation report. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. A material weakness in our internal controls could result in our failure to detect a material misstatement of our annual or quarterly consolidated financial statements or disclosures. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we are unable to conclude that we have effective internal control over financial reporting, investors could lose confidence in our reported financial information, which could have a material adverse effect on the trading price of our common stock. We became a public company in October 2021 and are incurring increased costs as a result of operating as a publicly traded company, and our management is required to devote substantial time to public company compliance initiatives. As a publicly traded company, we are incurring additional legal, accounting, insurance and other expenses that we did not previously incur. In addition, the Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act and the rules of the SEC, and the stock exchange on which our common stock is listed, have imposed various requirements on public companies. Our management and other personnel devote a substantial amount of time to these compliance initiatives as well as investor relations. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time- consuming and costly~~ . Our ability to use our net operating loss carryforwards and certain other tax attributes may become subject to limitation. As of December 31, ~~2022~~ **2023** , we had U. S. federal and state net operating loss carryforwards of approximately $ ~~393~~ **329** . ~~8~~ **1** million ($ ~~82~~ **69** . ~~7~~ **1** million tax effected) and $ ~~295~~ **196** . ~~6~~ **9** million ($ ~~16~~ **11** . ~~9~~ **0** million tax effected), respectively, and disallowed interest expense carryforwards under Section 163 (j) of the Internal Revenue Code of 1986, as amended (the " Code "), of approximately $ ~~143~~ **229** . ~~4~~ **6** million ($ ~~35~~ **57** . ~~3~~ **8** million tax effected). Our ability to utilize our federal net operating carryforwards and disallowed interest expense carryforwards (the " Tax Attributes ") may become limited under Section 382 of the Code. The limitation applies if we experience an " ownership change, " which is generally defined as a greater than 50 percentage point change (by value) in the ownership of our equity by certain stockholders over a rolling three- year period. The amount of the annual limitation is generally equal to the product of the applicable long- term tax exempt- rate (as published by the Internal Revenue Service for the month in which the " ownership change " occurred) and the value of our outstanding stock immediately prior to the " ownership change. " If we have a net unrealized built- in gain in our assets immediately prior to the " ownership change, " the annual limitation may be increased as certain gains are, or are treated as, recognized during the five- year period beginning on the date of the " ownership change. " Similar provisions of state tax law may also apply to limit the use of our state net operating loss carryforwards. We may undergo an " ownership change " due to future transactions in our stock, which may be outside of our control, and we cannot predict whether any future " ownership change " would result in a significant limitation on our ability to use our Tax Attributes to offset our taxable income and adversely affect our future cash flows. Non- U. S. holders who own more than 5 % of our common stock may be subject to U. S. federal income tax on gain realized on the sale or other taxable disposition of such stock. Because we have significant ownership of real property located in the United States, we may be a " United States real property holding corporation " (" USRPHC ") for U. S. federal income tax purposes, but we have made no determination to that effect. There can be no assurance that we do not currently constitute or will not become a USRPHC. As a result, any beneficial owner of our common stock that is neither a " U. S. person " nor an entity treated as a partnership for U. S. federal income tax purposes (a " Non- U. S. Holder ") may be subject to U. S. federal income tax on gain realized on a sale or other taxable disposition of our common stock if such Non- U. S. Holder has owned, actually or constructively, more than 5 % of our common stock at any time during the shorter of the five- year period ending on the date of the sale or other taxable disposition or the Non- U. S. Holder' s holding period in such stock.