

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2022

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 001-40568

**CLEAR SECURE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**65 East 55th Street, 17th Floor, New York, NY**

(Address of Principal Executive Offices)

**86-2643981**

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

**10022**

(Zip Code)

**(646) 723-1404**

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.00001 per share	YOU	New York Stock Exchange

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

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

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

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

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

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

The registrant had the following outstanding shares of common stock as of November 9, 2022:

Class A Common Stock par value \$0.00001 per share	85,622,383
Class B Common Stock par value \$0.00001 per share	942,234
Class C Common Stock par value \$0.00001 per share	39,527,216
Class D Common Stock par value \$0.00001 per share	26,337,514

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**CLEAR SECURE, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
(dollars in thousands, except per share data)

	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 329,077	\$ 280,107
Accounts receivable	2,102	5,331
Marketable securities	342,310	335,228
Prepaid revenue share fee	16,010	10,272
Prepaid expenses and other current assets	16,985	22,140
Total current assets	706,484	653,078
Property and equipment, net	56,053	44,522
Right of use asset, net	18,006	—
Intangible assets, net	23,048	22,933
Goodwill	58,807	59,792
Restricted cash	29,333	29,019
Other assets	3,060	3,406
Total assets	\$ 894,791	\$ 812,750
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 8,793	\$ 8,808
Accrued liabilities	76,062	67,220
Deferred revenue	255,729	188,563
Total current liabilities	340,584	264,591
Other long term liabilities	23,887	8,691
Total liabilities	364,471	273,282
Commitments and contingencies (Note 19)		
Class A common stock, \$0.00001 par value - 1,000,000,000 shares authorized; 83,158,756 shares issued and 82,969,381 shares outstanding as of September 30, 2022	1	1
Class B common stock, \$0.00001 par value - 100,000,000 shares authorized; 942,234 shares issued and outstanding as of September 30, 2022	—	—
Class C common stock, \$0.00001 par value - 200,000,000 shares authorized; 39,875,682 shares issued and outstanding as of September 30, 2022	—	—
Class D common stock, \$0.00001 par value - 100,000,000 shares authorized; 26,337,514 shares issued and outstanding as of September 30, 2022	—	—
Accumulated other comprehensive loss	(1,836)	(103)
Treasury stock at cost, 189,375 shares as of September 30, 2022	—	—
Accumulated deficit	(90,471)	(36,130)
Additional paid-in capital	383,974	313,845
Total stockholders' equity attributable to Clear Secure, Inc.	291,668	277,613
Non-controlling interest	238,652	261,855
Total stockholders' equity	530,320	539,468
Total liabilities and stockholders' equity	\$ 894,791	\$ 812,750

*See notes to condensed consolidated financial statements*

CLEAR SECURE, INC.  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**  
(dollars in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Revenue</b>	\$ 115,919	\$ 67,558	\$ 309,181	\$ 173,294
<b>Operating expenses:</b>				
Cost of revenue share fee	14,743	9,926	39,198	25,995
Cost of direct salaries and benefits	26,918	18,128	75,211	46,113
Research and development	16,508	13,347	46,353	33,293
Sales and marketing	10,530	9,949	29,721	25,806
General and administrative	108,389	44,816	202,508	116,290
Depreciation and amortization	4,531	3,988	13,243	9,190
<b>Operating loss</b>	<b>(65,700)</b>	<b>(32,596)</b>	<b>(97,053)</b>	<b>(83,393)</b>
<b>Other income (expense):</b>				
Interest income (expense), net	1,636	(120)	1,830	(333)
Other income (expense), net	(2,031)	(11)	(1,834)	(11)
<b>Loss before tax</b>	<b>(66,095)</b>	<b>(32,727)</b>	<b>(97,057)</b>	<b>(83,737)</b>
Income tax benefit (expense)	536	(60)	381	(277)
<b>Net loss</b>	<b>(65,559)</b>	<b>(32,787)</b>	<b>(96,676)</b>	<b>(84,014)</b>
Less: net loss attributable to non-controlling interests	(28,795)	(15,872)	(42,430)	(65,095)
<b>Net loss attributable to Clear Secure, Inc.</b>	<b>\$ (36,764)</b>	<b>\$ (16,915)</b>	<b>\$ (54,246)</b>	<b>\$ (18,919)</b>
<b>Net loss per share of Class A Common Stock and Class B Common Stock (Note 17)</b>				
Net loss per common share basic and diluted, Class A	\$ (0.44)	\$ (0.23)	\$ (0.67)	\$ (0.26)
Net loss per common share basic and diluted, Class B	\$ (0.44)	\$ (0.23)	\$ (0.67)	\$ (0.26)
Weighted-average shares of Class A Common Stock outstanding	82,426,486	72,285,100	79,527,484	72,124,741
Weighted-average shares of Class B Common Stock outstanding	1,022,669	1,042,234	1,035,641	1,042,234

*See notes to condensed consolidated financial statements*

CLEAR SECURE, INC.  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(UNAUDITED)**  
(dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Net loss</b>	\$ (65,559)	\$ (32,787)	\$ (96,676)	\$ (84,014)
<i>Other comprehensive loss</i>				
Foreign currency translation	\$ 23	\$ 15	\$ (101)	\$ 18
Unrealized loss on fair value of marketable securities	\$ (1,359)	\$ (108)	\$ (3,110)	\$ (80)
<b>Total other comprehensive loss</b>	<b>\$ (1,336)</b>	<b>\$ (93)</b>	<b>\$ (3,211)</b>	<b>\$ (62)</b>
<b>Comprehensive loss</b>	<b>\$ (66,895)</b>	<b>\$ (32,880)</b>	<b>\$ (99,887)</b>	<b>\$ (84,076)</b>
Less: comprehensive loss attributable to non-controlling interests	\$ (29,390)	\$ (15,917)	\$ (43,907)	\$ (65,109)
<b>Comprehensive loss attributable to Clear Secure, Inc.</b>	<b>\$ (37,505)</b>	<b>\$ (16,963)</b>	<b>\$ (55,980)</b>	<b>\$ (18,967)</b>

*See notes to condensed consolidated financial statements*

CLEAR SECURE, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(UNAUDITED)**  
(dollars in thousands, except per share data)

	Class A		Class B		Class C		Class D		Additional paid in capital	Accumulated other comprehensive loss	Treasury Stock			Total stockholders' equity attributable to Clear Secure, Inc.	Non-Controlling Interest	Total stockholders' equity
	Number of shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	Amount	Accumulated deficit			
<b>Balance, January 1, 2022</b>	76,393,256	\$ 1	1,042,234	\$ —	44,598,167	\$ —	26,709,821	\$ —	\$ 313,845	\$ (103)	223,069	\$ —	\$ (36,130)	\$ 277,613	\$ 261,855	\$ 539,468
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(10,327)	(10,327)	(8,467)	(18,794)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(570)	—	—	—	(570)	(521)	(1,091)
Equity-based compensation expense, net of forfeitures	(60,349)	—	—	—	—	—	—	—	7,365	—	60,349	—	—	7,365	5,694	13,059
Warrant expense	—	—	—	—	—	—	—	—	37	—	—	—	—	37	34	71
Exchange of shares	1,025,318	—	—	—	(1,020,812)	—	(4,506)	—	2,606	—	—	—	—	2,606	(2,606)	—
Exercise of warrants	1,207,931	—	—	—	—	—	—	—	3,070	—	—	—	—	3,070	(3,070)	—
IPO expenses	—	—	—	—	—	—	—	—	(156)	—	—	—	—	(156)	(141)	(297)
<b>Balance, March 31, 2022</b>	78,566,156	\$ 1	1,042,234	\$ —	43,577,355	\$ —	26,705,315	\$ —	\$ 326,767	\$ (673)	283,418	\$ —	\$ (46,457)	\$ 279,638	\$ 252,778	\$ 532,416
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(7,155)	(7,155)	(5,168)	(12,323)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(422)	—	—	—	(422)	(361)	(783)
Equity-based compensation expense, net of forfeitures	(101,610)	—	—	—	—	—	—	—	7,105	—	101,610	—	—	7,105	5,150	12,255
Issuance of restricted stock units	7,528	—	—	—	—	—	—	—	27	—	—	—	—	27	(27)	—
Tax distribution to members	—	—	—	—	—	—	—	—	—	—	—	—	(27)	(27)	(22)	(49)
Warrant expense	—	—	—	—	—	—	—	—	28	—	—	—	—	28	23	51
Exchange of shares	3,146,673	—	—	—	(3,146,673)	—	—	—	10,995	—	—	—	—	10,995	(10,995)	—
<b>Balance, June 30, 2022</b>	81,618,747	\$ 1	1,042,234	\$ —	40,430,682	\$ —	26,705,315	\$ —	\$ 344,922	\$ (1,095)	385,028	\$ —	\$ (53,639)	\$ 290,189	\$ 241,378	\$ 531,567
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(36,764)	(36,764)	(28,795)	(65,559)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(741)	—	—	—	(741)	(595)	(1,336)
Equity-based compensation expense, net of forfeitures	(12,317)	—	—	—	—	—	—	—	9,310	—	12,317	—	—	9,310	4,923	14,233
Net share settlements of stock-based awards	207,970	—	—	—	—	—	—	—	(838)	—	(207,970)	—	—	(838)	(1,543)	(2,381)
Tax distribution to members	—	—	—	—	—	—	—	—	—	—	—	—	(68)	(68)	(54)	(122)
Warrant expense	—	—	—	—	—	—	—	—	32,603	—	—	—	—	32,603	26,217	58,820
Repurchase and retirement of Class A Common Stock	(213,100)	—	—	—	—	—	—	—	(5,395)	—	—	—	—	(5,395)	493	(4,902)
Exercise of warrants	534,655	—	—	—	—	—	—	—	1,237	—	—	—	—	1,237	(1,237)	—
Conversion of shares	100,000	—	(100,000)	—	—	—	—	—	—	—	—	—	—	—	—	—
Exchange of shares	922,801	—	—	—	(555,000)	—	(367,801)	—	2,135	—	—	—	—	2,135	(2,135)	—
<b>Balance, September 30, 2022</b>	83,158,756	\$ 1	942,234	\$ —	39,875,682	\$ —	26,337,514	\$ —	\$ 383,974	\$ (1,836)	189,375	\$ —	\$ (90,471)	\$ 291,668	\$ 238,652	\$ 530,320

See notes to condensed consolidated financial statements

**CLEAR SECURE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE CAPITAL UNITS AND STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**  
**(dollars in thousands, except per share data)**

	Total redeemable capital units	Class A		Class B		Class C		Class D		Profit Units			Accumulated other comprehensive income	Treasury Stock	Accumulated deficit	Total stockholders' equity attributable to Clear Secure, Inc.	Non-Controlling Interest	Total stockholders' equity
		Number of shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional paid in capital	Number of Units	Amount						
<b>Balance, January 1, 2021</b>	<b>\$ 569,251</b>	—	\$ —	—	\$ —	—	—	—	\$ —	—	1,868,322	\$ 7,846	\$ 27	\$ —	\$ (494,769)	\$ (486,896)	—	\$ (486,896)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(13,128)	(13,128)	—	(13,128)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	25	—	—	25	—	25
Issuance of member units, net of costs	81,567	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Repurchase and retirement of capital units	(439)	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,005)	(3,005)	—	(3,005)
Repurchase, forfeitures and retirement of profit units	—	—	—	—	—	—	—	—	—	—	(71,247)	(56)	—	—	(8,246)	(8,302)	—	(8,302)
Warrant expense	281	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity-based compensation expense, net of forfeitures	—	—	—	—	—	—	—	—	—	—	—	327	—	—	—	327	—	327
<b>Balance, March 31, 2021</b>	<b>\$ 650,660</b>	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	1,797,075	\$ 8,117	\$ 52	\$ —	\$ (519,148)	\$ (510,979)	\$ —	\$ (510,979)
Net loss prior to reorganization transaction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(33,720)	(33,720)	—	(33,720)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6	6
Equity-based compensation expense, net of forfeitures	—	—	—	—	—	—	—	—	—	1,786	(26,925)	353	—	—	—	2,139	2,114	4,253
Warrant expense	819	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Exercise of warrants prior to the reorganization transaction	34,224	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tax distribution to members	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(4,018)	(4,018)	—	(4,018)
Effect of reorganization transaction	(685,703)	59,240,306	1	1,042,234	—	—	—	—	—	62,858	(1,770,150)	(8,470)	(52)	—	556,886	611,223	74,480	685,703
Issuance of common stock upon reorganization	—	—	—	—	—	44,598,167	—	26,709,821	—	—	—	—	—	—	—	—	—	—
Net loss post reorganization transaction	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,004)	(2,004)	(2,375)	(4,379)
<b>Balance, June 30, 2021</b>	<b>—</b>	<b>59,240,306</b>	<b>\$ 1</b>	<b>1,042,234</b>	<b>\$ —</b>	<b>44,598,167</b>	<b>\$ —</b>	<b>26,709,821</b>	<b>\$ —</b>	<b>\$ 64,644</b>	<b>—</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (2,004)</b>	<b>\$ 62,641</b>	<b>\$ 74,225</b>	<b>\$ 136,866</b>
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(16,915)	(16,915)	(15,872)	(32,787)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	(48)	—	—	(48)	(45)	(93)
Equity-based compensation expense, net of forfeitures	—	—	—	—	—	—	—	—	—	6,569	—	—	—	—	—	6,569	6,060	12,629
Warrant expense	—	—	—	—	—	—	—	—	—	778	—	—	—	—	—	778	731	1,509
Tax distribution to members	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(57)	(57)	(54)	(111)
Proceeds from IPO, net of costs	—	15,180,000	—	—	—	—	—	—	—	233,316	—	—	—	—	—	233,316	203,652	436,968
<b>Balance, September 30, 2021</b>	<b>—</b>	<b>74,420,306</b>	<b>\$ 1</b>	<b>1,042,234</b>	<b>\$ —</b>	<b>44,598,167</b>	<b>\$ —</b>	<b>26,709,821</b>	<b>\$ —</b>	<b>\$ 305,307</b>	<b>—</b>	<b>\$ —</b>	<b>\$ (48)</b>	<b>\$ —</b>	<b>\$ (18,976)</b>	<b>\$ 286,284</b>	<b>\$ 268,697</b>	<b>\$ 554,981</b>

*See notes to condensed consolidated financial statements*

**CLEAR SECURE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CASH FLOWS**  
**(UNAUDITED)**  
**(dollars in thousands)**

	Nine Months Ended	
	September 30, 2022	September 30, 2021
<b>Cash flows from operating activities:</b>		
Net loss	\$ (96,676)	\$ (84,014)
Adjustments to reconcile net loss to net cash provided from operating activities:		
Depreciation on property and equipment	10,792	9,179
Amortization on intangible assets	2,450	11
Noncash lease expense	2,245	—
Impairment of assets	1,217	—
Equity-based compensation	98,488	20,642
Warrant liabilities	—	12,796
Deferred income tax expense (benefit)	(593)	—
Amortization of revolver loan costs	598	558
Premium amortization and (discount accretion), net on marketable securities	(104)	—
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	3,229	(3,009)
Prepaid expenses and other assets	3,138	(3,818)
Prepaid revenue share fee	(5,738)	(3,445)
Accounts payable	(771)	2,796
Accrued and other long term liabilities	6,434	28,615
Deferred revenue	67,166	58,047
Operating lease liabilities	(2,845)	—
Deferred rent	—	(381)
<b>Net cash provided by operating activities</b>	<b>89,030</b>	<b>37,977</b>
<b>Cash flows from investing activities:</b>		
Purchases of marketable securities	(581,263)	(689,789)
Sales of marketable securities	572,784	392,066
Purchases of property and equipment	(23,073)	(22,042)
Purchase of intangible assets	(336)	(713)
<b>Net cash used in investing activities</b>	<b>(31,888)</b>	<b>(320,478)</b>
<b>Cash flows from financing activities:</b>		
Repurchase of Class A Common Stock/members' deficit	(4,902)	(11,744)
Distribution to members	(171)	(4,128)
Proceeds from issuance of members' deficit, net of cost	—	80,277
Issuance of warrants	—	289
Payment of taxes on net settled stock-based awards	(2,381)	—
Proceeds from the exercise of warrants	—	2,575
IPO Proceeds, net of underwriter fees and payment of issuance costs	(297)	437,494
Payment of revolver loan costs	—	(718)
<b>Net cash (used in) provided by financing activities</b>	<b>(7,751)</b>	<b>504,045</b>
Net increase in cash, cash equivalents, and restricted cash	49,391	221,544
Cash, cash equivalents, and restricted cash, beginning of period	309,126	139,082
Exchange rate effect on cash and cash equivalents, and restricted cash	(107)	—
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 358,410</b>	<b>\$ 360,626</b>
	<b>September 30, 2022</b>	<b>September 30, 2021</b>
Cash and cash equivalents	\$ 329,077	\$ 337,791
Restricted cash	29,333	22,835
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 358,410</b>	<b>\$ 360,626</b>

*See notes to condensed consolidated financial statements*



CLEAR SECURE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(dollars in thousands, except for per share data, unless otherwise noted)

**1. Description of Business and Recent Accounting Developments**

*Description and Organization*

Clear Secure, Inc. (the “Company” and together with its consolidated subsidiaries, “CLEAR,” “we,” “us,” “our”) is a holding company and its principal asset is the controlling equity interest in Alclear Holdings, LLC (“Alclear”). Alclear was formed as a Delaware limited liability company on January 21, 2010 and operates under the terms of the Amended and Restated Operating Agreement dated June 29, 2021 (the “Operating Agreement”). As the sole managing member of Alclear, the Company operates and controls all of the business and affairs of Alclear, and through Alclear and its subsidiaries, conducts the Company’s business.

The Company operates a secure identity platform under the brand name CLEAR primarily in the United States. CLEAR’s current offerings include: CLEAR Plus, a consumer aviation subscription service, which enables access to predictable and fast experiences through dedicated entry lanes in airport security checkpoints within our nationwide network of 46 airports; the flagship CLEAR App including Home to Gate and Health Pass; and Reserve powered by CLEAR, our virtual queuing technology that enables customers to manage lines. CLEAR also has software development kits (“SDK”), and application programming interface (“API”) capabilities to enable our partners to seamlessly integrate directly into our platform to enable better, faster and more frictionless experiences for our partners’ customers. Use cases enabled by SDKs and APIs may include identity validation, identity verification, attribute validation such as age validation, vaccine status and payment, among others.

*Reorganization and Initial Public Offering*

On June 29, 2021, prior to the completion of the initial public offering (“IPO”) of the Company’s shares of Class A common stock, \$0.00001 par value per share (the “Class A Common Stock”), the Company, Alclear and its subsidiaries consummated an internal reorganization (the “Reorganization”) which resulted in the following:

- Clear Secure, Inc. became the sole managing member of Alclear.
- The certificate of incorporation of Clear Secure, Inc. was amended and restated to authorize the Company to issue four classes of Common Stock: Class A Common Stock, Class B common stock, \$0.00001 par value per share (the “Class B Common Stock”), Class C common stock, \$0.00001 par value per share (the “Class C Common Stock”) and Class D common stock, \$0.00001 par value per share (the “Class D Common Stock” and, together with the Class A Common Stock, Class B Common Stock and Class C Common Stock, collectively, “Common Stock”). The Class A Common Stock and Class C Common Stock provide holders with one vote per share on all matters submitted to a vote of stockholders, and the Class B Common Stock and Class D Common Stock provide holders with twenty votes per share on all matters submitted to a vote of stockholders. The holders of Class C Common Stock and Class D Common Stock do not have any of the economic rights (including rights to dividends and distributions upon liquidation) provided to holders of Class A Common Stock and Class B Common Stock.
- All of Alclear’s outstanding equity interests (including Class A units, Class B units and profit units) were reclassified into Alclear non-voting common units (“Alclear Units”). The number of Alclear Units issued to each member of Alclear was determined based on a hypothetical liquidation of Alclear and the initial public offering price per share of the Company’s Class A Common Stock in the IPO. Certain members exchanged their Alclear Units for an equal number of Class A Common Stock.
- Alclear Investments, LLC, an entity controlled by Caryn Seidman-Becker, the Chair of our Board, our Co-Founder and our Chief Executive Officer, and Alclear Investments II, LLC, an entity controlled by Kenneth Cornick, our Co-Founder, President and Chief Financial Officer, contributed a portion of their Alclear Units to us in exchange for Class B Common Stock.

CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(dollars in thousands, except for per share data, unless otherwise noted)

- The remaining members of Alclear, including Alclear Investments, LLC and Alclear Investments II, LLC (“Alclear members”) subscribed for and purchased shares of the Company’s Class C Common Stock and Class D Common Stock at a purchase price of \$0.00001 per share and in an amount equal to the number of Alclear Units held by such members.

- The Company entered into a Tax Receivable Agreement (“TRA”) which generally provides for payment by the Company to the remaining members of Alclear, the “TRA Holders,” of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that the Company actually realizes or is deemed to realize in certain circumstances. The Company will retain the benefit of the remaining 15% of these net cash savings.

- Alclear is treated as a partnership for U.S. federal income tax purposes and, as such, is itself generally not subject to U.S. federal income tax under current U.S. tax laws. Clear Secure, Inc, as a member of Alclear, will be required to take into account for U.S. federal income tax purposes its distributive share of the items of income, gain, loss and deduction of Alclear.

As the Reorganization is considered a transaction between entities under common control, the condensed consolidated financial statements for periods prior to the IPO and Reorganization have been adjusted to combine the previously separate entities for presentation purposes. Prior to the Reorganization, Clear Secure, Inc. had not engaged in any business or other activities, except in connection with its formation.

On July 2, 2021, the Company completed the IPO of its Class A Common Stock. In the IPO, the Company sold an aggregate of 15,180,000 shares of Class A Common Stock, \$0.00001 par value per share, at an offering price of \$31 per share including as a result of the underwriters exercising their option to purchase up to 1,980,000 shares of Class A Common Stock. As a result, Clear Secure, Inc. received net proceeds from the IPO of approximately \$445,875 after deducting underwriting discounts and commissions. As a result of the IPO, the Company contributed the net IPO proceeds to Alclear in exchange for 15,180,000 Alclear Units. For the nine months ended September 30, 2022, and the year ended December 31, 2021, the Company incurred \$297 and \$9,038 of issuance related costs as a result of the IPO, respectively, that were recorded within additional paid in capital within the condensed consolidated balance sheets.

***Recently Adopted Accounting Pronouncements***

*Emerging Growth Company Status*

The Company is an emerging growth company (“EGC”), as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies, until the earlier of the date that it (i) is no longer an EGC or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

*Leases*

As of January 1, 2022, the Company adopted ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02) on a modified retrospective basis with respect to all lease arrangements that existed as of the adoption date. Refer to Note 8 for further details.

*Current Expected Credit Losses*

As of January 1, 2022, the Company adopted, ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13). There was no significant impact within the condensed consolidated financial statements as a result of adoption.

CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(dollars in thousands, except for per share data, unless otherwise noted)

***Other Recent Accounting Pronouncements Adopted and New Standards and Interpretations Not Yet Effective***

Other than the items discussed above, there are no standards issued by the FASB and adopted by the Company effective as of January 1, 2022 that had a material impact on the Company's condensed consolidated financial statements. Additionally, other than disclosed below, there are no standards that are not yet effective that are expected to have a material impact on the Company's condensed consolidated financial statements.

***Business Combinations***

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08"). ASU 2021-08 addresses inconsistency related to the recognition and measurement of contract assets and contract liabilities acquired in a business combination. ASU 2021-08 requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination as if it had originated the contracts, in accordance with Topic 606, Revenue from Contracts with Customers. The guidance is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption of the amendments is permitted and an entity that early adopts should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. The Company does not anticipate a material impact of this standard on its condensed consolidated financial statements.

**2. Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation and Principles of Consolidation***

The condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K (the "Form 10-K").

Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures, including the vesting of share-based and other deferred compensation plan awards. Although these estimates are based on management's knowledge of current events and actions that the Company may undertake in the future, actual results may differ materially from the estimates.

Intercompany transactions and balances are eliminated upon consolidation.

The Company has one operating and reportable segment, which includes the operations of the businesses acquired during the year ended December 31, 2021.

Items included in the financial statements of each of the Company's consolidated entities are measured using the currency of the primary economic environment in which the entity operates. The condensed consolidated financial statements are presented in US Dollars, which is the Company's reporting currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period-end exchange rates are recognized in other income (expense), net within the condensed consolidated statement of operations.

The results and financial position of all the Company entities that have a functional currency different from the Company's reporting currency are translated into US Dollars as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;

CLEAR SECURE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(dollars in thousands, except for per share data, unless otherwise noted)

- Income and expenses for each statement of operation are translated at average exchange rates; and
- All resulting exchange differences are recognized in other comprehensive loss.

**3. Business Combinations**

During the year ended December 31, 2021, the Company completed two acquisitions, which are described further below. Both acquisitions were accounted for as business combinations. The goodwill for both acquisitions represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and technical expertise of the acquired workforce.

For both acquisitions, the intangible assets acquired primarily relate to existing technology, customer relationships and brand names. The useful life of these intangible assets range from 3-11 years. The Company valued the intangible assets using the relief from royalty method and the multi-period excess earnings method, both under the income approach.

For both acquisitions, the Company's allocation of purchase price was based upon valuations performed to determine the fair value of the net assets as of the acquisition date and is therefore subject to adjustments for up to one year after the closing date of the acquisition to reflect final valuations.

As a result of the acquisitions, the Company recognized \$1,391 of acquisition-related costs during the year ended December 31, 2021, which are recorded in general and administrative within the condensed consolidated statement of operations. Revenues and operating loss related to these acquisitions for the three months and nine months ended September 30, 2022 were not material to the condensed consolidated financial statements. Refer below for additional details on the acquisitions.

*Whyline, Inc.*

On December 29, 2021, Alclear acquired 100% of Whyline, Inc., a provider of virtual queuing and appointment technology that the Company operates under the product name, *Reserve powered by CLEAR*.

The cash consideration of \$67,500 was transferred upon closing, and there was an estimated contingent consideration of \$100. The acquisition was accounted for as a business combination. In the Company's preliminary allocation of the purchase consideration, \$54,792 was initially recorded as goodwill, \$16,601 as acquired intangible assets, \$3,792 as net deferred tax liabilities and \$99 as net operating assets on the condensed consolidated balance sheets. None of the goodwill recognized is expected to be deductible for tax purposes. During the three months ended March 31, 2022, and in accordance with the election described above, the Company recorded a \$1,411 decrease to goodwill, a \$2,100 increase to acquired intangible assets and a \$689 increase to deferred tax liabilities. The Company did not record any such adjustments for the three months ended June 30, 2022. During the three months ended September 30, 2022, the Company recorded an increase of \$427 to deferred tax liabilities and goodwill. Subsequently, the Company finalized the accounting for the acquisition within the measurement period.

In conjunction with the acquisition, the Company entered into an agreement to issue shares of Class A Common Stock upon satisfaction of terms related to the contingent consideration and remuneration for post-combination services (collectively referred to as the "Earn-Out"). The first tranche will be settled upon the achievement of specified operating metrics during the twelve month period ended December 31, 2022. The second tranche will be settled upon the achievement of specified operating metrics during the twelve month period ended December 31, 2023.

The maximum settlement of the contingent consideration is \$6,666, which is not subject to the satisfaction of service based criteria. For remuneration for post-combination services, there is a maximum settlement of \$13,334 that is based on performance and service based criteria being met; portions of these amounts will automatically be forfeited if the employment of specified individuals terminates prior to the end of the Earn-Out period. To the extent probable, the post-combination remuneration amount is allocated evenly to the 2022 operating metrics and 2023 operating metrics targets. The Company has not recorded any compensation expense for three months and nine months ended September 30, 2022 as there was no material change in the original assumptions.

## CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(dollars in thousands, except for per share data, unless otherwise noted)

The estimated fair value of the contingent consideration is determined using an option pricing model and is based upon available information and certain assumptions, known as of the reporting date, which management believes are reasonable. Any differences in the actual contingent consideration liability compared to the fair value as of the previous reporting date will be recorded within general and administrative within the condensed consolidated statements of operations. The Company has not recorded any fair value adjustments on its contingent consideration for three months and nine months ended September 30, 2022 as there was no material change in the original assumptions.

The final number of shares to be issued upon satisfaction of the Earn-Out will be based on the average of the volume-weighted average trading price on the New York Stock Exchange for one share of Class A Common Stock for each of the 30 full trading days ending on and including the full trading day immediately prior to the applicable Earn-Out payment date.

*Atlas Certified, LLC.*

On December 30, 2021, Alclear acquired certain assets of Atlas Certified, LLC, which provides an automated solution to verify professional licenses and certification data across industries by communicating with certifying organizations for on demand, current and trusted data.

The fair value of the purchase consideration was \$9,000. The acquisition was accounted for as a business combination. In the Company's allocation of the purchase consideration \$5,000 was recorded as goodwill and \$4,000 as acquired intangible assets on the condensed consolidated balance sheets. The goodwill recognized is expected to be deductible for tax purposes.

**4. Revenue**

The Company derives substantially all of its revenue from subscriptions to its consumer aviation service, CLEAR Plus. For the three and nine months ended September 30, 2022 and 2021, no individual airport accounted for more than 10% of membership revenue.

*Revenue by Geography*

For the three and nine months ended September 30, 2022 and 2021, substantially all of the Company's revenue was generated in the United States.

*Contract liabilities and assets*

The Company's deferred revenue balance primarily relates to amounts received from customers for subscriptions paid in advance of the services being provided that will be earned within the next twelve months. The following table presents changes in the deferred revenue balance:

	2022	2021
Balance as of January 1	\$ 188,563	\$ 101,542
Deferral of revenue	372,313	131,895
Recognition of deferred revenue	(305,147)	(105,590)
<b>Balance as of September 30</b>	<b>\$ 255,729</b>	<b>\$ 127,847</b>

The Company has obligations for refunds and other similar items of \$3,042 as of September 30, 2022. The Company does not have any material variable consideration.

**5. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets as of September 30, 2022 and December 31, 2021 consist of the following:

## CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(dollars in thousands, except for per share data, unless otherwise noted)

	September 30, 2022	December 31, 2021
Prepaid software licenses	\$ 8,231	\$ 4,347
Coronavirus aid, relief, and economic security act retention credit	1,002	2,036
Prepaid insurance costs	3,594	2,845
Other current assets	4,158	12,912
<b>Total</b>	<b>\$ 16,985</b>	<b>\$ 22,140</b>

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) is intended to provide economic relief resulting from the COVID-19 pandemic which includes, but is not limited to, employment related costs. For the year ended December 31, 2020, the Company recorded a receivable of \$2,036 related to submissions made under the CARES Act. During the nine months ended September 30, 2022, the Company received partial payment on this receivable and expects to receive the remainder of the balance in the next twelve months.

**6. Fair Value Measurements**

The Company values its available-for-sale securities and certain liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

- Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs to the extent possible. In addition, the Company considers counterparty credit risk in its assessment of fair value.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

*Corporate bonds* – Valued at the closing price reported on the active market on which the individual securities, all of which have counterparts with high credit ratings, are traded.

*Commercial paper* – Value is based on yields currently available on comparable securities of issuers with similar credit ratings.

*Money market funds* – Valued at the net asset value (“NAV”) of units of a collective fund. The NAV is used as a practical expedient to estimate fair value. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

*Contingent consideration* – Valued at fair value using a simulation of targeted outcomes.

CLEAR SECURE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(dollars in thousands, except for per share data, unless otherwise noted)

*Warrant liabilities* – The Company had certain outstanding warrant liabilities prior to the Reorganization. These were valued based on significant inputs not observed in the market and, thus, represented a Level 3 measurement. The Company estimated the fair value of the liability using the Black-Scholes option pricing model and the change in fair value was recognized in general and administrative expenses. Refer to Note 13 for further information.

The contractual maturities of investments classified as marketable securities are as follows:

	September 30, 2022	December 31, 2021
Due within 1 year	\$ 287,578	\$ 288,036
<b>Total marketable securities</b>	<b>\$ 287,578</b>	<b>\$ 288,036</b>

	Fair Value as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Commercial paper	\$ —	\$ 74,006	\$ —	\$ 74,006
U.S. Treasuries	100,390	—	—	100,390
Corporate bonds	—	165,586	—	165,586
Total assets in the fair value hierarchy	100,390	239,592	—	339,982
Money market funds measured at NAV <sup>(a)</sup>	—	—	—	2,328
<b>Total assets at fair value</b>	<b>\$ 100,390</b>	<b>\$ 239,592</b>	<b>\$ —</b>	<b>\$ 342,310</b>
Contingent consideration	—	—	(100)	(100)
<b>Total liabilities at fair value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (100)</b>	<b>\$ (100)</b>

	Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Commercial paper	\$ —	\$ 128,867	\$ —	\$ 128,867
U.S. Treasuries	82,472	—	—	82,472
Corporate bonds	—	114,965	—	114,965
Total assets in the fair value hierarchy	82,472	243,832	—	326,304
Money market funds measured at NAV <sup>(a)</sup>	—	—	—	8,924
<b>Total assets at fair value</b>	<b>\$ 82,472</b>	<b>\$ 243,832</b>	<b>\$ —</b>	<b>\$ 335,228</b>
Contingent consideration	—	—	(100)	(100)
<b>Total liabilities at fair value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (100)</b>	<b>\$ (100)</b>

(a) Certain money market funds that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the condensed consolidated balance sheets.

CLEAR SECURE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(dollars in thousands, except for per share data, unless otherwise noted)

The Company had no continuous unrealized loss position from marketable securities as of September 30, 2022 that was a result of a credit deterioration.

The following table provides a summary of changes in fair value of the Company's Level 3 warrant liabilities prior to the Reorganization. The Company has no outstanding warrant liabilities as of September 30, 2022.

Balance as of January 1, 2021	\$	(17,740)
Warrants issued		(289)
Issuance of equity upon exercise of certain warrants		30,206
Reclassification of certain warrant liabilities to equity		619
Fair value adjustments		(12,796)
<b>Balance prior to Reorganization</b>	<b>\$</b>	<b>—</b>

See Note 13 for further information regarding warrants.

*Contingent consideration*

The following table provides a summary of changes in fair value of the Company's Level 3 contingent consideration, issued in conjunction with the acquisition of Whyline, Inc.

Balance as of January 1, 2022	\$	(100)
Fair value adjustments		—
<b>Balance as of September 30, 2022</b>	<b>\$</b>	<b>(100)</b>

For certain other financial instruments, including accounts receivable, accounts payable, accrued liabilities, as well as other current liabilities, the carrying amounts approximate the fair value of such instruments due to the short maturity of these balances.

**7. Property and Equipment, net**

Property and equipment as of September 30, 2022 and December 31, 2021 consist of the following:

	Depreciation period in years	September 30, 2022	December 31, 2021
Internally developed software	3 - 5	\$ 50,971	\$ 40,788
Acquired software	3	6,441	6,396
Equipment	5	26,786	26,322
Leasehold improvements	1-10	7,813	7,671
Furniture and fixtures	5	2,310	2,281
Construction in progress		13,436	2,239
Total property and equipment, cost		107,757	85,697
Less: accumulated depreciation		(51,704)	(41,175)
<b>Total property and equipment, net</b>		<b>\$ 56,053</b>	<b>\$ 44,522</b>

Depreciation and amortization expense related to property and equipment for the three months ended September 30, 2022 and 2021 was \$,713 and \$3,988, respectively. Depreciation and amortization expense related to property and equipment for the nine months ended September 30, 2022 and 2021, was \$10,792 and \$9,179, respectively.

During the nine months ended September 30, 2022, \$10,183 was capitalized in connection with internally developed software. Amortization expense on internally developed software was \$1,999 and \$1,470 for the three months ended September



CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollars in thousands, except for per share data, unless otherwise noted)**

30, 2022 and 2021, respectively. Amortization expense on internally developed software was \$5,471 and \$3,855 for the nine months ended September 30, 2022 and 2021, respectively.

During the three and nine months ended September 30, 2022, the Company recognized impairment charges of \$904 and \$1,217, respectively, on certain long-lived assets within other income (expense), net in the condensed consolidated statements of operations. The Company did not record any such charges for the three and nine months ended September 30, 2021.

Purchases of property and equipment with unpaid costs in accounts payable and accrued liabilities as of September 30, 2022 were \$1,166 and \$119, respectively, and \$890 and \$727 as of September 30, 2021, respectively.

**8. Leases**

As discussed in Note 2, on January 1, 2022, the Company adopted the new accounting standard ASC 842, Leases, using the modified retrospective method. As a result, and as permitted by the standard, the Company has not updated financial information or related disclosures under ASC 842 for periods prior to January 1, 2022. Upon adoption, the Company recognized \$25,346 of right of use ("ROU") assets, \$29,139 of lease liabilities and derecognized \$3,793 of deferred rent on the condensed consolidated balance sheets. The short term portion of the operating lease liabilities is included within accrued liabilities and the long term portion is included within other long term liabilities on the condensed consolidated balance sheets.

The Company has entered into agreements to lease certain office spaces. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. Certain of these leases also include renewal options at the election of the Company to renew or extend the lease for an additional three years. Additionally, certain of these leases contain termination options. These optional periods have not been considered in the determination of the ROU assets or lease liabilities as the Company did not consider it reasonably certain it would exercise the options. The Company performed evaluations of its contracts and determined it only has operating leases. The lease terms are between 1 and 12 years.

Most of the Company's lease agreements require payment of certain operating expenses in addition to base rent, such as taxes, insurance and maintenance costs. As allowed under ASC 842, the Company considers these as non-lease components and has elected to exclude these components from the measurement of its lease liabilities. The Company has also elected to apply the recognition requirement of ASC 842 to leases with a term of 12 months or less for all classes of assets.

The Company has elected to utilize the following practical expedients available under the transition guidance in ASC 842:

- The Company did not reassess whether any expired or existing contracts are or contain leases;
- The Company did not reassess the lease classification for any expired or existing leases; and
- The Company did not reassess initial direct costs for any existing leases.

The Company did not elect the practical expedient available under the transition guidance in ASC 842 to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets.

The Company determines if an arrangement is a lease at inception and recognizes ROU assets and lease liabilities upon commencement. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The classification of the Company's leases as operating or finance leases along with the initial measurement and recognition of the associated ROU assets and lease liabilities is performed at the lease commencement date. The measurement of lease liabilities is based on the present value of future lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. The ROU asset is based on the measurement of the lease liability and also includes any lease payments made prior to or on lease commencement and excludes lease incentives and initial direct costs

## CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(dollars in thousands, except for per share data, unless otherwise noted)

incurred, as applicable. Rent expense for the Company's operating leases is recognized on a straight-line basis over the lease term.

The Company has an additional operating lease for real estate space to house the Company's corporate headquarters. The lease agreement provides for a commencement on the later of October 1, 2022 or the date on which the landlord delivers possession of the premises with certain agreed upon completed improvements to be made by the landlord which was determined to be November, 2022. The term of the lease is fifteen years after the date the rent obligations begin, with an option to renew for one 5-year period or 10-year period at Fair Market Value (as defined in the lease agreement) by providing the landlord with eighteen months' notice and meeting certain other requirements. The aggregate undiscounted future minimum lease payments are approximately \$195,787 beginning on April 1, 2023 and ending on April 1, 2038. The lease has not been recognized on the Company's condensed consolidated balance sheets as of September 30, 2022.

Below is a reconciliation of the amounts reported on the condensed consolidated balance sheets with respect to the Company's operating leases:

	<b>September 30, 2022</b>
2022	\$ 1,160
2023	3,759
2024	3,527
2025	3,535
2026	3,535
Thereafter	9,048
Total future operating lease payments	<u>24,564</u>
Less: imputed interest	(3,380)
Lease liabilities, current	3,203
Lease liabilities, non-current	17,982
<b>Total lease liabilities</b>	<b><u>\$ 21,185</u></b>

The weighted-average incremental borrowing rate applied to lease liabilities at the date of adoption was 4.3%. As of September 30, 2022, the weighted-average incremental borrowing rate was 4.4%. Additionally, the weighted-average remaining lease term as of September 30, 2022 was 6.83 years.

During the three months ended September 30, 2022, the Company modified an agreement to terminate in March 2023. As a result, the Company remeasured its lease liability by \$5,988 and recognized the remeasurement as an adjustment to the corresponding ROU asset for the same amount.

Total operating lease expense recognized on the condensed consolidated statements of operations for the three and nine months ended September 30, 2022 was \$1,059 and \$3,129, respectively. Cash paid for amounts included in the measurement of operating lease liabilities for the three and nine months ended September 30, 2022 was \$423 and \$3,733, respectively.

**9. Intangible Assets, net**

See below for Intangible assets, net as of September 30, 2022 and December 31, 2021:

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	Amortization Period in Years	September 30, 2022	December 31, 2021
Patents	20	\$ 2,581	\$ 2,115
Acquired intangibles	1-10	22,700	20,601
Other indefinite lived intangible assets		310	310
Total intangible assets, cost		25,591	23,026
Less: accumulated amortization		(2,543)	(93)
<b>Intangible assets, net</b>		<b>\$ 23,048</b>	<b>\$ 22,933</b>

Acquired intangibles, net as of September 30, 2022 and December 31, 2021 is comprised of the following:

	Amortization Period in Years	September 30, 2022	December 31, 2021
Technology	3	\$ 4,300	\$ 4,300
Customer relationships	11	17,900	15,801
Brand names	5	500	500
Total intangible assets, cost		\$ 22,700	\$ 20,601
Less: accumulated amortization		\$ (2,370)	\$ —
<b>Total acquired intangibles, net</b>		<b>\$ 20,330</b>	<b>\$ 20,601</b>

Amortization expense on intangible assets for the three months ended September 30, 2022 and 2021 was \$16 and \$7, respectively. Amortization expense on intangible assets was \$2,450 and \$11 for the nine months ended September 30, 2022 and 2021, respectively. The Company did not recognize any impairment charges on intangible assets, net or goodwill for any of the periods presented.

Patents with unpaid costs in accounts payable and accrued liabilities as of September 30, 2022 were \$30.

**10. Restricted Cash**

As of September 30, 2022 and December 31, 2021, the Company maintained bank deposits of \$13,333 and \$6,938, respectively, which were pledged as collateral for long-term letters of credit issued in favor of airports, in connection with the Company's obligations under the revenue share agreements. Such amounts also include a letter of credit for the Company's New York City corporate headquarters lease agreement entered into in 2021.

In addition, the Company also has a \$16,000 restricted cash account against a letter of credit with a credit card company as a reserve against potential future refunds and chargebacks as of September 30, 2022 and December 31, 2021.

**11. Other Assets**

Other assets consist of the following of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Security deposits	\$ 257	\$ 242
Loan fees	124	376
Certificates of deposit	459	459
Other long-term assets	2,220	2,329
<b>Total</b>	<b>\$ 3,060</b>	<b>\$ 3,406</b>

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12. Accrued Liabilities and Other Long Term Liabilities

Accrued liabilities consist of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Accrued compensation and benefits	\$ 17,496	\$ 18,133
Accrued partnership liabilities	41,696	33,442
Lease liability	3,203	—
Other accrued liabilities	13,667	15,645
<b>Total</b>	<b>\$ 76,062</b>	<b>\$ 67,220</b>

The Company has estimated accrued partnership liabilities related to a portion of merchant credit card benefits that it expects to fund in the third quarter of 2023.

Other long term liabilities consist of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Deferred tax liability	\$ 4,314	\$ 3,792
Lease liability	17,982	—
Other accrued liabilities	1,591	4,899
<b>Total</b>	<b>\$ 23,887</b>	<b>\$ 8,691</b>

13. Warrants

Historically, Alclear issued warrants for certain holders to purchase shares of Class B redeemable capital units. These warrants were generally subject to performance-based vesting criteria, such as criteria related to new customer enrollments and technological innovations. The Company recognizes the expense for warrants for which vesting is probable on a straight-line basis over the requisite service period of the warrants, which generally ranges from three months to six years. For warrants that vest upon issuance, the entire cost is expensed immediately.

As of December 31, 2020, Alclear had 658,382 equity warrants outstanding at a weighted-average exercise price of \$222.15 and 70,000 liability warrants outstanding at a weighted-average exercise price of \$36.74.

Prior to the Reorganization, in 2021, Alclear issued the following warrants for Class B redeemable capital units as follows:

	Number of Units	Weighted-average exercise price
Liability awards	1,000	\$ 1.00
Equity awards	114,797	\$ 194.85

The fair values of warrants granted in 2021 were estimated based on the Black-Scholes option pricing model using the weighted-average significant unobservable inputs (Level 3 inputs) as follows:

	2021
Risk-free interest rate	0.36% - 0.92%
Exercise price	\$1.00-\$290.00
Expected term	3-5 years
Expected volatility	45.0% - 50.8%

CLEAR SECURE, INC.

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Prior to the Reorganization, certain warrant holders exercised their warrants for Class B redeemable capital units as follows:

	Number of Warrants	Weighted-average exercise price
Liability awards	70,000	\$ 36.74
Equity awards	3,400	\$ 1.00

On the date of exercise, the Company recognized a fair value adjustment to the outstanding liability classified warrants which was estimated based on a Black-Scholes option pricing model using the weighted-average significant unobservable inputs (Level 3 inputs) as follows:

Risk-free interest rate	0.16% -0.19%
Exercise price	\$1.00- \$36.74
Expected term	2-3 years
Expected volatility	35.1% - 45.0%

Subsequent to the Reorganization, there were no unvested warrants classified as liability awards.

As part of the Reorganization, the remaining Alclear warrants were either exchanged for Clear Secure, Inc. warrants representing the right to receive Class A Common Stock or remained at Alclear and continue to be exercisable for Alclear Units. The exchange was completed at an approximate 19.98 per unit ratio, using a cashless exercise conversion method. The Clear Secure, Inc. warrants are subject to the same vesting terms as applied to Alclear warrants and maintained the same fair value immediately before and after the exchange of the warrants. As such, there was no additional expense that was recorded as a result of the exchange of the warrants.

In December 2021, United Airlines exercised 2,000,000 vested warrants with an intrinsic value of \$54,120. In January 2022, the same warrant holder exercised 1,207,932 vested warrants with an intrinsic value of \$32,457. In September 2022, the same warrant holder exercised 534,655 vested warrants. These exercises resulted in the Company issuing shares of its Class A Common Stock and were completed in a cashless transaction.

In May 2022, the Company extended the term for existing United Airlines warrants that were exercisable for Class A Common Stock. The Company concluded that the extension was a modification and continues to account for these instruments as equity awards under ASC 718. As the performance of the remaining vesting conditions was not probable before and after the date of modification, no amount was recorded related to the modification during the three months ended June 30, 2022. Due to the short duration to maturity and the nominal exercise price, the fair value of these warrants approximated the Class A Common Stock share price on the modification date. During the three months ended September 30, 2022, the Company updated the probability of vesting for these outstanding warrants and recorded \$58,781 within general and administrative expense in the condensed consolidated statements of operations.

In July 2022, the Company cancelled 515,974 outstanding warrants that could have been exercisable for Class A Common Stock. These warrants were not considered as probable to vest as of the settlement date.

In August 2022, the Company issued 108,611 replacement warrants exercisable for Class A Common Stock to certain warrant holders whose warrants expired in June 2022. The new warrants expire in December 2022. Due to the short duration to maturity and the nominal exercise price, the fair value of these warrants approximates the Class A Common Stock share price on the issuance date. The Company has not recognized expense related to these new warrants as the performance of the awards are not considered probable.

The following warrants remained outstanding as of September 30, 2022:

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	Classification	Number of Warrants	Weighted-Average Exercise Price	Weighted average Remaining Contractual Term (years)
Exercisable for Class A Common Stock	Equity awards	2,881,286	\$ 0.01	0.25
Exercisable for Alclear Units	Equity awards	968,043	\$ 0.01	1.96

The balance of the outstanding warrants are subject to certain performance based vesting criteria which the Company evaluates at each reporting period to determine the likelihood of achievement. Based on the likelihood of achievement of the vesting criteria, as of September 30, 2022 the Company's estimated unrecognized warrant expense is \$3,749.

Based on the probability of vesting, the Company recorded the following with regards to outstanding warrants within general and administrative expense in the condensed consolidated statements of operations:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Liability awards	\$ —	\$ —	\$ —	\$ 12,796
Equity awards	\$ 58,820	\$ 1,509	\$ 58,941	\$ 3,431
<b>Total</b>	<b>\$ 58,820</b>	<b>\$ 1,509</b>	<b>\$ 58,941</b>	<b>\$ 16,227</b>

**14. Redeemable Capital Units**

Prior to the Reorganization and IPO, Alclear's redeemable capital units were comprised of Class A and Class B redeemable capital units, which contained similar capital voting and economic rights. Class A and Class B redeemable capital units were classified as temporary equity given the redemption features that were outside of Alclear's control.

As of December 31, 2020, there were 261,942 Class A redeemable capital units authorized, issued and outstanding. As of December 31, 2020, there were 5,631,085 Class B redeemable capital units authorized, and 4,621,459 Class B redeemable capital units issued and outstanding.

Prior to the Reorganization, during the six months ended June 30, 2021, Alclear issued 277,813 Class B units through private offerings resulting in gross proceeds of \$80,566 and issued 5,310 Class B units with a fair value of \$1,540 in exchange for services related to the private offerings. In addition, Alclear repurchased and retired 1,869 Class B units for a total repurchase of \$3,442. Alclear also issued 70,000 Class B units upon the exercise of certain warrants for exercise proceeds of \$2,575.

Upon the Reorganization, the Class A and B redeemable capital units were converted to Alclear Units in an aggregate amount equal to the total equity value of all outstanding units. As described in Note 1, certain of the Alclear Units received upon conversion of the Class A and B redeemable capital units were exchanged for either Class A Common Stock or Class B Common Stock.

**15. Stockholders' Equity**

*Members' Equity*

Prior to the Reorganization, the Company had 21,042 authorized and 0 issued and outstanding Class C capital units, which were granted to employees as part of the Company's annual compensation process.

Prior to the Reorganization, Alclear also had 27 classes of nonvoting, non-capital units, of which 16 were issued as equity-based compensation and reflects equity-based compensation recorded for units granted and expected to vest based on the probability of achieving performance-based vesting conditions. From time to time, Alclear repurchased vested profit units and, to the extent the amount paid for profit units repurchased was in excess of the fair value, such excess was recorded in accumulated deficit.

## CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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Prior to the Reorganization, during 2021, the Company repurchased 31,972 profit units for a total repurchase of \$8,259. Since such repurchases were at amounts that exceeded the then fair value of the units, the Company recorded expense of \$712 for the three and six months ended June 30, 2021 within the condensed consolidated statements of operations.

*Common Stock*

As discussed in Note 1, upon the Reorganization, the Company issued 59,240,306 shares of Class A Common Stock and 1,042,234 shares of Class B Common Stock in exchange for an equivalent amount of Alclear Units. In addition, Alclear members purchased 44,598,167 shares of Class C Common Stock and Alclear Investments, LLC and Alclear Investments II, LLC collectively purchased 26,709,821 shares of Class D Common Stock equal to the number of Alclear Units held by the Alclear members.

As part of the IPO, the Company issued an additional 15,180,000 shares of Class A Common Stock on July 2, 2021.

*Treasury Stock*

The Company's treasury stock consists of forfeited Restricted Stock Awards that are legally issued shares held by the Company, and is recorded at par value, as well as any shares repurchased under the Company's share repurchase program that are not retired by the Company's board of directors. Treasury stock can be utilized to settle equity-based compensation awards issued by the Company and is excluded from the calculation of the non-controlling interest ownership percentage.

*Share Repurchases*

During the three and nine months September 30, 2022, the Company repurchased and retired 213,100 shares of its Class A Common Stock for \$4,902 at an average price of \$22.98. As of September 30, 2022, \$95,103 remains available under the repurchase authorization. The Company has elected to account for the repurchase price paid in excess of par value in additional paid in capital within the condensed consolidated financial statements.

*Non-Controlling Interest*

The non-controlling interest balance represents the economic interest in Alclear held by the founders and members of Alclear. The following table summarizes the ownership of Alclear Units as of September 30, 2022:

	Alclear Units	Ownership Percentage
Alclear Units held by post-reorganization members	39,846,375	26.56 %
Alclear Units held by the Alclear members	26,337,514	17.56 %
<b>Total</b>	<b>66,183,889</b>	<b>44.12 %</b>

The non-controlling interest holders have the right to exchange Alclear Units, together with a corresponding number of shares of Class C Common Stock for Class A Common Stock or Class D Common Stock for Class B Common Stock. As such, exchanges by non-controlling interest holders will result in a change in ownership and reduce the amount recorded as non-controlling interest and increase Class A Common Stock or B Common Stock and additional paid-in-capital for the Company. Upon the issuance of shares Class A Common Stock or B Common Stock, the Company issues a proportionate number of Alclear Units in conjunction with the terms of the Reorganization.

During the nine months ended September 30, 2022, certain non-controlling interest holders exchanged their Alclear Units and corresponding shares of Class C Common Stock or Class D Common Stock for shares of the Company's Class A Common Stock or Class B Common Stock, as applicable. As a result, the Company issued 5,094,792 shares of Class A Common Stock and 372,307 shares of Class B Common Stock. The 372,307 shares of Class B Common Stock were automatically converted to shares of Class A Common Stock in connection with their sale, as required by the terms of the Company's Second Amended and Restated Certificate of Incorporation. In addition, a non-controlling interest holder donated

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100,000 shares of Class A Common Stock, which were issued automatically upon the conversion of an equivalent number of shares of Class B Common Stock pursuant to the Company's Second Amended and Restated Certificate of Incorporation.

The non-controlling interest ownership percentage declined from 48.33% as of December 31, 2021 to 44.12% as of September 30, 2022. The primary driver of this decrease was attributable to the issuance of shares of Class A Common Stock, due to the exercise of certain warrants and exchanges described above.

**16. Incentive Plans**

*2021 Omnibus Incentive Plan*

The Clear Secure, Inc 2021 Omnibus Incentive Plan ("2021 Omnibus Incentive Plan") became effective on June 29, 2021 to provide grants of equity-based awards to the employees, consultants, and directors of the Company and its affiliates.

The 2021 Omnibus Incentive Plan authorized the issuance of up to 20,000,000 shares of Class A Common Stock as of the date of the Reorganization. The 2021 Omnibus Incentive Plan authorized the issuance of shares pursuant to the grant, settlement or exercise of restricted stock units ("RSUs"), restricted stock ("RSAs"), stock options and other share-based awards. Beginning with the first business day of each calendar year beginning in 2022 through 2031, the number of shares available will increase in an amount up to 5% of the total number of common shares outstanding (assuming exchange and/or conversion of all classes of common shares into Class A Common Stock) as of the last day of the immediately preceding year or a lesser amount approved by our board of directors or its compensation committee, so long as the total share reserve available for future awards at the time is not more than 12% of common shares outstanding (assuming exchange and/or conversion of all classes of common shares into Class A common stock). As a result of this provision, in March 2022, the Company filed a Registration Statement on Form S-8 registering the issuance of an additional 5,693,082 shares of Class A Common Stock that are reserved for issuance in respect of awards that may be granted under the 2021 Omnibus Incentive Plan.

*Alclear Holdings, LLC Equity Incentive Plan*

Prior to the Reorganization, Alclear granted profit unit awards and RSUs to various employees of the Company. In connection with the Company's Reorganization described in Note 1, these awards were substituted as follows:

- The Company substituted Alclear's RSUs with RSUs under the 2021 Omnibus Incentive Plan.
- The Company substituted Alclear's performance vesting profit units with performance vesting RSUs under the 2021 Omnibus Incentive Plan.
- The Company substituted Alclear's other profit units with only a service vesting condition to RSAs under the 2021 Omnibus Incentive Plan.

In all cases of the respective substitutions, the new awards retained the same terms and conditions (including applicable vesting requirements). Each award was converted to reflect the \$31.00 share price contemplated in the Company's IPO while retaining the same fair value. The RSUs originally granted by Alclear were subject to both service and liquidity event vesting conditions. The Company concluded that the Reorganization represented a qualifying liquidity event that would cause the RSUs' liquidity event vesting conditions to be met.

The following table summarizes information about the unvested profit units and RSUs in Alclear that were reclassified to RSAs or RSUs in the Company upon the Reorganization:



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	Alclear RSU's	Weighted-Average Grant-Date Fair Value	Profit Units	Weighted-Average Grant-Date Fair Value
Unvested balance, January 1, 2021	453,350	\$ 14.51	9,085,704	\$ 1.12
Granted	860,357	15.33	—	0.64
Vested	—	—	(345,703)	(0.40)
Forfeited	(25,479)	(15.36)	(881,227)	(0.90)
Effect of reorganization	(1,288,228)	(15.04)	(7,858,774)	(1.17)
<b>Unvested balance upon IPO</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**Restricted Stock Awards**

In accordance with the Reorganization, the Company substituted Alclear Holdings' profit units with service vesting conditions with RSAs, which are subject to the same vesting terms as applied to Alclear's profit units; each also maintained the same fair value immediately before and after the exchange of the award. As such, there was no additional compensation expense that was recorded as a result of the substitution of the awards.

The RSAs are subject to service-based vesting conditions and will vest on a specified date, provided the applicable service, generally three years, has been satisfied.

The Company determines the fair value of each RSA based on the grant date and records the expense over the vesting period or requisite service period.

The following is a summary of activity related to the RSAs associated with compensation arrangements during the nine months ended September 30, 2022.

	RSA - Class A Common Stock	Weighted-Average Grant-Date Fair Value	RSA - Alclear Units	Weighted-Average Grant-Date Fair Value
<b>Unvested balance as of January 1, 2022</b>	1,429,883	\$ 1.04	190,558	\$ 1.29
Granted	—	—	—	—
Vested	(971,225)	1.10	(161,251)	1.29
Forfeited	(174,276)	0.87	—	—
<b>Unvested balance as of September 30, 2022</b>	<b>284,382</b>	<b>\$ 0.90</b>	<b>29,307</b>	<b>\$ 1.29</b>

Below is the compensation expense (credit) related to the RSAs:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Cost of direct salaries and benefits	\$ 1	\$ (7)	\$ 4	\$ (7)
General and administrative	42	284	114	884
Research and development	36	41	117	149
Sales and marketing	—	(3)	1	(31)
<b>Total</b>	<b>\$ 79</b>	<b>\$ 315</b>	<b>\$ 236</b>	<b>\$ 995</b>

As of September 30, 2022, estimated unrecognized expense for RSAs that are probable of vesting was \$4 with such expense to be recognized over a weighted-average period of approximately 0.3 years subsequent to September 30, 2022.

**Restricted Stock Units**

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The RSUs granted under the 2021 Omnibus Incentive Plan in substitution of Alclear awards were subject to the same vesting terms as applied to the Alclear awards and maintained the same fair value immediately before and after the exchange of the award. The RSUs are subject to both service-based and, in some cases, business performance-based vesting conditions. RSUs will vest on a specified date, provided the applicable service (generally three years) and, if applicable, business performance condition, have been satisfied. The RSUs with performance conditions issued are also subject to long-term revenue and cash-basis earnings performance hurdles (the “Financial Targets”). The Company determines the fair value of each RSU based on the grant date and records the expense over the vesting period or requisite service period on a straight-line basis.

The following is a summary of activity related to the RSUs associated with compensation arrangements during the nine months ended September 30, 2022:

	RSU's	Weighted-Average Grant-Date Fair Value
<b>Unvested balance as of January 1, 2022</b>	3,418,124	\$ 23.56
Granted	2,271,493	24.78
Vested	(327,643)	25.40
Forfeited	(864,337)	17.98
<b>Unvested balance as of September 30, 2022</b>	<b>4,497,637</b>	<b>\$ 25.11</b>

Below is the compensation expense recognized related to the RSUs:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Cost of direct salaries and benefits	\$ 21	\$ 226	\$ 153	\$ 226
General and administrative	3,573	2,913	9,057	5,882
Research and development	3,891	2,428	10,242	3,135
Sales and marketing	40	118	186	203
<b>Total</b>	<b>\$ 7,525</b>	<b>\$ 5,685</b>	<b>\$ 19,638</b>	<b>\$ 9,446</b>

As of September 30, 2022, estimated unrecognized expense for RSUs that are probable of vesting was \$9,672 with such expense to be recognized over a weighted-average period of approximately 1.1 years.

*Founder PSUs*

During June 2021, the Company established a long-term incentive compensation plan for the co-founders, which consists of performance restricted stock-unit awards (the “Founder PSUs”), that will be settled in shares of Class A Common Stock pursuant to the 2021 Omnibus Incentive Plan, subject to the satisfaction of both service and market based vesting conditions.

The grant date fair value for the Founder PSUs was determined by a Monte Carlo simulation and discounted by the risk-free rate on the grant date and an expected volatility of 45%. The Founder PSUs are estimated to vest over a five year period, based on the achievement of specified price hurdles of the Company’s Class A Common Stock. The specified price hurdles of the Company’s Class A Common Stock will be measured on the volume-weighted average price per share for the trailing days during any 180 day period that ends within the applicable measurement period. In June 2021, the Company granted 4,208,617 Founder PSUs at a weighted average grant date fair value of \$16.54. The Company records the expense related to these awards within general and administrative in the condensed consolidated statements of operations.

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As of September 30, 2022, estimated unrecognized expense for Founder PSUs was \$6,544 with such expense to be recognized over a weighted-average period of approximately 0.9 year.

Below is a summary of total compensation expense recorded in relation to the Company's incentive plans, excluding additional expense related to repurchases:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
RSAs	\$ 79	\$ 315	\$ 236	\$ 995
RSUs	7,525	5,685	19,638	9,446
Founder PSUs	6,630	6,629	19,673	6,768
<b>Total</b>	<b>\$ 14,234</b>	<b>\$ 12,629</b>	<b>\$ 39,547</b>	<b>\$ 17,209</b>

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Cost of direct salaries and benefits	\$ 21	\$ 219	\$ 158	\$ 219
General and administrative	10,245	9,826	28,842	13,534
Research and development	3,928	2,469	10,359	3,284
Sales and marketing	40	115	188	172
<b>Total</b>	<b>\$ 14,234</b>	<b>\$ 12,629</b>	<b>\$ 39,547</b>	<b>\$ 17,209</b>

**17. Net Income (Loss) per Share**

As described in Note 1, on June 29, 2021, the Operating Agreement was amended and restated to, among other things, (i) provide for a new single class of common membership interests, the AlcLEAR Units, and (ii) exchange all of the then-existing membership interests of the original AlcLEAR equity owners for AlcLEAR Units.

Basic and diluted net income (loss) per share of Class A Common Stock and Class B Common Stock is applicable only for periods after June 29, 2021, post the Reorganization, when the Company had outstanding shares of Class A Common Stock and Class B Common Stock.

Shares of the Company's Class C Common Stock and Class D Common Stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted net income (loss) per share of Class C Common Stock and Class D Common Stock under the two-class method has not been presented. Each share of Class C Common Stock (together with a corresponding AlcLEAR Unit) is exchangeable for one share of Class A Common Stock and each share of Class D Common Stock (together with a corresponding AlcLEAR Unit) is exchangeable for one share of Class B Common Stock.

Shares classified as treasury stock within the condensed consolidated balance sheets are excluded from the calculation of net income (loss) per share. Additionally, the Company assumes the exercise for certain vested warrants that are exercisable for little to no consideration in the calculation of basic net income (loss) per share based on the vesting date.

Below is the calculation of basic and diluted net loss per common share:

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	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021	
	Class A	Class B	Class A	Class B
<b>Basic:</b>				
Net loss attributable to Clear Secure, Inc.	\$ (36,315)	\$ (449)	\$ (16,675)	\$ (240)
Weighted-average number of shares outstanding, basic	82,037,118	1,022,669	72,285,100	1,042,234
Weighted Average Vested Warrants	389,368	—	—	—
<i>Weighted-average number of shares outstanding used to calculate net loss per common share, basic</i>	82,426,486	1,022,669	72,285,100	1,042,234
<b>Net loss per common share, basic:</b>	<b>\$ (0.44)</b>	<b>\$ (0.44)</b>	<b>\$ (0.23)</b>	<b>\$ (0.23)</b>
<b>Diluted:</b>				
Net loss attributable to Clear Secure, Inc. used to calculate net loss per common share, basic	\$ (36,315)	\$ (449)	\$ (16,675)	\$ (240)
Weighted-average number of shares outstanding used to calculate net loss per common share, basic	82,426,486	1,022,669	72,285,100	1,042,234
Effect of dilutive shares	—	—	—	—
Weighted-average number of shares outstanding, diluted	82,426,486	1,022,669	72,285,100	1,042,234
<b>Net loss per common share, diluted:</b>	<b>\$ (0.44)</b>	<b>\$ (0.44)</b>	<b>\$ (0.23)</b>	<b>\$ (0.23)</b>

CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(dollars in thousands, except for per share data, unless otherwise noted)

	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	Class A	Class B	Class A	Class B
<b>Basic:</b>				
Net loss attributable to Clear Secure, Inc.	\$ (53,549)	\$ (697)	\$ (18,650)	\$ (269)
Weighted-average number of shares outstanding, basic	79,238,069	1,035,641	72,124,741	1,042,234
Weighted Average Vested Warrants	289,415			
<i>Weighted-average number of shares outstanding used to calculate net loss per common share, basic</i>	79,527,484	1,035,641	72,124,741	1,042,234
<b>Net loss per common share, basic:</b>	<b>\$ (0.67)</b>	<b>\$ (0.67)</b>	<b>\$ (0.26)</b>	<b>\$ (0.26)</b>
<b>Diluted:</b>				
Net loss attributable to Clear Secure, Inc. used to calculate net loss per common share, basic	\$ (53,549)	\$ (697)	\$ (18,650)	\$ (269)
Weighted-average number of shares outstanding used to calculate net loss per common share, basic	79,527,484	1,035,641	72,124,741	1,042,234
Effect of dilutive shares	—	—	—	—
Weighted-average number of shares outstanding, diluted	79,527,484	1,035,641	72,124,741	1,042,234
<b>Net loss per common share, diluted:</b>	<b>\$ (0.67)</b>	<b>\$ (0.67)</b>	<b>\$ (0.26)</b>	<b>\$ (0.26)</b>

Due to the net loss for the periods presented, the following potential shares of common stock were determined to be anti-dilutive and were therefore excluded from the weighted-average share count in the computation of net loss per common share.

	Three and Nine Months Ended September 30, 2022		Three and Nine Months Ended September 30, 2021	
	Class A	Class B	Class A	Class B
Exchangeable Alclear Units	40,040,483	26,705,315	44,598,167	26,709,821
Warrants exercisable for Class A Common Stock	—	—	3,279,705	—
Dilutive RSA's	313,689	—	2,347,002	1,953,803
Dilutive RSU's	3,169,222	—	1,325,851	159,869
<b>Total</b>	<b>43,523,394</b>	<b>26,705,315</b>	<b>51,550,725</b>	<b>28,823,493</b>

## CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(dollars in thousands, except for per share data, unless otherwise noted)

The Company has excluded certain potentially dilutive shares from the table above as they had performance conditions that were not achieved as of the end of the periods above.

**18. Income Taxes***Recent U.S. Tax Legislation*

On August 16, 2022, President Biden signed into law the Inflation Reduction Act. The Inflation Reduction Act creates a 15% corporate alternative minimum tax on profit of corporations whose average annual adjusted financial statement income for any consecutive three-tax-year period preceding the tax year exceeds \$1 billion and is effective for tax years beginning after December 31, 2022. We currently do not expect this provision to have a material impact on our consolidated financial statements. Additionally, the Inflation Reduction Act creates an excise tax of 1% on the fair market value of net stock repurchases made after December 31, 2022. We will continue to evaluate the impact as further information becomes available.

As a result of the IPO and Reorganization, the Company became the sole managing member of Alclear, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Alclear is generally not subject to U.S. federal and most state and local income taxes. Any taxable income or loss generated by Alclear is passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. The Company is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income or loss of Alclear, as well as any stand-alone income or loss generated by the Company. The Company is also subject to income taxes in Israel, Argentina, and Mexico.

The Company reported a tax benefit of \$536 on a pretax loss of \$66,095 for the three months ended September 30, 2022 as compared to a tax provision of \$60 on a pretax loss of \$32,727 for the three months ended September 30, 2021. This resulted in an effective tax rate of 0.81% for the three months ended September 30, 2022 as compared to (0.18%) percent for the three months ended September 30, 2021. The Company reported a tax benefit of \$81 on a pretax loss of \$97,057 for the nine months ended September 30, 2022, as compared to a tax provision of \$277 on a pretax loss of \$83,737 for the nine months ended September 30, 2021. This resulted in an effective tax rate of 0.39% for the nine months ended September 30, 2022 as compared to 0.33% for the nine months ended September 30, 2021. The Company's effective tax rate differs from the statutory rate primarily due to the following: (1) the impact of Alclear being a partnership and allocating its taxable results to its non-controlling members, (2) movement in valuation allowance, and (3) the impact of state and foreign taxes.

The Company did not have significant unrecognized tax benefits and interest and penalties as of September 30, 2022. The Company is subject to income taxes in the U.S., Israel, Argentina, and Mexico. The statute of limitations for adjustments to our historic tax obligations will vary from jurisdiction to jurisdiction. The tax years for U.S. federal and state income tax purposes open for examination are for the years ending December 31, 2018 and forward. The tax years for foreign jurisdictions open for examination are for the years ending December 31, 2016 and forward.

*Tax Receivable Agreement*

As stated in Note 1, in connection with the IPO, the Company entered into the TRA, which generally provides for payment by the Company to the remaining members of Alclear of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that Clear Secure, Inc. actually realizes or is deemed to realize as a result of (i) any increase in tax basis in Alclear's assets resulting from (a) exchanges by Alclear members (or their transferees or other assignees) of Alclear Units (along with the corresponding shares of our Class C Common Stock or Class D Common Stock, as applicable) for shares of the Company's Class A Common Stock or Class B Common Stock, as applicable, and purchases of Alclear Units and corresponding shares of Class C Common Stock or Class D Common Stock, as the case may be, from the Alclear members (or their transferees or other assignees) or (b) payments under the TRA, and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the TRA. The Company will retain the benefit of the remaining 15% of these net cash savings.

The TRA liability is calculated by determining the tax basis subject to TRA ("tax basis") and applying a blended tax rate to the basis differences and calculating the iterative impact. The blended tax rate consists of the U.S. federal income tax

## CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(dollars in thousands, except for per share data, unless otherwise noted)

rate and an assumed combined state and local income tax rate driven by the apportionment factors applicable to each state. Subsequent changes to the measurement of the TRA liability are recognized in the statements of operations as a component of other income (expense), net.

The Company expects to obtain an increase in the share of the tax basis of its share of the assets of Alclear when Alclear Units are redeemed or exchanged by Alclear Members and other qualifying transactions. This increase in tax basis may have the effect of reducing the amounts that the Company would otherwise pay in the future to various tax authorities. The increase in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

During the nine months ended September 30, 2022, the Company issued 5,094,792 shares of Class A Common Stock to certain non-controlling interest holders who exchanged their Alclear Units. Refer to Note 15 for further details. These exchanges resulted in a tax basis increase subject to the provisions of the TRA. The Company has not recognized the deferred tax asset for the step-up in tax basis, as the asset is not more-likely-than-not to be realized. Additionally, the Company has not recognized the TRA liability as of September 30, 2022, as it is not probable that the TRA payments would be paid based on the Company's historical loss position and would not be payable until the Company realizes tax benefit.

**19. Commitments and Contingencies*****Litigation***

From time to time, the Company is involved in various legal proceedings arising in the ordinary course of business. The Company records a liability when it believes that it is probable that a loss will be incurred and the amount of loss or range of loss can be reasonably estimated. Based on the currently available information, the Company does not believe that there are claims or legal proceedings that would have a material adverse effect on the business, or the condensed consolidated financial statements of the Company.

***Commitments other than leases***

The Company is subject to minimum spend commitments of \$8,580 over the next two years under certain service arrangements.

The Company has commitments for future marketing expenditures to sports stadiums of \$3,760 through 2026. For the three months ended September 30, 2022 and 2021, marketing expenses related to sports stadiums were approximately \$1,318 and \$1,503, respectively. For the nine months ended September 30, 2022 and 2021, marketing expenses related to sports stadiums were approximately \$3,298 and \$2,655, respectively.

In conjunction with the Company's revenue share agreements with the airports, certain agreements contain minimum annual contracted fees. These future minimum payments are as follows as of September 30, 2022:

2022	\$	5,052
2023		17,183
2024		9,752
2025		4,676
2026		1,030
Thereafter		446
<b>Total</b>	<b>\$</b>	<b>38,139</b>

Refer to Note 8 for the Company's lease commitments.

**20. Related-Party Transactions**

CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollars in thousands, except for per share data, unless otherwise noted)**

As of September 30, 2022, and December 31, 2021, the Company had total payables to certain related parties of \$2,485 and \$1,180, respectively.

For the three months ended September 30, 2022 and 2021, the Company recorded \$2,195 and \$2,084, respectively, in cost of revenue share fee within the condensed consolidated statements of operations, in connection with certain related parties. For the nine months ended September 30, 2022 and 2021, the Company recorded \$5,780 and \$5,428, respectively.

Refer to Note 18 for information regarding the TRA liability. Refer to Note 13 and Note 23 regarding transactions between certain related parties with regards to outstanding warrants.

**21. Employee Benefit Plan**

The Company has a 401(k) retirement, savings and investment plan (the "401(k) Plan"). Participants make contributions to the 401(k) Plan in varying amounts, up to the maximum limits allowable under the Code. For the three months ended September 30, 2022 and 2021, the Company recorded expense of \$161 and \$191, respectively, within the condensed consolidated statements of operations. For the nine months ended September 30, 2022 and 2021, the Company recorded expense of \$1,146 and \$828, respectively, within the condensed consolidated statements of operations.

**22. Debt**

In March 2020, the Company entered into a credit agreement for a three-year \$50,000 revolving credit facility, with a group of lenders. In April 2021, the Company increased the commitments under the revolving credit facility to \$100,000, which matures three years from the date of the increase. The line of credit has not been drawn against as of September 30, 2022. Prepaid loan fees related to this facility are capitalized and amortized over the remaining term of the credit agreement. The balance expected to be amortized with twelve months from the balance sheet date is presented within Prepaid and other current assets on the condensed consolidated balance sheets, while the long term portion is presented within Other assets in the condensed consolidated balance sheets. As of September 30, 2022, the balance of these loan fees was \$124.

The credit agreement contains customary terms and conditions, including limitations on consolidations, mergers, indebtedness, and certain payments, as well as a financial covenant relating to leverage. Borrowings under the credit agreement generally will bear a floating interest rate per year and will also include interest based on the greater of the prime rate, London InterBank Offered Rate (LIBOR) or New York Federal Reserve Bank (NYFRB) rate, plus an applicable margin for specific interest periods.

In addition, the credit agreement contains certain other covenants (none of which relate to financial condition), events of default and other customary provisions, and also contains customary LIBOR replacement mechanics. As of September 30, 2022, the Company was in compliance with all of the financial and non-financial covenants of the Credit Agreement.

**23. Subsequent Events**

Certain non-controlling interest holders exchanged their Alclear Units and corresponding shares of Class C Common Stock or Class D Common Stock for shares of the Company's Class A Common Stock or Class B Common Stock, as applicable. As a result, the Company issued 348,466 shares of Class A Common Stock, subsequent to September 30, 2022.

In October 2022, United Airlines exercised 2,138,621 fully vested warrants that were exercisable for Class A Common Stock in a cashless exercise. The Company will recognize approximately \$3,517 of remaining compensation expense upon vesting of these warrants in the fourth quarter of 2022.

On November 14, 2022, the Company announced that its board of directors ("Board") declared a special cash dividend in the amount of \$0.25 per share, payable on December 7, 2022 to holders of record of the Class A Common Stock and Class B Common Stock as of the close of business on November 28, 2022 (the "Record Date"). The Company will fund the dividend from proportionate cash distributions by Alclear to all of its members as of the Record Date, including holders of non-controlling interests in Alclear (who own approximately 44% of the interests in Alclear as of September 30, 2022) and the Company (which owns approximately 56% of the interests in Alclear as of September 30, 2022). Any future dividends will be



CLEAR SECURE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(dollars in thousands, except for per share data, unless otherwise noted)**

subject to the approval of the Board. To the extent the dividend exceeds our current and accumulated earnings and profits, a portion of the dividend may be deemed a return of capital or a capital gain to the holders of our Class A Common Stock or Class B Common Stock, as applicable.

In October 2022, the Company modified a lease agreement and simultaneously entered into a sublease agreement whereby the Company will continue to be a lessee under the original operating lease. The Company will record approximately \$1,500 of impairment primarily related to its ROU asset and record sublease income in other income.

In November, 2022, the Company commenced recognition on its operating lease for real estate space to house the Company's corporate headquarters under the provisions of ASC 842. The expected impact is an approximate \$107,000 increase to ROU Asset and Lease Liability.

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

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help readers understand our results of operations, financial condition and cash flows and should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 ("Annual Report on Form 10-K"). This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below.*

*For purposes of this MD&A, the term "we" and other forms thereof refer to Clear Secure, Inc. and its subsidiaries (collectively, the "Company"), which includes Alclear Holdings, LLC ("Alclear").*

### Forward-Looking Statements

This quarterly report includes certain forward-looking statements within the meaning of the federal securities laws regarding, among other things, our or management's intentions, plans, beliefs, expectations or predictions of future events, which are considered forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as "may," "will," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate," or similar expressions. These statements are based upon assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read this quarterly report, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions, including those described under the heading "Risk Factors" in our Annual Report on Form 10-K and Part II - Item 1A. "Risk Factors" herein. Although we believe that these forward-looking statements are based upon reasonable assumptions, you should be aware that many factors, including those described under the heading "Risk Factors" in our Annual Report on Form 10-K and this Quarterly report on Form 10-Q, could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements.

Our forward-looking statements made herein are made only as of the date of this quarterly report. We expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements made herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this quarterly report.

### Overview

We are a member-centric secure identity platform operating under the brand name CLEAR. At CLEAR we know that you are always you—your biometric identity is foundational to helping enable frictionless everyday experiences, connecting you to all the things that make you, YOU, and transforming the way you live, work and travel. Members enroll in CLEAR to create an unbreakable link between their identity and biometrics (e.g., eyes, face and fingerprints). CLEAR's current offerings include: CLEAR Plus, a consumer aviation subscription service, which enables access to predictable and fast experiences through dedicated entry lanes in airport security checkpoints within our nationwide network of 46 airports; the flagship CLEAR App including Home to Gate and Health Pass; and Reserve powered by CLEAR, our virtual queuing technology that enables customers to manage lines. CLEAR also has software development kits ("SDK"), and application programming interface ("API") capabilities to enable our partners to seamlessly integrate directly into our platform to enable better, faster and more frictionless experiences for our partners' customers. Use cases enabled by SDKs and APIs may include identity validation, identity verification, attribute validation such as age validation, vaccine status and payment, among others.

### Key Factors Affecting Performance

We believe that our current and future financial growth are dependent upon many factors, including the key factors affecting performance described below.

***Ability to Grow Total Cumulative Enrollments***

We are focused on growing Total Cumulative Enrollments and the number of members that engage with our platform. Our operating results and growth opportunities depend, in part, on our ability to attract new members, including paying members (CLEAR Plus members) as well as new platform members. We rely on multiple channels to attract new CLEAR Plus members, including in-airport (our largest channel) which in turn is dependent on the ongoing ability of our ambassadors to successfully engage with the traveling public. We also rely on numerous digital channels such as paid search and partnerships. In many cases, we offer limited time free trials to new members who may convert to paying members upon the completion of their trial. Our future success is dependent on those channels continuing to drive new members and our ability to convert free trial members into paying members.

We believe we will see an acceleration of Total Cumulative Platform Uses relative to Total Cumulative Enrollments over time as our members use our products across multiple locations and use cases. We believe this dynamic will grow the long-term economic value of our platform by increasing total engagement, expanding our margins and maximizing our revenue. Our future success is dependent upon maintaining and growing our partnerships as well as ensuring our platform remains compelling to members.

Although we have historically grown the number of new members over time and successfully converted some free trial members to paying members, our future success is dependent upon our ongoing ability to do so.

***Ability to retain CLEAR Plus members***

Our ability to execute on our growth strategy is focused, in part, on our ability to retain our existing CLEAR Plus members. Frequency and recency of usage are the leading indicators of retention, and we must continue to provide frictionless and predictable experiences that our members will use in their daily lives. The value of the CLEAR platform to our members increases as we add more use cases and partnerships, which in turn drives more frequent usage and increases retention. Historically, CLEAR Plus members who used CLEAR in both aviation and non-aviation venues renewed at rates materially above those who used CLEAR only in aviation. We cannot be sure that we will be successful in retaining our members due to any number of factors such as our inability to successfully implement a new product, adoption of our technology, harm to our brand or other factors.

***Ability to add new partners, retain existing partners and generate new revenue streams***

Our partners include local airport authorities, airlines and other businesses. Our future success depends on maintaining those relationships, adding new relationships and maintaining favorable business terms. In addition, our growth strategy relies on creating new revenue streams such as per partner, per member or per use transaction fees. Although we believe our service provides significant value to our partners, our success depends on creating mutually beneficial partnership agreements. We are focused on innovating both our product and our platform to improve our members' experience, improve safety and security and introduce new use cases. We intend to accelerate our pace of innovation to add more features and use cases, to ultimately deliver greater value to our members and partners. In the near term, we believe that growing our member base facilitates our ability to add new partnerships and provide additional offerings, which we expect will lead to revenue generation opportunities in the long term.

***Timing of new partner, product and location launches***

Our financial performance is dependent in part on new partner, product and location launches. In many cases, we cannot predict the exact timing of those launches. Delays, resulting either from internal or external factors may have a material effect on our financial results.

***Timing of expenses; Discretionary investments***

Although many of our expenses occur in a predictable fashion, certain expenses may fluctuate from period to period due to timing.

In addition, management may make discretionary investments when it sees an opportunity to accelerate growth, add a new partner or acquire talent, among other reasons. This may lead to volatility or unpredictability in our expense base and in our profitability.

### ***Maintaining strong unit economics***

Our business model is powered by network effects and has historically been characterized by efficient member acquisition and high member retention rates. This is evident by our approximately 18 times Lifetime Value relative to our Customer Acquisition Cost for CLEAR Plus members who joined during 2021. The Lifetime Value relative to our Customer Acquisition Cost for CLEAR Plus members who joined during 2021 is consistent with the average for prior periods. While we believe our unit economics will remain attractive, this is dependent on our ability to add new members efficiently and maintain our historically strong retention rates. As we grow our market penetration, the cost to acquire new members could increase and the experience we deliver to members could degrade, causing lower retention rates. For our definitions of “Lifetime Value” and “Customer Acquisition Cost” and information about how we calculate these metrics, see the section titled “—Our Member Acquisition and Retention Strategy” in our Annual Report on Form 10-K.

### ***Changes to the macro environment***

Our business is dependent on macroeconomic and other events outside of our control, such as decreased levels of travel or attendance at events, terrorism, civil unrest, political instability, union and other transit related strikes and other general economic conditions. We are also subject to changes in discretionary consumer spending.

### **Impact of Coronavirus (COVID-19) Pandemic**

As the impact of the COVID-19 pandemic subsides and the demand for our services increases, we expect our expenses to increase, in some cases significantly, in comparison to the second quarter of 2021 and the 2020 fiscal year when we had lower staffing needs and proactively reduced our operating expenses. These increased expenses will include higher cost of direct salaries and benefits driven by field labor, sales and marketing, research and development costs, and general and administrative (including costs associated with being a public company and increased equity-based compensation expense). Due to the nature of our revenue recognition policy (e.g., CLEAR Plus revenues are recognized over the life of a subscription, which is typically 12 months), our reported revenues are expected to lag behind Total Bookings. We may incur net losses and negative adjusted EBITDA in the long term if we are required to increase expenses to support our growth. See “Risk Factors—Risks Related to Our Financial Performance” in our Annual Report on Form-10K.

### **The Reorganization Transactions**

Prior to the completion of our initial public offering (“IPO”), we undertook certain reorganization transactions (the “Reorganization Transactions”) such that Clear Secure, Inc. is now a holding company, and its sole material asset is a controlling equity interest in Alclear. As the general partner of Alclear, Clear Secure, Inc. operates and controls all of the business and affairs of Alclear, has the obligation to absorb losses and receive benefits from Alclear and, through Alclear and its subsidiaries, conducts our business.

The Reorganization Transactions were accounted for as a reorganization of entities under common control. As a result, the consolidated financial statements of the Company recognized the assets and liabilities received in the Reorganization Transactions at their historical carrying amounts, as reflected in the historical financial statements of Alclear. The Company consolidates Alclear on its consolidated financial statements and records a non-controlling interest, related to the Alclear non-voting common units (“Alclear Units”) held by our founders and pre-IPO members, on its consolidated balance sheets and statement of operations. See Note 1 in our condensed consolidated financial statements for a more detailed discussion of the Reorganization Transactions.

### **Taxation and Expenses**

After the consummation of our IPO, we became subject to U.S. federal, state and local income taxes with respect to our allocable share of any taxable income of Alclear and will be taxed at the prevailing corporate tax rates. Alclear, is treated as a flow-through entity for U.S. federal income tax purposes, and as such, has generally not been subject to U.S. federal income tax at the entity level. Accordingly, the historical results of operations and other financial information set forth in the Annual Report on Form 10-K do not include any material provisions for U.S. federal income tax for the periods prior to our IPO.

In addition to tax expense, we incur expenses related to our operations, plus payments under the tax receivable agreement (“TRA”) described below, which we expect to be significant. We intend to cause Alclear to make distributions in an amount sufficient to allow us to pay our tax obligations and operating expenses, including distributions to fund any ordinary course payments under the TRA.

Following our IPO, we have and we expect to continue to incur increased amounts of compensation expense, including related to equity awards granted under the 2021 Omnibus Incentive Plan to both existing employees and newly-hired employees, and grants in connection with new hires could be significant. In addition, as a new public company, we are implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur additional expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

#### **Tax Receivable Agreement**

In connection with the IPO we entered into the TRA with the Alclear Investments, LLC and Alclear Investments II, LLC (collectively, the "Alclear Members") that provides for the payment by us to the Alclear Members of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize (computed using simplifying assumptions to address the impact of state and local taxes) as a result of (i) any increase in tax basis in Alclear's assets resulting from (a) exchanges by the Alclear Members (or their transferees or other assignees) of Alclear Units (along with the corresponding shares of our Class C Common Stock or Class D Common Stock (as each defined below), as applicable) for shares of our Class A Common Stock, \$0.00001 par value per share ("Class A Common Stock") or Class B Common Stock, \$0.00001 par value per share ("Class B Common Stock") as applicable, and purchases of Alclear Units and corresponding shares of Class C Common stock, par value \$0.00001 per share ("Class C Common Stock") or Class D Common Stock, \$0.00001 par value per share ("Class D Common Stock" and, together with the Class A Common Stock, Class B Common Stock and Class C Common Stock, collectively, "Common Stock"), as the case may be, from Alclear Members (or their transferees or other assignees) or (b) payments under the TRA, and (ii) tax benefits related to imputed interest deemed arising as a result of payments made under the TRA.

The actual increase in tax basis, as well as the amount and timing of any payments under these agreements, varies depending upon a number of factors, including the timing of exchanges by or purchases from the Alclear Members, the price of our Class A Common Stock at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income we generate in the future and the tax rate then applicable and the portion of our payments under the TRA constituting imputed interest. During the nine months ended September 30, 2022, the Company recognized certain exchanges. As of September 30, 2022, the Company did not record a TRA liability as a result of these exchanges.

#### **Acquisitions**

During the year ended December 31, 2021, the Company made strategic acquisitions of Whyline, Inc., our virtual queuing technology that enables customers to manage lines and certain assets of Atlas Certified, LLC., our automated solution to verify professional licenses and certification data across industries. Revenues and operating loss related to these acquisitions were insignificant to the condensed consolidated financial statements.

#### **Key Performance Indicators**

To evaluate performance of the business, we utilize a variety of other non-GAAP financial reporting and performance measures. These key measures include Total Bookings, Total Cumulative Enrollments, Total Cumulative Platform Uses, and Annual CLEAR Plus Net Member Retention.

#### **Total Bookings**

Total Bookings represent our total revenue plus the change in deferred revenue during the period. Total Bookings in any particular period reflect sales to new and renewing CLEAR Plus subscribers plus any accrued billings to partners. Management believes that Total Bookings is an important measure of the current health and growth of the business and views it as a leading indicator.

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Total Bookings (in millions)	\$ 145.7	\$ 99.3	\$ 46.4	47 %	\$ 376.4	\$ 231.4	\$ 145.0	63 %

Total Bookings increased by \$46.4 million, or 47%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was primarily driven by the continued rebound in air travel and continued strength of our partnership channels, leading to higher new member enrollments and retention rates.

Total Bookings increased by \$145.0 million, or 63%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily driven by the continued rebound in air travel and continued strength of our partnership channels, leading to higher new member enrollments and retention rates.

#### **Total Cumulative Enrollments**

We define Total Cumulative Enrollments as the number of enrollments since inception as of the end of the period. An Enrollment is defined as any member who has registered for the CLEAR platform since inception and has a profile (including limited time free trials regardless of conversion to paid membership) net of duplicate and/or purged accounts. This includes CLEAR Plus members who have completed enrollment with CLEAR and have ever activated a payment method, plus associated family accounts. Management views this metric as an important tool to analyze the efficacy of our growth and marketing initiatives as new members are potentially a current and leading indicator of revenues.

	As of		Change	% Change
	September 30, 2022	September 30, 2021		
Total Cumulative Enrollments (in thousands)	14,236	8,076	6,160	76%

Total Cumulative Enrollments were 14,236 as of September 30, 2022 and 8,076 as of September 30, 2021, which represented a 76% increase. The year over year growth was driven by continued strength in air travel and platform (mobile) enrollments.

#### **Total Cumulative Platform Uses**

We define Total Cumulative Platform Uses as the number of individual engagements across CLEAR use cases, including in-airport verifications, since inception as of the end of the period. We also include airport lounge access verifications, sports and entertainment venue verifications and Health Pass surveys since inception as of the end of the period. Management views this metric as an important tool to analyze the level of engagement of our member base which can be a leading indicator of future growth, retention and revenue.

	As of		Change	% Change
	September 30, 2022	September 30, 2021		
Total Cumulative Platform Uses (in thousands)	117,620	72,184	45,436	63%

Total Cumulative Platform Uses was 117,620 as of September 30, 2022 and 72,184 as of September 30, 2021, which represented a 63% increase, driven by the continued rebound in air travel leading to higher CLEAR Plus verifications and increased use of CLEAR Lanes at sporting events and concert venues.

#### **Annual CLEAR Plus Net Member Retention**

We define Annual CLEAR Plus Net Member Retention as one minus the CLEAR Plus net member churn on a rolling 12 month basis. We define "CLEAR Plus net member churn" as total cancellations net of winbacks in the trailing 12 month period divided by the average active CLEAR Plus members as of the beginning of each month within the same 12 month period. Winbacks are defined as reactivated members who have been cancelled for at least 60 days. Active CLEAR Plus members are defined as members who have completed enrollment with CLEAR and have ever activated a payment method for our in-airport CLEAR Plus service, including their registered family plan members. Active CLEAR Plus members also include those in a grace period of up to 45 days after a billing failure during which time we attempt to collect updated payment information. Management views this metric as an important tool to analyze the level of engagement of our member base, which can be a leading indicator of future growth and revenue, as well as an indicator of customer satisfaction and long term business economics.

	As of		
	September 30, 2022	September 30, 2021	Change
Annual CLEAR Plus Net Member Retention	92.2%	87.4%	4.8%

Annual CLEAR Plus Net Member Retention was 92.2% as of September 30, 2022 and 87.4% as of September 30, 2021, a year-over year increase of 480 basis points. The performance was driven by strength in gross renewals and winbacks of previously cancelled members.

#### Non-GAAP Financial Measures

In addition to our results as determined in accordance with GAAP, we disclose Adjusted EBITDA, Free Cash Flow, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Common Share, Basic and Diluted as non-GAAP financial measures that management believes provide useful information to investors. These measures are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income (loss), net cash provided by (used in) operating activities or any other operating performance measure calculated in accordance with GAAP, and may not be comparable to a similarly titled measure reported by other companies. Our non-GAAP financial measures are expressed in thousands.

#### Adjusted EBITDA (Loss)

We define Adjusted EBITDA (Loss) as net income (loss) adjusted for income taxes, interest (income) expense net, depreciation and amortization, losses on asset disposals, equity-based compensation expense, mark to market of warrant liabilities, other income (expense), net excluding sublease rental income, acquisition-related costs and changes in fair value of contingent consideration. Adjusted EBITDA (Loss) is an important financial measure used by management and our board of directors in determining performance-based compensation for our management and key employees. During the current quarter, we revised our definition of Adjusted EBITDA (Loss) to exclude sublease rental income from our other income (expense) adjustment. We did not revise prior years' Adjusted EBITDA (Loss) because there was no impact of a similar nature in the prior period.

#### Adjusted Net Income (Loss)

We define Adjusted Net Income (Loss) as Net income (loss) attributable to Clear Secure, Inc. adjusted for the net income (loss) attributable to non-controlling interests, equity-based compensation expense, amortization of acquired intangible assets, acquisition-related costs, changes in fair value of contingent consideration and the income tax effect of these adjustments. Adjusted Net Income (Loss) is used in the calculation of Adjusted Net Income (Loss) per Common Share as defined below.

#### Adjusted Net Income (Loss) per Common Share

We compute Adjusted Net Income (Loss) per Common Share, Basic as Adjusted Net Income (Loss) divided by Adjusted Weighted-Average Shares Outstanding for our Class A Common Stock, Class B Common Stock, Class C Common Stock and Class D Common Stock assuming the exchange of all vested and outstanding common units in Alclear at the end of each period presented. We do not present Adjusted Net Income (Loss) per Common Share for shares of our Class B Common Stock although they are participating securities based on the assumed conversion of those shares to our Class A Common Stock. We do not present Adjusted Net Income (Loss) per Common Share on a dilutive basis for periods where we have Adjusted Net Loss since we do not assume the conversion of any potentially dilutive equity instruments as the result would be antidilutive. In periods where we have Adjusted Net Income, the Company also calculates Adjusted Net Income per Common Share, Diluted based on the effect of potentially dilutive equity instruments for the periods presented using the treasury stock/if-converted method, as applicable. Adjusted Net Income (Loss) per Common Share is only applicable for periods after June 29, 2021, post the Reorganization Transactions and IPO.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Common Share exclude, to the extent applicable, the tax effected impact of non-cash expenses and other items that are not directly related to our core operations. These items are excluded because they are connected to the Company's long term growth plan and not intended to increase short term revenue in a specific period. Further, to the extent that other companies use similar methods in calculating non-GAAP measures, the

provision of supplemental non-GAAP information can allow for a comparison of the company's relative performance against other companies that also report non-GAAP operating results.

### Free Cash Flow

We define Free Cash Flow as net cash provided by (used in) operating activities adjusted for purchases of property and equipment plus the value of share repurchases over fair value. With regards to our CLEAR Plus subscription service, we generally collect cash from our members upfront for annual subscriptions. As a result, when the business is growing, Free Cash Flow can be a real time indicator of the current trajectory of the business.

See below for reconciliations of these non-GAAP financial measures to their most comparable GAAP measures.

#### Reconciliation of Net Income (Loss) to Adjusted EBITDA (Loss):

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net loss	\$ (65,559)	\$ (32,787)	\$ (96,676)	\$ (84,014)
Income tax expense (benefit)	(536)	60	(381)	277
Interest (income) expense, net	(1,636)	120	(1,830)	333
Other (income) expense, net	2,031	11	1,834	11
Depreciation and amortization	4,531	3,988	13,243	9,190
Equity-based compensation expense	73,052	14,138	98,488	21,354
Warrant liabilities	—	—	—	12,796
<b>Adjusted EBITDA (Loss)</b>	<b>\$ 11,883</b>	<b>\$ (14,470)</b>	<b>\$ 14,678</b>	<b>\$ (40,053)</b>

#### Reconciliation of Net Loss to Adjusted Net Income (Loss)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net loss attributable to Clear Secure, Inc.	\$ (36,764)	\$ (16,915)	\$ (54,246)	\$ (18,919)
Reallocation of net loss attributable to non-controlling interests	(28,795)	(15,872)	(42,430)	(18,247)
<b>Net loss</b>	<b>(65,559)</b>	<b>(32,787)</b>	<b>(96,676)</b>	<b>(37,166)</b>
Equity-based compensation expense	73,052	14,138	98,488	18,051
Amortization of acquired intangibles	790	—	2,370	—
Income tax effect	(203)	—	(608)	—
<b>Adjusted Net Income (Loss)</b>	<b>\$ 8,080</b>	<b>\$ (18,649)</b>	<b>\$ 3,574</b>	<b>\$ (19,115)</b>

#### Calculation of Adjusted Weighted-Average Shares Outstanding Basic and Diluted

	Three Months Ended	
	September 30, 2022	September 30, 2021
Weighted-average number of shares outstanding, basic for Class A Common Stock	82,426,486	72,285,100
<i>Adjustments</i>		
Assumed weighted-average conversion of issued and outstanding Class B Common Stock	1,022,669	1,042,234
Assumed weighted-average conversion of issued and outstanding Class C Common Stock	40,017,569	44,407,609
Assumed weighted-average conversion of issued and outstanding Class D Common Stock	26,506,830	24,756,018
Assumed weighted-average conversion of vested and outstanding warrants	194,108	2,964,049
<b>Adjusted Weighted-Average Number of Shares Outstanding, Basic</b>	<b>150,167,662</b>	<b>145,455,010</b>
Weighted-average impact of unvested RSAs	482,379	—
Weighted-average impact of unvested RSUs	450,637	—
<i>Total incremental shares</i>	933,016	—
<b>Adjusted Weighted-Average Number of Shares Outstanding, Diluted</b>	<b>151,100,678</b>	<b>145,455,010</b>



	Nine Months Ended	
	September 30, 2022	September 30, 2021
Weighted-average number of shares outstanding, basic for Class A Common Stock	79,238,069	72,124,741
<i>Adjustments</i>		
Assumed weighted-average conversion of issued and outstanding Class B Common Stock	1,035,641	1,042,234
Assumed weighted-average conversion of issued and outstanding Class C Common Stock	41,955,653	44,407,609
Assumed weighted-average conversion of issued and outstanding Class D Common Stock	26,638,459	24,756,018
Assumed weighted-average conversion of vested and outstanding warrants	183,839	2,958,319
<b>Adjusted Weighted-Average Number of Shares Outstanding, Basic</b>	<b>149,051,661</b>	<b>145,288,921</b>
Weighted-average impact of unvested RSAs	1,061,772	—
Weighted-average impact of unvested RSUs	564,926	—
<i>Total incremental shares</i>	1,626,698	—
<b>Adjusted Weighted-Average Number of Shares Outstanding, Diluted</b>	<b>150,678,359</b>	<b>145,288,921</b>

As stated above, due to the Company incurring an adjusted net loss for certain periods presented, the Company has not calculated Adjusted Weighted-Average Number of Shares Outstanding, Diluted for those periods as the result would be antidilutive.

*Calculation of Adjusted Basic Net Income (Loss) Per Common Share, Basic*

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Adjusted Net Income (Loss)	8,080	(18,649)	3,574	(19,115)
Adjusted Weighted-Average Number of Shares Outstanding, Basic	150,167,662	145,455,010	149,051,661	145,288,921
<b>Adjusted Net Income (Loss) per Common Share, Basic</b>	<b>\$ 0.05</b>	<b>\$ (0.13)</b>	<b>\$ 0.02</b>	<b>\$ (0.13)</b>

*Calculation of Adjusted Net Income (Loss) per Common Share, Diluted*

	Three Months Ended	Nine Months Ended
	September 30, 2022	September 30, 2022
Adjusted Net Income	8,080	3,574
Adjusted Weighted-Average Number of Shares Outstanding, Diluted	151,100,678	150,678,359
<b>Adjusted Net Income per Common Share, Diluted:</b>	<b>\$ 0.05</b>	<b>\$ 0.02</b>

Below is a summary of the Company's Adjusted Net Income (Loss) per Common Share:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Adjusted Net Income (Loss) per Common Share, Basic	\$ 0.05	\$ (0.13)	\$ 0.02	\$ (0.13)
Adjusted Net Income (Loss) per Common Share, Diluted	\$ 0.05	\$ (0.13)	\$ 0.02	\$ (0.13)

**Reconciliation of Net cash provided by operating activities to Free Cash Flow:**

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net cash provided by operating activities	\$ 13,175	\$ 34,893	\$ 89,030	\$ 37,977
Purchases of property and equipment	(7,859)	(6,832)	(23,073)	(22,042)
Share repurchases over fair value	—	—	—	712
<b>Free Cash Flow</b>	<b>\$ 5,316</b>	<b>\$ 28,061</b>	<b>\$ 65,957</b>	<b>\$ 16,647</b>

**Components of Results of Operations****Revenue**

The Company derives substantially all of its revenue from subscriptions to its consumer aviation service, CLEAR Plus. The Company offers certain limited-time free trials, family pricing, and other beneficial pricing through several channels, including airline and credit card partnerships. Membership subscription revenue is presented net of taxes, refunds, credit card chargebacks, and estimated amounts due to a credit card partner.

The Company also generates revenue in relation to sports stadiums and Health Pass which are and historically have been immaterial to our results. Sports stadium revenues consist of fees for use of the Company's pods for security entry at various venues as well as access for members to dedicated entry lanes at various sports stadiums across the country. Additionally, the Company generates revenue from transaction fees charged either per use or per user over a predefined time period, which may include one-time implementation fees, platform licensing fees, hardware-leasing fees or incremental transaction fees.

**Operating Expenses**

The Company's expenses consist of cost of revenue share fees, cost of direct salaries and benefits, research and development, sales and marketing, general and administrative expenses and depreciation and amortization expenses.

**Cost of Revenue Share Fee**

The Company operates as a concessionaire in airports and shares a portion of the gross receipts generated from the Company's members with the host airports and airlines ("Revenue Share"). The Revenue Share fee is generally prepaid to the host airport in the period collected from the member. The Revenue Share fee is capitalized and subsequently amortized to operating expense over each member's subscription period, as the payments are refundable on a pro rata basis. Such prepayments are recorded in "Prepaid Revenue Share fee" in the Company's condensed consolidated balance sheets. Cost of Revenue Share Fee also includes a fixed fee component which is expensed in the period incurred and certain overhead related expenses paid to the airports in relation to our Revenue Share arrangements.

**Cost of Direct Salaries and Benefits**

Cost of direct salaries and benefits includes employee-related expenses and allocated overhead associated with our field ambassadors directly assisting members and their corresponding travel related costs. Employee-related costs recorded in direct salaries and benefits consist of salaries, taxes, benefits and equity-based compensation. Such amounts are direct costs of services and are recorded in "Cost of direct salaries and benefits" in the Company's condensed consolidated statement of operations.

**Research and Development**

Research and development expenses consist primarily of employee related expenses, allocated overhead costs and costs for contractors related to the Company's development of new products and services and improving existing products and services. Research and development costs are generally expensed as incurred, except for costs incurred in connection with the development of internal-use software that qualify for capitalization as described in our internal-use software policy. Employee-related expenses consist of salaries, taxes, benefits and equity-based compensation.

**Sales and Marketing**

Sales and marketing expenses consist primarily of costs of general marketing and promotional activities, advertising fees used to drive subscriber acquisition, commissions, the production costs to create our advertisements, expenses related to employees who manage our marketing and brand and allocated overhead costs.

#### **General and Administrative**

General and administrative expenses consist primarily of employee-related expenses for the executive, finance, accounting, legal, and human resources functions. Employee-related expenses consist of salaries, taxes, benefits and equity-based compensation. General and administrative costs also include the Company's warrant expense and changes in the fair value of contingent consideration. In addition, general and administrative expenses include non-personnel costs, such as legal, accounting and other professional fees, variable credit card fees and variable mobile enrollment costs, and all other supporting corporate expenses not allocated to other departments.

#### **Interest Income, Net**

Interest Income, net consists of interest income from our investment holdings partially offset by interest expense, which primarily includes amortization of discounts on our marketable securities and issuance costs on our revolving credit facility.

#### **Other Income (Expense), Net**

Other Income (Expense), Net consists of certain non-operating items including income recognized in relation to a minimum annual guarantee paid to us by a marketing partner and impairment on long-lived assets.

#### **Provision for Income Taxes**

As a result of the IPO and Reorganization, the Company became the sole managing member of Alclear, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Alclear is not subject to U.S. federal and most state and local income taxes. Any taxable income or loss generated by Alclear is passed through to and included in the taxable income or loss of its members, including the Company, based on ownership interest. The Company is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of Alclear, as well as any stand-alone income or loss generated by the Company. The Company is also subject to income taxes in Israel, Argentina, and Mexico.

#### **Comparison of the three and nine months ended September 30, 2022 and 2021 (in millions):**

	<b>Three Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>September 30, 2022</b>	<b>September 30, 2021</b>		
<b>Revenue</b>	\$ 115.9	\$ 67.6	\$ 48.3	71 %
<b>Operating expenses:</b>				
Cost of revenue share fee	\$ 14.7	\$ 10.0	\$ 4.7	47 %
Cost of direct salaries and benefits	\$ 26.9	\$ 18.1	\$ 8.8	49 %
Research and development	\$ 16.5	\$ 13.3	\$ 3.2	24 %
Sales and marketing	\$ 10.5	\$ 10.0	\$ 0.5	5 %
General and administrative	\$ 108.4	\$ 44.8	\$ 63.6	142 %
Depreciation and amortization	\$ 4.5	\$ 4.0	\$ 0.5	13 %
<b>Operating loss</b>	<b>\$ (65.7)</b>	<b>\$ (32.6)</b>	<b>\$ (33.1)</b>	<b>101 %</b>
<b>Other income (expense)</b>				
Interest income (expense), net	\$ 1.6	\$ (0.1)	\$ 1.7	N/A
Other income (expense), net	\$ (2.0)	\$ —	\$ (2.0)	N/A
<b>Income (loss) before tax</b>	<b>\$ (66.1)</b>	<b>\$ (32.7)</b>	<b>\$ (33.4)</b>	<b>102 %</b>
Income tax benefit (expense)	\$ 0.5	\$ (0.1)	\$ 0.6	N/A
<b>Net income (loss)</b>	<b>\$ (65.5)</b>	<b>\$ (32.8)</b>	<b>\$ (32.7)</b>	<b>100 %</b>

	Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change
<b>Revenue</b>	\$ 309.2	\$ 173.3	\$ 135.9	78 %
<b>Operating expenses:</b>				
Cost of revenue share fee	\$ 39.2	\$ 26.0	\$ 13.2	51 %
Cost of direct salaries and benefits	\$ 75.2	\$ 46.1	\$ 29.1	63 %
Research and development	\$ 46.4	\$ 33.3	\$ 13.1	39 %
Sales and marketing	\$ 29.7	\$ 25.8	\$ 3.9	15 %
General and administrative	\$ 202.5	\$ 116.3	\$ 86.2	74 %
Depreciation and amortization	\$ 13.3	\$ 9.2	\$ 4.1	45 %
<b>Operating loss</b>	\$ (97.1)	\$ (83.4)	\$ (13.7)	16 %
<b>Other income (expense)</b>				
Interest income (expense), net	\$ 1.8	\$ (0.3)	\$ 2.1	N/A
Other income (expense), net	\$ (1.8)		\$ (1.8)	N/A
<b>Income (loss) before tax</b>	\$ (97.1)	\$ (83.7)	\$ (13.4)	16 %
Income tax benefit (expense)	\$ 0.4	\$ (0.3)	\$ 0.7	N/A
<b>Net income (loss)</b>	\$ (96.7)	\$ (84.0)	\$ (12.7)	15 %

Information about our operating results for the three and nine months ended September 30, 2022 and 2021 is set forth below.

#### Revenue

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Revenue	\$ 115.9	\$ 67.6	\$ 48.3	71 %	\$ 309.2	\$ 173.3	\$ 135.9	78 %

Revenue increased by \$48.3 million, or 71%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was primarily due to a 71.1% increase in the number of average CLEAR Plus members and an 0.3% increase in average revenue per CLEAR Plus member and a 480 bps increase in Annual CLEAR Plus Net Member Retention. Approximately 30% and 28% of paying CLEAR Plus members were on a family plan as of September 30, 2022 and 2021, respectively.

Revenue increased by \$135.9 million, or 78%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily due to a 76.1% increase in the number of average CLEAR Plus members and an 1.1% increase in average revenue per CLEAR Plus member and a 480 bps increase in Annual CLEAR Plus Net Member Retention. Approximately 30% and 28% of paying CLEAR Plus members were on a family plan as of September 30, 2022 and 2021, respectively.

#### Cost of revenue share fee

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Cost of revenue share fee	\$ 14.7	\$ 10.0	\$ 4.7	47 %	\$ 39.2	\$ 26.0	\$ 13.2	51 %

Cost of revenue share fee increased by \$4.7 million, or 47%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The change was driven primarily by an increase of \$1.3 million, or a 40% increase in fixed airport fees and \$3.5 million or a 53% increase in per member fees, partially offset by a \$1.9 million non-recurring benefit.

Cost of revenue share fee increased by \$13.2 million, or 51%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The change was driven primarily by an increase of \$2.8 million due to a 35% increase in fixed airport fees and \$10.3 million due to a 58% increase in per member fees, partially offset by a \$2.8 million non-recurring benefit.

**Cost of direct salaries and benefits**

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Cost of direct salaries and benefits	\$ 26.9	\$ 18.1	\$ 8.8	49 %	\$ 75.2	\$ 46.1	\$ 29.1	63 %

Cost of direct salaries and benefits expenses increased by \$8.8 million, or 49%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The change was primarily due to increased employee compensation costs of \$8.6 million caused by increasing travel volumes leading to higher staffing needs as well as new airport openings.

Cost of direct salaries and benefits increased by \$29.1 million, or 63%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The change was primarily due to increased employee compensation costs of \$28.3 million caused by increasing travel volumes leading to higher staffing needs as well as new airport openings.

**Research and development**

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Research and development	\$ 16.5	\$ 13.3	\$ 3.2	24 %	\$ 46.4	\$ 33.3	\$ 13.1	39 %

Research and development expenses increased by \$3.2 million, or 24%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The change was primarily due to an increase of \$3.9 million of employee-related expenses, including equity-based compensation costs, partially offset by a decrease of \$1.0 million for professional fees.

Research and development expenses increased by \$13.1 million, or 39%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The change was primarily due to an increase of \$14.9 million of employee-related expenses, including equity-based compensation costs, partially offset by a decrease of \$2.3 million for professional fees.

**Sales and marketing**

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Sales and marketing	\$ 10.5	\$ 9.9	\$ 0.5	5 %	\$ 29.7	\$ 25.8	\$ 3.9	15 %

Sales and marketing expenses increased by \$0.5 million, or 5%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The change was driven primarily by increased ambassador commission expense of \$2.8 million due to higher new member enrollments, partially offset by a \$2.0 million decrease in discretionary marketing expense.

Sales and marketing expenses increased by \$3.9 million, or 15%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The change was driven primarily by increased ambassador

commission expense of \$9.4 million due to higher new member enrollments, partially offset by a \$5.8 million decrease in discretionary marketing expense.

#### General and administrative

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
General and administrative	\$ 108.4	\$ 44.8	\$ 63.6	142 %	\$ 202.5	\$ 116.3	\$ 86.2	74 %

General and administrative expenses increased by \$63.6 million, or 142%, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The change was primarily driven by a net \$57.3 million increase in non-employee equity-based compensation costs, primarily related to a \$58.8 million charge on outstanding United Airlines warrants during the third quarter of 2022 and a \$4.0 million increase in employee-related expense, including equity-based compensation costs.

General and administrative expenses increased by \$86.2 million, or 74%, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The change was primarily driven by a net \$55.5 million increase in non-employee equity-based compensation costs, primarily related to a \$58.8 million charge on outstanding United Airlines warrants during the third quarter of 2022, and a \$28.7 million increase in employee-related expense, including equity-based compensation costs. Additionally, credit card fees increased by \$6.2 million related to higher enrollments, technology costs increased by \$5.0 million, and insurance costs increased by \$1.8 million. These increases were offset by a reduction in the mark to market of warrant liabilities of \$10.9 million.

#### Other income (expense)

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Interest Income, net	\$ 1.6	\$ (0.1)	\$ 1.7	N/A	\$ 1.8	\$ (0.3)	\$ 2.1	N/A

Interest income, net increased by \$1.7 million, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was driven by higher interest income on our marketable securities, partially offset by higher amortization of discounts on our marketable securities.

Interest income, net increased by \$2.1 million, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was driven by higher interest income on marketable securities, partially offset by higher amortization of discounts on our marketable securities.

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Other income	\$ —	\$ —	\$ —	N/A	\$ 0.5	\$ —	\$ 0.5	N/A
Other (expense)	\$ (2.0)	\$ —	\$ (2.0)	N/A	\$ (2.3)	\$ —	\$ (2.3)	N/A
<b>Other income (expense), net</b>	<b>\$ (2.0)</b>	<b>\$ —</b>	<b>\$ (2.0)</b>	<b>N/A</b>	<b>\$ (1.8)</b>	<b>\$ —</b>	<b>\$ (1.8)</b>	<b>N/A</b>

Other income (expense), net increased by \$2.0 million, for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The change was primarily driven by \$1.9 million in non-cash impairment charges on certain assets during the three months ended September 30, 2022.

Other income (expense), net increased by \$1.8 million, for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The change was primarily driven by \$2.2 million in non-cash impairment charges on certain assets offset by a non-recurring customer settlement for \$0.5 million during the nine months ended September 30, 2022.

**Income tax benefit (expense)**

	Three Months Ended				Nine Months Ended			
	September 30, 2022	September 30, 2021	\$ Change	% Change	September 30, 2022	September 30, 2021	\$ Change	% Change
Income tax benefit (expense)	\$ 0.5	\$ (0.1)	\$ 0.6	N/A	\$ 0.4	\$ (0.3)	\$ 0.7	N/A

Income tax benefit increased by \$0.6 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The change was primarily due to the impact of state and foreign taxes.

Income tax benefit increased by \$0.7 for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The change was primarily due to the impact of state and foreign taxes.

**Liquidity and Capital Resources**

Our operations have been financed primarily through equity financing and cash flow from operating activities. As of September 30, 2022, we had cash and cash equivalents of \$329.1 million and marketable securities of \$342.3 million.

Historically, our principal uses of cash and cash equivalents have included funding our operations, capital expenditures, repurchases of members' equity and more recently, business combinations that enhance our strategic positioning. We may also use our cash and cash equivalents to repurchase our Class A Common Stock and pay cash dividends. We plan to finance our operations, future stock repurchases, cash dividends and capital expenditures largely through cash generated from the proceeds of our IPO and operations. We believe our existing cash and cash equivalents, marketable securities, cash provided by operations and the availability of additional funds under our Credit Agreement (as defined below) will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months, including payment of a special dividend and known commitments and contingencies as discussed below. Future capital expenditure will generally relate to building enhancements to the functionality of our current platform, equipment, leasehold improvements and furniture and fixtures related to office expansion and relocation, and general corporate infrastructure. We have planned capital expenditures related to the build out of our new office space of approximately \$12.5 million in the next 12 months. As is the case with any large-scale construction project, the timing and amounts of these expenditures are subject to uncertainty. We expect to begin paying monthly rent for this office space in April 2023.

On May 13, 2022, the Company's Board authorized a share repurchase program pursuant to which the Company may purchase up to \$100,000 of its Class A Common Stock. Under the repurchase program, the Company may purchase shares of its Class A Common Stock on a discretionary basis from time to time through open market repurchases, privately negotiated transactions, or other means, including through Rule 10b5-1 trading plans. The timing and actual number of shares repurchased will be determined by management depending on a variety of factors, including stock price, trading volume, market conditions, and other general business considerations. The repurchase program has no expiration date and may be modified, suspended, or terminated at any time. During the three months ended September 30, 2022, the Company repurchased 213,100 shares for \$4,902. The repurchased shares were retired. As of September 30, 2022, \$95.1 million remains available under the repurchase authorization.

On November 14, 2022, the Company announced that its Board declared a special cash dividend in the amount of \$0.25 per share, payable on December 7, 2022 to holders of record of the Class A Common Stock and Class B Common Stock as of the close of business on November 28, 2022 (the "Record Date"). The Company will fund the dividend from proportionate cash distributions by Alclear to all of its members as of the Record Date, including holders of non-controlling interests in Alclear (who own approximately 44% of the interests in Alclear as of September 30, 2022) and the Company (which owns approximately 56% of the interests in Alclear as of September 30, 2022). Any future dividends will be subject to the approval of the Board.

To the extent the dividend exceeds our current and accumulated earnings and profits, a portion of the dividend may be deemed a return of capital or a capital gain to the holders of our Class A Common Stock or Class B Common Stock, as

applicable. Refer to our risks and uncertainties discussed under the heading "Forward-Looking Statements" and in Part II. Item 1A. "Risk Factors" and elsewhere in this Form 10-Q.

As a result of the COVID-19 pandemic, our operations have been, and we expect they will continue to be, adversely impacted by government mandated regulations, and the social distancing practices and health concerns of our guests and employees. In light of the uncertainty COVID-19 has produced around the world, we do not believe it is possible to predict the cumulative and ultimate impact of the COVID-19 pandemic on our future business, results of operations and financial condition. See "Risk Factors—Risk Related to Our Business, Brand and Operations—*The COVID-19 pandemic has impacted, and may continue to impact, our business, results of operations and financial condition*" in our Annual Report on Form 10-K.

#### Credit Agreement

On March 31, 2020, we entered into a credit agreement (the "Credit Agreement") for a three-year \$50 million revolving credit facility that expires on March 31, 2023. Borrowings under the Credit Agreement generally will bear interest between 1.5% and 2.5% per year and will also include interest based on the greater of the prime rate, LIBOR or New York Federal Reserve Bank ("NYFRB") rate, plus an applicable margin for specific interest periods. In April 2021, the Company increased the size of the revolving credit facility to \$100 million. As of September 30, 2022, we had not drawn on the revolving credit facility and did not have outstanding borrowings under the Credit Agreement.

We have the option to repay any borrowings under the Credit Agreement without premium or penalty prior to maturity. In addition, the Credit Agreement contains certain other covenants (none of which relate to financial condition), events of default and other customary provisions, and also contains customary LIBOR replacement mechanics. The Credit Agreement contains customary affirmative covenants, such as financial statement reporting requirements and delivery of borrowing base certificates, as well as customary covenants that restrict our ability to, among other things, incur additional indebtedness, sell certain assets, guarantee obligations of third parties, declare dividends or make certain distributions, and undergo a merger or consolidation or certain other transactions.

At September 30, 2022, the Company was in compliance with all of the financial and non-financial covenants of the Credit Agreement.

#### Cash Flow

The following summarizes our cash flows for the nine months ended September 30, 2022 and September 30, 2021 (in millions):

	Nine Months Ended		\$ Change
	September 30, 2022	September 30, 2021	
Net cash provided by operating activities	\$89.1	\$38.0	\$51.1
Net cash used in investing activities	(\$31.9)	(\$320.5)	\$288.6
Net cash (used in) provided by financing activities	(\$7.8)	\$504.0	(\$511.8)
Net increase in cash, cash equivalents, and restricted cash	\$49.4	\$221.5	(\$172.1)
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	<b>\$309.1</b>	<b>\$139.1</b>	<b>\$170.0</b>
Net exchange differences on cash, cash equivalents, and restricted cash	(\$0.1)	\$—	(\$0.1)
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$358.4</b>	<b>\$360.6</b>	<b>(\$2.2)</b>

#### Cash flows from operating activities

For the nine months ended September 30, 2022, net cash provided by operating activities was \$89.1 million compared to net cash provided by operating activities of \$38.0 million for the nine months ended September 30, 2021, an increase of \$51.1 million primarily due to an increase in non-cash adjustments to net loss of \$71.9 million. This was offset by an increase in net loss of \$12.7 million and year-over-year unfavorable changes in working capital of \$8.2 million.

#### Cash flows from investing activities



For the nine months ended September 30, 2022 net cash used in investing activities was \$31.9 compared to net cash used in investing activities of \$320.5 for the nine months ended September 30, 2021, a decrease of \$288.6 million. The change was primarily due to a decrease in the net purchases and sales of marketable securities of \$289.2 million offset by an increase in capital expenditures of \$1.0 million.

#### ***Cash flows from financing activities***

For the nine months ended September 30, 2022, net cash used in financing activities was \$7.8 million compared to net cash provided by financing activities of \$504.0 million for the nine months ended September 30, 2021, a decrease of \$511.8 million. The change was primarily due to the decrease of \$437.8 million in IPO proceeds, net of underwriter fees and issuance costs and a decrease of \$80.3 million in the proceeds from the issuance of members' units. This was offset by a decrease in amounts used to repurchase member's deficit and Class A common shares of \$6.9 million.

#### **Commitments and Contingencies**

We have non-cancelable operating lease arrangements for office space. As of September 30, 2022, we had future minimum payments of \$24.6 million, with \$1.1 million due in 2022. See Note 8 within the condensed consolidated financial statements for information related to our lease obligations.

On November 4, 2021, the Company entered into a lease of an office building to house the Company's corporate headquarters which commenced in November, 2022. The term of the Lease Agreement is fifteen years after the date that rent obligations begin, with an option to renew for one 5-year or 10-year period at Fair Market Value (as defined in the Lease Agreement) by providing the Landlord with 18 months' notice and certain other requirements. The aggregate undiscounted future minimum lease payments are approximately \$195.8 million.

We enter into agreements with airports for access to floor and office space. As of September 30, 2022, we had future minimum payments of \$38.1 million. See Note 19 within the condensed consolidated financial statements.

The Company has commitments for future marketing expenditures to sports stadiums of \$3.8 million as of September 30, 2022.

The Company is subject to certain minimum spend commitments of approximately \$8.6 million over the next two years under service arrangements.

#### **Critical Accounting Policies and Estimates**

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. The Securities and Exchange Commission ("SEC") has defined a company's critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and results of operations, and which require a company to make its most difficult and subjective judgments. Based on this definition, we have identified the critical accounting policies and judgments addressed below. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

##### *Tax Receivable Agreement*

The Company entered into a Tax Receivable Agreement ("TRA") which generally provides for payment by the Company to the remaining members of Alclear, the "TRA Holders," of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax that the Company actually realizes or is deemed to realize in certain circumstances. The Company will retain the benefit of the remaining 15% of these net cash savings. As of September 30, 2022, the Company did not record a liability from the TRA.

##### *Business Combinations*

Accounting for business combinations requires us to make significant estimates and assumptions with respect to the fair value of identifiable assets and liabilities acquired in a business combination, especially with respect to intangible assets. The initial fair values recorded are subject to adjustments for up to one year after the closing date of the acquisition to reflect final valuations.

#### **Recent Accounting Pronouncements**

See Note 2, Summary of Significant Accounting Policies within the condensed consolidated financial statements, for recently issued accounting pronouncements and their expected impact.

#### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

In the normal course of business, we are subject to a variety of risks which can affect our operations and profitability. We broadly define these areas of risk and interest rate risk.

##### *Interest Rate Risk*

We had cash and cash equivalents of \$329.1 million as of September 30, 2022. Cash and cash equivalents includes highly liquid securities that have a maturity of three months or less at the date of purchase. The fair value of our cash and cash equivalents would not be significantly affected by either a 10% increase or decrease in interest rates due mainly to the short-term nature of these instruments.

##### *Debt*

Interest payable on our revolving credit facility is variable. Borrowings generally will bear interest based on the greater of the prime rate, LIBOR or NYFRB rate, plus an applicable margin for specific interest periods. As of September 30, 2022, we had no outstanding borrowings under the revolving credit facility.

##### *Investments*

We had marketable securities totaling \$342.3 million as of September 30, 2022. This amount was invested primarily in money market funds, commercial paper, corporate notes and bonds, and government securities. Our investments are made for capital preservation purposes and we do not enter into investments for trading or speculative purposes. We are exposed to market risk related to changes in interest rates where a decline in interest rates would reduce our interest income, net and conversely, an increase in interest rates would have an adverse impact on the fair value of our investment portfolio. The effect of a hypothetical 100 basis points increase or decrease in overall interest rate would result in unrealized loss or gain to “available for sale” investment fair value of approximately \$2 million that would be recognized in accumulated other comprehensive loss within the condensed consolidated balance sheets.

##### *Foreign Currency Transaction and Translation Risk*

Fluctuations in foreign currencies impact the amount of total assets, liabilities, revenues, operating expenses and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into USD. Since the majority of our business is transacted in the U.S. dollar, foreign currency transaction and translation risk was insignificant for the three and nine months ended September 30, 2022.

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

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

#### ***Changes in Internal Control***

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, the Company is subject to commercial litigation claims and various legal proceedings, as well as administrative and regulatory reviews arising in the ordinary course of business. We currently believe that the ultimate outcome of such lawsuits, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on our condensed consolidated financial statements.

### Item 1A. Risk Factors

We have disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K, the risk factors which materially affect our business, financial condition or results of operations. Except as set forth below, there have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth below and in the Annual Report on Form 10-K and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

*The timing and amount of any repurchases under our stock repurchase program are subject to a number of uncertainties.*

On May 13, 2022, our Board authorized a stock repurchase program, whereby we may purchase up to \$100 million of the Company's Class A Common Stock on a discretionary basis from time to time through open market repurchases, privately negotiated transactions, or other means, including through Rule 10b5-1 trading plans. The timing and actual number of shares repurchased will be determined by management depending on a variety of factors, including stock price, trading volume, market conditions, and other general business considerations. The repurchase program has no expiration date and may be modified, suspended, or terminated at any time, and we have no obligation to repurchase any amount of our Class A Common Stock under the repurchase program.

The Inflation Reduction Act, enacted on August 16, 2022, imposes a 1% excise tax on net repurchases of shares by U.S. corporations whose stock is traded on an established securities market. The excise tax will be imposed on repurchases that occur after December 31, 2022. The imposition of the excise tax on repurchases of our shares will increase the cost to us of making repurchases and may cause us to reduce the number of shares repurchased pursuant to the repurchase program.

*We intend to pay a special cash dividend, and may or may not in the future pay cash dividends to our stockholders, but our ability to do so may be limited by our holding company structure, contractual restrictions and other factors.*

We intend to pay a special cash dividend in the fourth quarter of 2022 to holders of our Class A and Class B Common Stock and may in the future pay cash dividends to our stockholders. However, we are a holding company, with our principal asset being our controlling equity interest in Alclear, and we have no independent means of generating revenue. Accordingly, as the managing member of Alclear, we intend to cause, and will rely on, Alclear to make distributions to its members, including Clear Secure, Inc., to fund our dividends. When Alclear makes such distributions, the other members of Alclear will also be entitled to receive distributions pro rata based on their economic interests in Alclear.

Our Board will periodically review the cash generated from our business and the capital expenditures required to finance our growth plans and determine whether to declare dividends to our stockholders. Our Board will take into account general economic and business conditions, including our financial condition, results of operations and cash flows, capital requirements, contractual restrictions, including restrictions contained in our Credit Agreement, business prospects and other factors that our Board considers relevant. There can be no assurance as to the declaration of future dividends or the amount of any such dividends. In addition, our Credit Agreement limits the amount of distributions our subsidiaries, including Alclear, can make to us and the purposes for which distributions could be made. Accordingly, we may not be able to pay dividends even if our Board would otherwise deem it appropriate. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.”

*The U.S. federal income tax treatment of distributions on our Class A Common Stock to a stockholder will depend upon our tax attributes and the stockholder’s tax basis in our stock, which are not necessarily predictable and can change over time.*

Distributions of cash or other property on our Class A Common Stock, if any, will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (“E&P”), as determined under U.S. federal income tax principles, and generally be taxable to holders of our Class A Common Stock as ordinary dividend income for U.S. federal income tax purposes (to the extent of our current and accumulated E&P). E&P should not be confused with earnings or net income under GAAP. To the extent those distributions exceed our current and accumulated E&P, the distributions will be treated as a non-taxable return of capital to the extent of the holder’s tax basis in our Class A Common Stock, which will reduce a stockholder’s tax basis in the Class A Common Stock, and thereafter as capital gain from the sale or exchange of such common stock. Also, if any stockholder sells our Class A Common Stock, the stockholder will recognize a gain or loss equal to the difference between the amount realized and the stockholder’s tax basis in such Class A Common Stock. Consequently, such excess distributions will result in a corresponding increase in the amount of gain, or a corresponding decrease in the amount of loss, recognized by the stockholder upon the sale of the Class A Common Stock or subsequent distributions with respect to such stock. Additionally, with regard to U.S. corporate holders of our Class A Common Stock, to the extent that a distribution on our Class A Common Stock exceeds both our current and accumulated E&P and such stockholder’s tax basis in such shares, such stockholders would be unable to utilize the corporate dividends-received deduction (to the extent it would otherwise be applicable to such stockholder) with respect to the gain resulting from such excess distribution. Further, after we initially report the expected tax characterization of distributions we have paid, the actual characterization, which is not determined with finality until after the end of the tax year in which the distribution occurs, could vary from our expectation with the result that stockholders of our common stock could incur different income tax liabilities than initially expected. Investors in our Class A Common Stock are encouraged to consult their tax advisors as to the tax consequences of receiving distributions on our Class A Common Stock that are not treated as dividends for U.S. federal income tax purposes.

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

During the three months ended September 30, 2022, certain non-controlling interest holders exchanged their Alclear Units and corresponding shares of Class C Common Stock or Class D Common Stock for shares of the Company’s Class A Common Stock or Class B Common Stock, as applicable. As a result, the Company issued 1,022,801 shares of Class A Common Stock.

### ***Use of IPO Proceeds***

On July 2, 2021, we closed our IPO, in which the Company issued 15,180,000 shares of Class A common stock (which included 1,980,000 shares of Class A common stock as a result of the exercise of the underwriters’ over-allotment option, which was exercised on June 30, 2021). All shares in the IPO were registered under the Securities Act pursuant to a Registration Statement on Form S-1 (File No. 333-256851), which was declared effective by the SEC on June 29, 2021 (the “Registration Statement”).

Goldman Sachs & Co. was the representative of the underwriters, which comprised Goldman Sachs & Co., J.P. Morgan Securities LLC, Allen & Company LLC, Wells Fargo Securities, LLC, LionTree Advisors LLC, Stifel, Nicolaus & Company, Incorporated, Telsey Advisory Group LLC, Centerview Partners LLC, Loop Capital Markets LLC, and Roberts & Ryan Investments, Inc. The lead book-runners of our IPO were Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Allen & Company LLC and Wells Fargo Securities, LLC.

The initial offering price to the public in the IPO was \$31.00 per share. We received \$29.295 per share from the underwriters after deducting underwriting discounts and commissions of \$1.705 per share. We incurred underwriting discounts and commissions of approximately \$25.9 million, including the effect of the exercise of the over-allotment option. Thus, our net offering proceeds, after deducting underwriting discounts and commissions, net of the rebate on the over-allotment option, were approximately \$445.9 million, which the Company contributed to Alclear in exchange for 15,180,000 Alclear Units. The Company has caused Alclear to use such contributed amount to pay offering expenses of approximately \$9.0 million, and for general corporate purposes. There has been no material change in the planned use of the IPO net proceeds from what is described in the Company’s Registration Statement. No payments were made to our directors or officers or their associates, holders of 10% or more of any class of our equity securities or any affiliates.

### ***Issuer Purchases of Equity Securities***

Below is a summary of the repurchases during the three and nine months ended September 30, 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program
July 1, 2022-July 31, 2022	—	—	—	—
August 1, 2022-August 31, 2022	213,100	\$ 22.98	213,100	\$ 95,103,000
September 1, 2022-September 30, 2022	—	—	—	—
<b>Total</b>	<b>213,100</b>	<b>\$ 22.98</b>	<b>213,100</b>	<b>\$ 95,103,000</b>

All purchases of Class A Common Stock reported in the above table were purchased by the Company pursuant to the Company's share repurchase program, authorized by the Board on May 13, 2022 and publicly announced by the Company on May 16, 2022. The share repurchase program provides for the purchase by the Company of up to \$100 million of the Company's Class A Common Stock on a discretionary basis from time to time through open market repurchases, privately negotiated transactions, or other means, including through Rule 10b5-1 trading plans. The timing and actual number of shares repurchased will be determined by management depending on a variety of factors, including stock price, trading volume, market conditions, and other general business considerations. The repurchase program has no expiration date and may be modified, suspended, or terminated at any time. The above table excludes shares repurchased to settle employee tax withholding related to the vesting of stock awards.

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

None

**Item 4. Mine Safety Disclosures.**

Not applicable

**Item 5. Other Information.**

None

**Item 6. Exhibits**

The documents listed in the Index to Exhibits of this quarterly report on Form 10-Q are incorporated by reference or are filed with this quarterly report on Form 10-Q, in each case as indicated therein.

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">31.1</a>	<a href="#">Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2</a>	<a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1</a>	<a href="#">Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.2</a>	<a href="#">Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 (formatted as inline XBRL and contained in Exhibit 101)

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on November 14, 2022.

Date: November 14, 2022 By: /s/ Caryn Seidman-Becker  
Caryn Seidman-Becker  
Chairman and Chief Executive Officer

Date: November 14, 2022 By: /s/ Kenneth Cornick  
Kenneth Cornick  
President and Chief Financial Officer



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Caryn Seidman-Becker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clear Secure, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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

c. 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: November 14, 2022

By:

/s/ Caryn Seidman-Becker

Caryn Seidman-Becker  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth Cornick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clear Secure, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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
  - c. 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: November 14, 2022

By:

/s/ Kenneth Cornick

Kenneth Cornick  
President and Chief Financial Officer  
*(Principal Financial Officer)*

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

I, Caryn Seidman-Becker, Chief Executive Officer of Clear Secure, Inc. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Clear Secure, Inc.

Date: November 14, 2022 By: /s/ Caryn Seidman-Becker  
Caryn Seidman-Becker  
Chairman and Chief Executive Officer  
*(Principal Executive Officer)*

**CERTIFICATION OF 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, Kenneth Cornick, President and Chief Financial Officer of Clear Secure, Inc. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Clear Secure, Inc.

Date: November 14, 2022

By: \_\_\_\_\_

/s/ Kenneth Cornick

Kenneth Cornick  
President and Chief Financial Officer  
*(Principal Financial Officer)*