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

FORM 10-Q

[Mark One]

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

For the quarterly period ended March 31, 2025

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: 001-41759

Surf Air Mobility Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**4522**	**36-5025592**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

12111 S. Crenshaw Blvd.
Hawthorne, CA 90250
(424) 332-5480

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.0001 par value per share	SRFM	New York Stock Exchange

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

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

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

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

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

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

As of May 9, 2025, 19,283,800 shares of common stock, $0.0001 par value per share, were outstanding.

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements, including statements regarding the Company’s future results of operations and financial position, business strategy and plans and objectives of management for future operations are forward-looking statements. Forward-looking statements may be identified by the use of words such as “estimate”, “plan”, “project”, “forecast”, “intend”, “will”, “expect”, “anticipate”, “believe”, “seek”, “target”, “designed to” or other similar expressions that predict or indicate future events or trends, although the absence of these words does not mean that a statement is not forward-looking. The Company cautions readers of this Quarterly Report on Form 10-Q that these forward-looking statements are subject to risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company’s control, that could cause the actual results and outcomes, and the timing of actual results and outcomes, to differ materially from the expected results. These forward-looking statements include, but are not limited to, statements regarding estimates and forecasts of financial and performance metrics, projections of market opportunity and market share, potential benefits and the commercial attractiveness to its customers of the Company’s products and services, the Company’s dependence on third-party partnerships in the development of fully-electric and hybrid-electric powertrains, and the potential success of the Company’s marketing and expansion strategies. These statements are based on various assumptions, whether or not identified in this Quarterly Report on Form 10-Q, and on the current expectations of the Company’s management, and are not predictions of actual results and outcomes. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied upon, by any investor as a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. These forward-looking statements are subject to a number of risks and uncertainties, including:

- the Company’s future ability to pay contractual obligations and liquidity, which will depend on operating performance, cash flow and ability to secure adequate financing;
- the Company’s ability to meet the requirements of its term loan credit facility or other debt obligations;
- the Company’s limited operating history and the powertrain technology the Company plans to develop does not yet exist and remains subject to approval by regulators;
- the impact of changes in the U.S. or foreign trade policies, including the imposition of tariffs and other protectionist trade measures, and other factors beyond our control;
- the Company’s ability to maintain and strengthen the Company’s brand and its reputation as a regional airline;
- any accidents or incidents involving aircraft including those involving fully-electric or hybrid-electric aircraft;
- the Company’s ability to accurately forecast demand for products and manage product inventory in an effective and efficient manner;
- the dependence on third-party partners and suppliers for the components and collaboration in the Company’s development of fully-electric and hybrid-electric powertrains, software technology platforms, and other products and services, and any interruptions, disagreements or delays with those partners and suppliers;
- the Company’s ability to execute business objectives and growth strategies successfully or sustain the Company’s growth;
- risks from the integration of business acquisitions that could adversely affect the Company’s business, divert the attention of management, and dilute shareholder value;
- increased costs as a result of operating as a public company, and the requirement that management devote substantial time to comply with the Company’s public company responsibilities and corporate governance practices;
- the ability of the Company’s customers and potential customers to pay for the Company’s services;
- the Company’s ability to obtain additional financing or access the capital markets to fund its ongoing operations on acceptable terms and conditions;
- the outcome of any legal proceedings that might be instituted against the Company; and
- risks associated with the Company’s ability to comply with applicable laws, government regulations and rules and standards of the New York Stock Exchange as well as with changes in applicable laws or regulations, and the impact of the regulatory environment.

All forward-looking statements included herein attributable to the Company or any person acting on any party's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, the Company undertakes no obligations to update these forward-looking statements for any reason, including to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

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Item 1. Financial Statements.

Surf Air Mobility Inc.
Unaudited Condensed Consolidated Balance Sheets
March 31, 2025 and December 31, 2024
(in thousands, except share and per share data)
(Unaudited)

	March 31, 2025	December 31, 2024
Assets:		
Current assets:		
Cash	$ 6,625	$ 21,107
Accounts receivable, net	4,729	4,257
Prepaid expenses and other current assets	8,625	8,511
Total current assets	19,979	33,875
Restricted cash	570	568
Property and equipment, net	39,669	42,213
Intangible assets, net	22,281	23,118
Operating lease right-of-use assets	15,631	17,046
Finance lease right-of-use assets	1,036	1,115
Other assets	6,107	6,123
Total assets	$ 105,273	$ 124,058
Liabilities and Shareholders' Deficit:		
Current liabilities:		
Accounts payable	$ 17,845	$ 17,976
Accrued expenses and other current liabilities	48,324	45,496
Deferred revenue	16,603	17,393
Current maturities of long-term debt	2,585	2,543
Operating lease liabilities, current	3,896	4,120
Finance lease liabilities, current	272	265
SAFE notes at fair value, current	6	13
Due to related parties, current	2,540	1,804
Total current liabilities	92,071	89,610
Long-term debt, net of current maturities	60,345	59,883
Convertible notes at fair value, non-current	6,279	7,347
Operating lease liabilities, long term	10,823	11,540
Finance lease liabilities, long term	879	948
Due to related parties, long term	50,199	50,457
Other long-term liabilities	20,314	24,270
Total liabilities	$ 240,910	$ 244,055
Commitments and contingencies (Note 10)		
Shareholders' deficit:		
Common stock, $0.0001 par value; 800,000,000 shares authorized as of both March 31, 2025 and December 31, 2024; 17,198,257 shares issued and outstanding as of March 31, 2025 and 16,933,692 shares issued and outstanding as of December 31, 2024	$ 2	$ 2
Additional paid-in capital	560,270	557,444
Accumulated deficit	(695,909)	(677,443)
Total shareholders' deficit	$ (135,637)	$ (119,997)
Total liabilities and shareholders' deficit	$ 105,273	$ 124,058

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

Surf Air Mobility Inc.
Unaudited Condensed Consolidated Statements of Operations
Three Months Ended March 31, 2025 and 2024
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2025	**2024**
Revenue	$ 23,506	$ 30,624
Operating expenses:		
Cost of revenue, exclusive of depreciation and amortization	24,706	28,489
Technology and development	2,680	7,009
Sales and marketing	1,653	3,009
General and administrative	10,886	24,609
Depreciation and amortization	2,148	1,978
Total operating expenses	42,073	65,094
Operating loss	$ (18,567)	$ (34,470)
Other income (expense):		
Changes in fair value of financial instruments carried at fair value, net	$ 5,396	$ (515)
Interest expense	(3,895)	(1,671)
Gain on extinguishment of debt	39	—
Other expense	(1,492)	(355)
Total other income (expense), net	$ 48	$ (2,541)
Loss before income taxes	(18,519)	(37,011)
Income tax benefit	53	46
Net loss	$ (18,466)	$ (36,965)
Net loss per share applicable to common shareholders, basic and diluted	$ (1.09)	$ (3.35)
Weighted-average number of common shares used in net loss per share applicable to common shareholders, basic and diluted	16,905,684	11,044,190

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

Surf Air Mobility Inc.
Unaudited Condensed Consolidated Statement of Changes in Shareholders' Deficit
Three Months Ended March 31, 2025 and 2024
(in thousands, except share data)
(Unaudited)

	Stockholders' Equity (Deficit)				
	Common Stock				
	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Deficit
Balance at December 31, 2023	10,878,634	$ 1	$ 525,049	$ (602,535)	$ (77,485)
Issuance of common stock related to restricted shares	44,436	—	—	—	—
Issuance of common stock under software license agreement	578,868	—	4,000	—	4,000
Issuance of common stock under marketing agreement	6,469	—	50	—	50
Issuance of common shares under Share Purchase Agreement	194,049	—	1,456	—	1,456
Stock-based compensation expense	—	—	2,643	—	2,643
Net loss	—	—	—	(36,965)	(36,965)
Balance at March 31, 2024	11,702,455	$ 1	$ 533,198	$ (639,500)	$ (106,301)

	Stockholders' Equity (Deficit)				
	Common Stock				
	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Deficit
Balance at December 31, 2024	16,933,692	$ 2	$ 557,444	$ (677,443)	$ (119,997)
Issuance of common stock related to restricted shares	20,554	—	—	—	—
Issuance of common shares under software license agreement	244,011	—	947	—	947
Stock-based compensation expense	—	—	1,879	—	1,879
Net loss	—	—	—	(18,466)	(18,466)
Balance at March 31, 2025	17,198,257	$ 2	$ 560,270	$ (695,909)	$ (135,637)

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

Surf Air Mobility Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2025 and 2024
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2025	**2024**
Cash flows from operating activities:		
Net loss	$ (18,466)	$ (36,965)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,148	1,978
Loss on sale of fixed asset	667	—
Non-cash operating lease expense	1,480	1,368
Gain on extinguishment of debt	(39)	—
Stock-based compensation expense	1,879	12,643
Changes in fair value of financial instruments carried at fair value, net	(5,396)	515
Amortization of debt discounts and debt issuance costs	605	47
Deferred income taxes	(53)	(46)
Changes in operating assets and liabilities:		
Accounts receivable, net	(472)	255
Prepaid expenses and other current assets	(114)	326
Other assets	16	465
Accounts payable	1,434	4,850
Due to a related party	(91)	1,131
Accrued expenses and other current liabilities	2,829	3,487
Deferred revenue	(790)	(497)
Operating lease liabilities	(1,436)	(1,355)
Other liabilities	(5)	(1,012)
Cash flows used in operating activities	$ (15,804)	$ (12,810)
Cash flows from investing activities:		
Purchase of property and equipment	(1,271)	(715)
Proceeds from the sale of assets	2,681	—
Internal-use software development costs	(628)	(28)
Net cash provided by (used in) investing activities	$ 782	$ (743)
Cash flows from financing activities:		
Borrowings on long-term debt	917	—
Principal payments on long-term debt	(595)	(776)
Proceeds from advances under Share Purchase Agreement	—	3,811
Proceeds from collateralized borrowings, net of repayment	282	138
Proceeds from borrowings from related parties	—	9,995
Payment of finance lease obligations	(62)	(55)
Net cash provided by financing activities	$ 542	$ 13,113
Increase (decrease) in cash, cash equivalents and restricted cash	(14,480)	(440)
Cash, cash equivalents and restricted cash at beginning of period	21,675	2,431
Cash, cash equivalents and restricted cash at end of period	$ 7,195	$ 1,991

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

Note 1. Description of Business

Organization

Surf Air Mobility Inc. (the "Company"), a Delaware corporation, is a regional air mobility platform that aims to transform regional flying. The Company is currently comprised of its Air Mobility business, and has a goal of further developing and enhancing its service and technology offerings through its Air Technology business.

Surf Air Global Limited ("Surf Air") is a British Virgin Islands holding company and was formed on August 15, 2016. Surf Air is a technology-enabled regional air travel network, offering daily scheduled flights and on-demand charter flights. Its customers consist of regional business and leisure travelers. Headquartered in Hawthorne, California, Surf Air commenced flight operations in June 2013.

The Company was incorporated in 2021 and became the ultimate parent of both Surf Air and Southern Airways Corporation ("Southern") in July of 2023 following the Company's public listing on the New York Stock Exchange ("NYSE"). For 2024, the Company's combined network served over 370,000 passengers with approximately 72,000 scheduled departures. We expect the combination of our legacy networks will continue to provide the basis for our expanded, nationwide regional air mobility platform.

Reverse Stock Split

On August 16, 2024, the Company effected a seven-for-one reverse stock split for all shares of the Company's common stock issued and outstanding. As a result of the reverse stock split, every seven shares of the Company's old common stock were converted into one share of the Company's new common stock. Fractional shares resulting from the reverse stock split were settled by cash payment.

Options, and other like awards, to purchase the Company's common stock were also adjusted in accordance with their terms to reflect the reverse stock split.

Adjustments resulting from the reverse stock split have been retroactively reflected as of all periods presented herein.

Liquidity and Going Concern

The Company has incurred losses from operations, negative cash flows from operating activities and has a working capital deficit. In addition, the Company is currently in default of certain excise and property taxes as well as certain debt obligations. These tax and debt obligations are classified as current liabilities on the Company's Condensed Consolidated Balance Sheets as of March 31, 2025 and December 31, 2024. As discussed in Note 10, *Commitments and Contingencies*, on May 15, 2018, the Company received a notice of a tax lien filing from the Internal Revenue Service ("IRS") for unpaid federal excise taxes for the quarterly periods from October 2016 through September 2017 in the amount of $1.9 million, including penalties and interest as of the date of the notice. The Company agreed to a payment plan (the "Installment Plan") whereby the IRS would take no further action and remove such liens at the time such amounts have been paid. In 2019, the Company defaulted on the Installment Plan. Defaulting on the Installment Plan can result in the IRS nullifying such plan, placing the Company in default and taking collection action against the Company for any unpaid balance. The Company is currently in default on these obligations, with a total outstanding federal excise tax liability, including accrued penalties and interest, of $8.1 million included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheet as of March 31, 2025. The Company is currently considering available options regarding settlement of its federal excise tax liability. The Company has also defaulted on its property tax obligations in various California counties in relation to fixed assets, plane usage and aircraft leases. The Company's total outstanding property tax liability including penalties and interest is approximately $1.7 million as of March 31, 2025. Additionally, Los Angeles County has imposed a tax lien on four of the Company's aircraft due to the late filing of the Company's 2022 property tax return. As of March 31, 2025, the amount of property tax, interest and penalties related to the Los Angeles County tax lien for all unpaid tax years was approximately $1.1 million. The Company is in the process of remediating the late filing, inclusive of the completion of county audits, and payment of the property taxes due to Los Angeles County. As of March 31, 2025, the Company was also in default of the Simple Agreements for Future Equity with Token allocation ("SAFE-T") note, where the note matured in July 2019 (see Note 7, *Financing Arrangements*). The SAFE-T note is subordinate to the Company's Convertible Note Purchase Agreement (see Note 7, *Financing Arrangements*); therefore, the Company cannot pay the outstanding balance prior to paying amounts due under the Convertible Note Purchase Agreement. The SAFE-T note had an outstanding principal amount of $0.5 million as of March 31, 2025 and December 31, 2024.

The accompanying unaudited condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The airline industry and the Company's operations are cyclical and highly competitive. The Company's success is largely dependent on the ability to raise debt and equity capital, achieve a high level of aircraft and crew utilization, increase flight services and the number of passengers flown, and continue to expand into regions profitably throughout the United States.

The Company's prospects and ongoing business activities are subject to the risks and uncertainties frequently encountered by companies in new and rapidly evolving markets. Risks and uncertainties that could materially and adversely affect the Company's business, results of operations or financial condition include, but are not limited to, the ability to: (i) raise additional capital (or financing) to fund operating losses, (ii) refinance its current outstanding debt, (iii) maintain efficient aircraft utilization, primarily through the proper utilization of pilots and managing market shortages of maintenance personnel and critical aircraft components, (iv) sustain ongoing operations, (v) attract and maintain customers, (vi) integrate, manage and grow recent acquisitions and new business initiatives, (vii) obtain and maintain relevant regulatory approvals, and (viii) measure and manage risks inherent to the business model.

The Company historically has funded its operations and capital needs primarily through the net proceeds received from the issuance of various debt instruments, convertible securities, related party funding, and preferred and common stock financing arrangements. During the year ended December 31, 2024, the Company entered into a 4-year credit agreement with certain affiliates of Comvest Partners, as lenders, pursuant to which the Company borrowed $44.5 million under a four-year term loan, and $5.5 million of delayed draw commitments. As of March 31, 2025, $1.4 million has been drawn under the delayed draw commitments. Additionally, during the year ended December 31, 2024, the Company received $2.5 million in advances and $1.4 million through draws under the second amended and restated Share Purchase Agreement with GEM. The Company had previously filed a Form S-1 registration statement (File No. 333-275434) with the SEC, registering up to 42,857,143 shares of the Company's common stock, which represents the balance of the full amount of shares of common stock that the Company estimated could be issued and sold to GEM for advances under the Share Purchase Agreement, plus the amount of shares the Company estimated could be sold to GEM for $50.0 million under the Share Purchase Agreement, (the "Prior Registration Statement"). In connection with the GEM Mandatory Convertible Security (see Note 8, *Share Purchase Agreement, GEM Purchase, and Mandatory Convertible Security*), the Company deregistered all of the shares registered but unsold under the Prior Registration Statement on June 4, 2024. The combined 46,428,571 shares contemplated under the Prior Registration Statement have been included in a Form S-1 Registration Statement (File No. 333-279929), which was declared effective by the SEC on August 7, 2024. As of March 31, 2025, the contractual terms allow the Company to make further advances of up to $97.5 million under the Share Purchase Agreement. Additionally, the Company has the ability to draw an additional $298.6 million under the Share Purchase Agreement, subject to daily volume limitations and GEM's requirement to hold less than 10% of the fully-diluted shares of the Company. As of March 31, 2025, GEM held 0% of the then fully-diluted shares of the Company. At March 31, 2025, the daily volume limitations under the Share Purchase Agreement significantly restricted our ability to take additional draws under the Share Purchase Agreement to approximately 104 thousand shares per draw. These restrictions do not impact the Company's ability to execute advances under the Share Purchase Agreement. Additionally, the Company's ability to draw upon the Share Purchase Agreement is contingent on the Company's common stock being listed on a national exchange. The Company is currently attempting to resolve one listing requirement violation, pertaining to its market capitalization, with the New York Stock Exchange. Absent an extension granted by the New York Stock Exchange, the Company would need to regain compliance by November 2025. While not currently subject to de-listing, the Company's inability to cure this listing requirement violation would impact its ability to raise capital through existing sources.

The Company is currently implementing operational improvements and stringent operating expenses management to improve the profitability of its airline operations. In parallel, the Company is advancing its technology initiatives, including its software technology platform and Caravan electrification programs. In addition, the Company continues to evaluate strategies to obtain additional funding for future operations. These strategies may include, but are not limited to, obtaining additional equity financing, issuing additional debt or entering into other financing arrangements, forming joint venture and other partnerships, and restructuring operations to grow revenues and decrease expenses. There can be no assurance that the Company will be successful in achieving its strategic plans, or that new financing will be available to the Company in a timely manner or on acceptable terms, if at all. If the Company is unable to raise sufficient financing when needed or events or circumstances occur such that the Company does not meet its strategic plans, the Company will be required to take additional measures to conserve liquidity, which could include, but are not necessarily limited to, reducing certain spending, altering or scaling back development plans, including plans to equip regional airline operations with fully-electric or hybrid-electric aircraft, or reducing funding of capital expenditures, which could have a material adverse effect on the Company's financial position, results of operations, cash flows, and ability to achieve its intended business objectives. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Note 2. Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the SEC for interim financial information. Accordingly, the interim financial statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024 and the related notes, as included in the Company's Form 10-K filed on March 21, 2025. The information herein reflects all material adjustments, including normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results for the period presented. The results for the three months ended March 31, 2025 are not necessarily indicative of the results to be expected for the year ending December 31, 2025.

Except to the extent discussed below, there have been no material changes to the Company's significant accounting policies during the three months ended March 31, 2025 from those disclosed in the notes to the Company's consolidated financial statements for the year ended December 31, 2024.

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements include the assets, liabilities, and operating results of the Company. All intercompany balances and transactions have been eliminated in consolidation.

Accounts Receivable, Net

Accounts receivable primarily consist of amounts due from the U.S. DOT in relation to certain air routes served by the Company under the EAS program, amounts due from airline, non-airline business partners, and pending transactions with credit card processors. Receivables from the U.S. DOT and our business partners are typically settled within 30 days. All accounts receivable are reported net of an allowance for credit losses, which was not material as of March 31, 2025, and December 31, 2024. The Company has considered past and future financial and qualitative factors, including aging, payment history and other credit monitoring indicators, when establishing the allowance for credit losses.

Mandatory Convertible Security

The Company's Mandatory Convertible Security with GEM, entered into as of August 7, 2024, is a financial instrument whereby GEM is able to convert portions of the par amount, either before or at maturity, into shares of common stock of the Company. Due to certain provisions included in the Mandatory Convertible Security, including potential settlement of the outstanding par amount in a variable number of shares of the Company's common stock, it has been classified as a liability as of December 31, 2024 and March 31, 2025 (see Note 8, *Share Purchase Agreement, GEM Purchase, and Mandatory Convertible Security*).

The Company has accounted for the Mandatory Convertible Security as an equity-linked debt instrument, which requires it to be remeasured to fair value at each reporting period with changes in fair value recorded in Changes in fair value of financial instruments carried at fair value, net on the Consolidated Statements of Operations.

The fair value of the Mandatory Convertible Security is estimated using a model based on multiple stock price paths developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the Company will not be able to satisfy the liability through the issuance of shares of common stock. A Monte Carlo simulation model requires the use of various assumptions, including the underlying stock price, volatility, contractual term, and the risk-free interest rate as of the valuation date. The estimated fair value of the instrument is considered a Level 3 fair value measurement as there are significant inputs not observable in the market. The resulting liability is included as part of Other long-term liabilities on the Condensed Consolidated Balance Sheets.

Collateralized Borrowings

On August 9, 2024, the Company entered into a new revolving accounts receivable financing arrangement that will allow the Company to borrow a designated percentage of eligible accounts receivable, as defined, up to a maximum unsettled amount of $5.0 million. The agreement is secured by a first security interest in certain assets of Southern Airways Express, a subsidiary of Southern. The financing arrangement is uncommitted, and upon funding does not qualify for sale accounting as the Company does not relinquish control of the receivables based on, among other things, the nature and extent of the Company's continuing involvement.

Accordingly, the accounts receivable remain on the Company's Condensed Consolidated Balance Sheets until paid by the customer and cash proceeds from the financing arrangement are recorded as collateralized borrowing in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets, with attributable interest expense recognized over the life of the related transactions. Interest expense and contractual fees associated with the collateralized borrowings are included in interest expense and other expense, net, respectively, in the accompanying Condensed Consolidated Statements of Operations.

Restricted Stock Unit Awards

The grant date fair value of restricted stock units ("RSUs") is estimated based on the fair value of the Company's common stock on the date of grant. Prior to the Company's direct listing in July 2023, RSUs granted by the Company vested upon the satisfaction of both service-based vesting conditions and liquidity event-related performance vesting conditions. The liquidity event-related performance vesting conditions were achieved upon the consummation of the Company's direct listing. Stock-based compensation related to such awards was recorded in full, as of the date of the Company's direct listing. Since the Company's direct listing in July 2023, the Company has only granted RSUs that vest upon the satisfaction of a service-based vesting condition and the compensation expense for these RSUs is recognized on a straight-line basis over the requisite service period.

The Company has granted founder performance-based restricted stock units ("Founder PRSUs") that contain a market condition in the form of future stock price targets. The grant date fair value of the Founder PRSUs was determined using a Monte Carlo simulation model and the Company estimates the derived service period of the Founder PRSUs. The grant date fair value of Founder PRSUs containing a market condition is recorded as stock-based compensation over the derived service period. If the stock price goals are met sooner than the derived service period, any unrecognized compensation expenses related to the Founder PRSUs will be expensed during the period in which the stock price targets are achieved. Provided that each founder continues to be employed by the Company, stock-based compensation expense is recognized over the derived service period, regardless of whether the stock price goals are achieved.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of income and expense during the reporting period.

On an ongoing basis, the Company evaluates its estimates using historical experience and other factors including the current economic and regulatory environment as well as management's judgment. Items subject to such estimates and assumptions include: revenue recognition and related allowances, valuation allowance on deferred tax assets, certain accrued liabilities, useful lives and recoverability of long-lived assets, fair value of assets acquired and liabilities assumed in acquisitions, legal contingencies, assumptions underlying convertible notes and convertible securities carried at fair value and stock-based compensation. These estimates may change as new events occur and additional information is obtained and such changes are recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates, and any such differences may be material to the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. ASU 2023-09 is effective for public business entities for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Disaggregation of Income Statement Expenses* (Subtopic 220-40). The ASU requires public entities to disaggregate, in a tabular presentation, certain income statement expenses into different categories, such as purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The guidance is effective for fiscal years beginning after December 15, 2026, with early adoption permitted, and may be applied retrospectively. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and related disclosures.

Note 3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (*in thousands*):

	March 31, 2025	December 31, 2024
Prepaid insurance	$ 811	$ 766
Prepaid software	2,014	2,177
Prepaid marketing	2,413	2,434
Engine reserves	1,910	1,667
Vendor operator prepayments	659	744
Prepaid fuel	—	39
Other	818	684
Total prepaid expenses and other current assets	$ 8,625	$ 8,511

Note 4. Property, Plant and Equipment, Net

Property and equipment, net, consists of the following (*in thousands*):

	March 31, 2025	December 31, 2024
Aircraft, equipment and rotable spares	$ 36,932	$ 40,290
Equipment purchase deposits	2,000	2,000
Leasehold improvements	2,844	2,301
Office, vehicles and ground equipment	1,201	1,158
Internal-use software	3,357	2,729
Property and equipment, gross	46,334	48,478
Accumulated depreciation	(6,665)	(6,265)
Property and equipment, net	$ 39,669	$ 42,213

The Company recorded depreciation expense of $1.2 million and $1.0 million for the three months ended March 31, 2025 and 2024, respectively. Depreciation expense is recognized as a component of Depreciation and Amortization expense in the accompanying Condensed Consolidated Statement of Operations.

For the three months ended March 31, 2025 the Company recorded a $0.7 million loss on the sale of property and equipment, and for the three months ended March 31, 2024, any gain or loss on disposal of property and equipment was not material.

Note 5. Intangible Assets, Net

Intangibles assets, net, consists of the following (*in thousands*):

	March 31, 2025	December 31, 2024
EAS contracts	$ 25,770	$ 25,770
Tradenames and trademarks	8,340	8,340
Software	3,122	3,122
Other intangibles	225	225
Intangible assets, gross	37,457	37,457
Accumulated amortization	(15,176)	(14,339)
Intangible assets, net	$ 22,281	$ 23,118

The Company recorded amortization expense of $0.9 million and $0.9 million for the three months ended March 31, 2025 and 2024, respectively. Amortization expense is recognized as a component of Depreciation and Amortization expense in the accompanying Condensed Consolidated Statement of Operations.

Expected future amortization as of March 31, 2025 is as follows (*in thousands*):

	Amount
Remainder of 2025	$ 2,214
2026	2,915
2027	2,764
2028	2,577
2029	2,577
Thereafter	9,234
Total	$ 22,281

Note 6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (*in thousands*):

	March 31, 2025	December 31, 2024
Software license fee payable	$ 11,011	$ 9,953
Accrued professional services	10,677	10,431
Excise and franchise taxes payable	8,261	7,729
Accrued compensation and benefits	7,205	5,940
Collateralized borrowings	6,052	5,842
Accrued Monarch legal settlement	1,314	1,314
Accrued major maintenance	520	427
Interest and commitment fee payable	153	114
Other accrued liabilities	3,131	3,746
Total accrued expenses and other current liabilities	$ 48,324	$ 45,496

Collateralized Borrowings

The Company has a revolving accounts receivable financing arrangement that currently allows the Company to borrow a designated percentage of eligible accounts receivable, as defined in the agreement, up to a maximum unsettled amount of $5 million. The agreement is secured by a first security interest in all assets of Southern Airways Express, LLC, a subsidiary of Southern. The related interest rate is the prime rate plus 1% per annum. Additionally, the Company pays certain ancillary fees associated with each borrowing that vary depending on the borrowed amount and duration, which is generally no more than 45 days.

For the three months ended March 31, 2025, the Company borrowed a total of $8.1 million under this financing facility, of which $5.0 million was settled through the transfer of pledged receivables. Interest expense incurred on these borrowings for the three months ended March 31, 2025 amounted to $124 thousand, and is included in interest expense in the accompanying Condensed Consolidated Statements of Operations.

As of March 31, 2025, and December 31, 2024, the outstanding amount due under this facility amounted to $3.0 million and $2.8 million, respectively. As of March 31, 2025, and December 31, 2024, the Company was in compliance with all covenants.

In addition, during the year ended December 31, 2024, the Company received an advance payment of $3.0 million from a financing institution related to an expected future payment under the IRS' Employee Retention Credit Program. As of December 31, 2024 and March 31, 2025, the Company has recorded $3.0 million within Collateralized borrowings. Such amounts are collateralized against the value of the credits to be received, as well as other assets of Southern Airways Express, a subsidiary of Southern.

Accrued Professional Services

During the fourth quarter of 2024, the Company entered into agreements with several professional service firms engaged in support of the Company's July 27, 2023 direct listing on the NYSE. These agreements modify the payment terms of prior service agreements to be contingent on future equity or debt financing by the Company. The Company estimates that a total of $7.1 million will be due under these agreements over the next five years. Given the uncertainty regarding the timing and amount of payment, all amounts have been classified as current liabilities with the Company's consolidated balance sheet.

Note 7. Financing Arrangements

The Company's total debt due to unrelated parties consist of the following *(in thousands)*:

	March 31, 2025	December 31, 2024
Note payable to bank, fixed interest rate of 4.65%, due November 2025	$ 6	$ 8
Note payable to a financing company, fixed interest rate of 5.49%, due December 2026	104	120
Notes payable to Clarus Capital, fixed interest rate of 8.66%, due April, June and September 2027	13,662	14,022
Note payable to Skywest, fixed interest rates of 4%, due April 2028	2,389	2,497
Note payable to Tecnam, fixed interest rate of 6.75%, due July and August 2032	2,896	2,962
Credit Agreement to ComVest Partners, floating interest rate of SOFR + 5%, due November 2028	45,900	44,984
Debt issuance costs	(2,027)	(2,167)
Long-term debt, gross	$ 62,930	$ 62,426
Current maturities of long-term debt	(2,585)	(2,543)
Long-term debt, net of current maturities	$ 60,345	$ 59,883

Future maturities of total debt as of March 31, 2025 are as follows *(in thousands)*:

	March 31, 2025
Remainder of 2025	$ 1,962
2026	2,708
2027	12,028
2028	46,585
2029	421
Thereafter	1,253
Total	$ 64,957

The Company is subject to customary affirmative covenants and negative covenants on all of the above notes payable. As of March 31, 2025, the Company was in compliance with all covenants in the loan agreements.

Fair Value of Convertible Instruments

The Company has elected the fair value option for the convertible notes, which requires them to be remeasured to fair value each reporting period with changes in fair value recorded in changes in fair value of financial instruments carried at fair value, net, on the Condensed Consolidated Statements of Operations, except for change in fair value that results from a change in the instrument specific credit risk which is presented separately within other comprehensive income. The fair value estimate includes significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy.

On June 21, 2023, the Company entered into a convertible note purchase agreement (the "Convertible Note Purchase Agreement") with PFG for a senior unsecured convertible promissory note for an aggregate principal amount of $8.0 million (the "PFG Investment"). The note bears interest at a rate of 9.75% and matures on December 31, 2024. All unpaid principal and interest balances may be converted into shares of the Company's common stock, at the option of the holder, at a price equal to 120% of the initial listing price of the Company's common stock.

On July 27, 2023, the Company received $8.0 million in funding, following satisfaction of all conditions precedent outlined under the Convertible Note Purchase Agreement. Based on the $35.00 per share opening price on the first day of listing of the Company's common stock, the principal of the Convertible Note Purchase Agreement would be convertible into 190,476 shares of the Company's common stock.

On November 14, 2024, the Company amended the existing Convertible Note Purchase Agreement with PFG, which had an outstanding principal amount of $8.0 million issued to PFG upon amendment.

The Convertible Note Purchase Agreement will accrue interest at the greater of (x) SOFR (subject to a 1.00% floor) plus 5.00% and (y) 9.75%. In the event the Company raises capital in certain equity offerings, a portion of the net cash proceeds from such equity offerings is required to be applied to repay the obligations under the Convertible Note Purchase Agreement. The maturity of the Convertible Note Purchase Agreement is December 31, 2028, which may be accelerated upon the occurrence of certain events of default.

PFG has the right to convert, at its option, the amounts outstanding under the Convertible Note Purchase Agreement into common stock of Company, at a conversion price of $42.00 per share.

The obligations under the Convertible Note Purchase Agreement are guaranteed by certain of the Company's subsidiaries, and subject to a security interest on assets of the Company and the subsidiary guarantors, subject to certain exceptions.

As of March 31, 2025, the Company was in compliance with all covenants under the Convertible Note Purchase Agreement.

Fair value of convertible notes *(in thousands)*:

	Fair Value at	
	March 31, 2025	**December 31, 2024**
Convertible Note Purchase Agreement	$ 6,279	$ 7,347
Total	$ 6,279	$ 7,347

Fair Value of SAFE Notes

The Company's SAFE-T note is carried at fair value, with fair value determined using Level 3 inputs. The Company determined that the SAFE-T instruments should be classified as liabilities based on evaluating the characteristics of the instruments, which contained both debt and equity-like features. The SAFE-T instrument matured in July 2019. As of March 31, 2025 and December 31, 2024, the Company was in default of the SAFE-T note, but the holder has elected not to effect an equity conversion of the instrument. The SAFE-T note is subordinate to the Company's Convertible Note Purchase Agreement; therefore, the Company cannot pay the outstanding balance prior to paying amounts due under the Convertible Note Purchase Agreement. The SAFE-T note had an outstanding principal amount of $0.5 million as of March 31, 2025 and December 31, 2024. Subsequent changes in the fair value of the SAFE-T notes are recorded as part of changes in fair value of financial instruments carried at fair value, net, within the Condensed Consolidated Statements of Operations.

Fair value of SAFE-T note *(in thousands)*:

	Fair Value at	
	March 31, 2025	**December 31, 2024**
SAFE-T	$ 6	$ 13
Total	$ 6	$ 13
Less: SAFE notes at fair value, current	(6)	(13)
SAFE notes at fair value, long term	$ —	$ —

Note 8. Share Purchase Agreement, GEM Purchase, and Mandatory Convertible Security

Share Purchase Agreement

During 2020, the Company entered into a Share Purchase Agreement ("SPA") with GEM Global Yield LLC SCS ("GEM") and an entity affiliated with GEM to provide incremental financing in the event the Company completed a business combination transaction with a SPAC, IPO, or direct listing. On May 17, 2022, February 8, 2023, and September 18, 2023, the SPA was amended to increase the maximum aggregate shares of the Company's common stock that may be required to be purchased by GEM from $200 million to $400.0 million (the "Aggregate Limit") and amend the commitment fee required under the SPA from $4 million to 571,429 shares of the Company's common stock. Pursuant to the amended and restated SPA, and subject to the satisfaction of certain conditions, the Company will have the right from time to time at its option to direct GEM to purchase up to the Aggregate Limit of shares of the Company's common stock over the term of the amended and restated SPA. Upon its public listing, the Company may request GEM to provide advances under the SPA in an aggregate amount of up to $100.0 million, provided that individual advances are not to exceed $25.0 million each, with the first advance not to exceed $7.5 million. Each advance will reduce the amount that the Company can request for future purchases under the SPA. On September 29, 2023, the Company received its first advance under the SPA in the amount of $4.5 million, on a total request of $7.5 million, with the remaining $3.0 million being received on October 3, 2023. Concurrent with the receipt of funds, the Company issued 571,429 shares of its common stock to GEM in full satisfaction of the commitment fee. Following an advance, the number of shares to be transferred to GEM will be based on an average of the volume-weighted average trading price of the Company's common stock over a period of fifteen trading days following the receipt of an advance, subject to a 15 day extension in certain circumstances. This average price will be subject to a contractual discount of 10%. Additionally, contractual provisions within the SPA provide that in no event may GEM receive a share issuance, from a draw under the SPA, that would raise their share ownership percentage above 10% of the Company. This provision may impact the Company's ability to request additional draws under the SPA.

On June 15, 2023, July 21, 2023, and July 24, 2023, the SPA was further amended to modify the number of shares of the Company's common stock to be issued to GEM at the time of a public listing transaction of the Company from an amount equal to 0.75% of the Company's fully-diluted shares of common stock outstanding to a fixed 185,714 shares of the Company's common stock. The amendments to the SPA also modified certain registration requirements whereby the Company was obligated to file a re-sale registration statement within 5 business days of the Company's public listing. On July 27, 2023, concurrent with the Company's direct listing, the Company issued 185,714 shares of the Company's common stock to GEM in full satisfaction of this provision. Pursuant to GEM's associated registration rights, the Company filed a re-sale registration statement, covering the 185,714 shares, on August 2, 2023, which was declared effective by the SEC on September 28, 2023.

The Company has accounted for the shares issuance contracts under the SPA, as amended, as derivative financial instruments which are recorded at fair value within Other long-term liabilities on the Consolidated Balance Sheets. During the year ended December 31, 2024, the Company settled $2.5 million in advances received from GEM through the issuance of 1,311,235 shares of the Company's common stock. The Company also received total proceeds of $1.4 million during the year ended December 31, 2024, through draws under the SPA. This resulted in the issuance of 236,535 shares of the Company's common stock. Additionally, liabilities related to advances received under the SPA prior to March 1, 2024 were reclassified as part of the Mandatory Convertible Security, as discussed below.

As a result of this activity, the fair value of the GEM liability was $0 and $0 million as of March 31, 2025 and December 31, 2024, respectively. Changes in fair value were recorded in Changes in fair value of financial instruments carried at fair value, net on the Consolidated Statements of Operations.

GEM Purchase

On June 15, 2023, and amended on July 21, 2023, and July 24, 2023, the Company and GEM entered into the SPA whereby GEM would purchase 142,857 shares of the Company's common stock for cash consideration of $25.0 million upon the successful public listing of the Company's shares. Under the terms of the agreement, the Company is obligated to file a re-sale registration statement, covering the 142,857 shares issued, within five business days of the Company's public listing. On July 27, 2023, concurrent with the Company's direct listing, the Company received the $25.0 million cash consideration contemplated in the SPA, in exchange for the issuance of 142,857 shares of the Company's common stock. Pursuant to the associated registration rights, the Company filed a re-sale registration statement, covering the 142,857 shares, on August 2, 2023, which was declared effective by the SEC on September 28, 2023.

GEM Mandatory Convertible Security

On March 1, 2024, the Company entered into a mandatory convertible security purchase agreement (the "MCSPA") with GEM. Pursuant to the MCSPA, the Company has agreed to issue and sell to GEM, and GEM has agreed to purchase from the Company, a mandatory convertible security with a par amount of up to $35,200,000 (the "Mandatory Convertible Security"), which shall be convertible into a maximum of 1,142,857 shares of the Company's common stock, par value $0.0001 per share, subject to adjustment as described in the MCSPA.

The Company issued the Mandatory Convertible Security on August 7, 2024 (the "Closing Date"). The Mandatory Convertible Security will mature on August 7, 2029 (the "Maturity Date"), unless earlier converted or redeemed pursuant to the terms set forth in the Mandatory Convertible Security. As partial consideration for GEM's purchase of the Mandatory Convertible Security, GEM delivered to the Company 900,000 shares of the Company's common stock. In addition, the Company's ability to take both regular drawdowns of up to $300 million and advance drawdowns of up to $100 million pursuant to the Company's share subscription facility with GEM, which provides the Company with the option from time to time to direct GEM to purchase a specified number of shares of the Company's common stock for an aggregate purchase price of up to $400 million, was restored to full capacity. The respective formulas that the Company and GEM used to determine the par amount of the Mandatory Convertible Security and the consideration for GEM's purchase of the Mandatory Convertible Security are each set forth in the MCSPA.

On the Maturity Date, the Company will pay to GEM, at the Company's option, cash or shares of the Company's common stock in an amount equal to the then outstanding par amount of the Mandatory Convertible Security divided by the lesser of (a) $4.45 (the "Fixed Conversion Price") and (b) the average of the five lowest volume-weighted average prices per share for the Company's common stock trading on the NYSE during the 30 trading days immediately preceding the Maturity Date (the "Floating Conversion Price").

Prior to the Maturity Date, GEM will have the option to convert any portion of the Mandatory Convertible Security into shares of the Company's common stock at a conversion rate equal to the portion of the par amount to be converted into shares of the Company's common stock divided by the lesser of (a) the Fixed Conversion Price and (b) the Floating Conversion Price. If, following the conversion by GEM of any portion of the Mandatory Convertible Security into 1,142,857 shares of the Company's common stock at any time prior to the Maturity Date, any par amount of the Mandatory Convertible Security remains outstanding, the Company will have the option to (x) increase the maximum number of shares of the Company's common stock into which the Mandatory Convertible Security may convert, with such increase to be at the Company's sole discretion, (y) pay to GEM an amount in cash equal to 115% of the remaining outstanding par amount or (z) increase the remaining outstanding par amount by 15% of the amount outstanding immediately after issuance of the 1,142,857 shares of the Company's common stock. GEM may not convert any portion of the Mandatory Convertible Security into shares of the Company's common stock to the extent that GEM (together with its affiliates and any other parties whose holdings would be aggregated with those of GEM for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended) would beneficially own more than 4.99% of the shares of the Company's common stock outstanding after such conversion; provided, however, that GEM may increase or decrease such maximum limitation percentage to not more than 9.99% upon 61 days' notice to the Company.

The Company may, at its option, redeem the Mandatory Convertible Security, in whole or in part, in cash at a price equal to 115% of the outstanding par amount to be redeemed.

Pursuant to the terms of the MCSPA and the Mandatory Convertible Security, GEM has agreed that, beginning March 1, 2024 and for so long as any shares of the Company's common stock are beneficially owned by GEM (together with its affiliates and any entity managed by GEM, the "GEM Entities"), the GEM Entities will limit the daily volume of sales of shares of the Company's common stock then beneficially owned by the GEM Entities to no more than 1/10th of the daily trading volume of shares of the Company's common stock on the NYSE on the trading day immediately preceding the applicable date of such sales.

The fair value of the liability was estimated using a model based on multiple stock price paths developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the Company will not be able to satisfy the liability through the issuance of shares of common stock and taking into account the value of the consideration transferred to the Company upon closing of the MCSPA. This was inclusive of the value of the shares returned to the Company and the cancellation of the share transfers due in settlement of the GEM derivative liability (see *Note 9, Fair Value Measurements).* For the three months ended March 31, 2025, the Company recorded a change in fair value of $3.9 million related to the Mandatory Convertible Security, resulting in a liability of $19.3 million as of March 31, 2025, which was included as part of other long-term liabilities within the Condensed Consolidated Balance Sheets. Significant inputs in determining period end fair values of the Mandatory Convertible Security are as follows:

	March 31, 2025	December 31, 2024
Par amount	38,615	38,615
Probability of default	—%	—%
Expected volatility	153.2%	155.7%
Discount rate	3.9%	4.3%
Share price	$ 2.67	$ 5.39

Note 9. Fair Value Measurements

The fair values of the convertible notes, SAFE instruments, preferred stock warrant liabilities, and derivative liability were based on the estimated values of the notes, SAFE instruments, warrants, and derivatives upon conversion including adjustments to the conversion rates, which were probability weighted associated with certain events, such as a sale of the Company or the Company becoming a public company. The estimated fair values of these financial liabilities were determined utilizing the Probability-Weighted Expected Return Method and is considered a Level 3 fair value measurement.

Assets and liabilities are classified in the hierarchy based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The following tables summarize the Company's financial liabilities that are measured at fair value on a recurring basis in the condensed consolidated financial statements *(in thousands)*:

	Fair Value Measurements at March 31, 2025 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Convertible notes at fair value	$ —	$ —	$ 6,279	$ —
SAFE notes at fair value	—	—	6	—
LamVen Note	—	—	50,000	—
Mandatory Convertible Security	—	—	19,323	—
Total financial liabilities	$ —	$ —	$ 75,608	$ —

	Fair Value Measurements at December 31, 2024 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Convertible notes at fair value	$ —	$ —	$ 7,347	$ —
SAFE notes at fair value	—	—	13	—
LamVen Note	—	—	50,000	—
Mandatorily Convertible Security	—	—	—	—
Total financial liabilities	$ —	$ —	$ 57,360	$ —

The following table provides a reconciliation of the Company's financial liabilities that are measured at fair value using inputs classified as Level 3 *(in thousands)*:

	Convertible Notes at Fair Value	SAFE Notes	LamVen Note	Mandatorily Convertible Security
Balance at December 31, 2024	$ 7,347	$ 13	$ 50,000	$ 23,221
Change in fair value	(1,068)	(7)	(423)	(3,898)
Discount Amortization	—	—	423	—
Balance at March 31, 2025	$ 6,279	$ 6	$ 50,000	$ 19,323

Long-Term Debt

The carrying amounts and fair values of the Company's long-term debt obligations were as follows:

	As of March 31, 2025		As of December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities	$ 64,957	$ 64,821	$ 64,593	$ 64,707

In assessing the fair value of the Company's long-term debt, including current maturities, the Company primarily uses an estimation of discounted future cash flows of the debt at rates currently applicable to the Company for similar debt instruments of comparable maturities and comparable collateral requirements.

Note 10. Commitments and Contingencies

Software License Agreements

On May 18, 2021, the Company executed two agreements with Palantir Technologies Inc. ("Palantir") to license a suite of software for the term of seven years commencing on the effective date. The agreements identify two phases where Palantir provides services to customize the software: an Initial Term from May 18, 2021 through June 30, 2023 with a cost of $11.0 million and an Enterprise Term from July 1, 2023 to May 7, 2028 with a cost of $39.0 million, for a total cost of $50.0 million. As of March 31, 2025 and December 31, 2024, the Company capitalized $3.4 million and $3.1 million, respectively, related to the software that Palantir has provided to the Company. During the three months ended March 31, 2025, the Company settled $0.9 million in outstanding payables to Palantir through the issuance of 244,011 shares of the Company's common stock. As of March 31, 2025, the Company had $26.5 million in remaining commitments under this agreement.

Licensing, Exclusivity and Aircraft Purchase Arrangements

Textron Agreement

On September 15, 2022, the Company entered into agreements with Textron Aviation Inc. and one of its affiliates (collectively, “TAI”), for engineering services and licensing, sales and marketing, and aircraft purchases, which became effective as of the Company’s direct listing on July 27, 2023 (“TAI Effective Date”).

The engineering services and licensing agreement provides, among other things, that TAI will provide the Company with certain services in furtherance of development of an electrified powertrain technology (the “SAM System”). The engineering agreement requires payment by the Company as such services are provided by TAI. Under this agreement, the Company agrees to meet certain development milestones by specified dates, including issuance of a supplemental type certificate by the Federal Aviation Administration (“FAA”). Should the Company fail to meet certain development milestones, TAI has the right to terminate the collaboration agreement. The Company is currently complying with necessary development milestones under this agreement.

The licensing agreement grants the Company a nonexclusive license to certain technical information and intellectual property for the purpose of developing an electrified propulsion system for the Cessna Caravan aircraft, and to assist in obtaining Supplemental Type Certificates (“STC”) from the FAA, including any foreign validation by any other aviation authority, for electrified propulsion upfits/retrofits of the Cessna Caravan aircraft. The licensing agreement provides for payment by the Company of license fees aggregating $60.0 million over a multi-year period, with an initial $12.5 million in deposits being made as of December 31, 2023. During the year ended December 31, 2024, the Company and TAI agreed to apply a previous deposit under the aircraft purchase agreement to amounts due under the licensing agreement. Remaining payments due under the initial license fees of $9.5 million are due in 2025. The remaining $35 million of payments under the licensing agreement will be due, via annual payments, following the Company’s receipt of the STC, which the company continues to actively pursue.

Under the sales and marketing agreement, the parties agreed to develop marketing, promotional and sales strategies for the specifically configured Cessna Grand Caravans and further agreed to: (a) include Cessna Grand Caravans fitted with the SAM System (the “SAM Aircraft”) in sales and marketing materials (print and digital) distributed to authorized dealers, (b) prominently display the SAM Aircraft on their respective websites and social media, (c) include representatives of the Company and TAI at trade show booths, (d) market the SAM Aircraft and conversions to SAM Aircraft to all owners of pre-owned Cessna Grand Caravans, and (e) not advertise or offer any third-party-developed electrified variants of the Cessna Grand Caravan. Certain technologies for aircraft propulsion are specifically carved out from TAI’s agreement to exclusively promote the SAM System for Cessna Grand Caravans. The sales and marketing agreement provides for payment by the Company of exclusivity fees aggregating $40.0 million, with certain amounts deferred such that the aggregate fee is payable over four years commencing on the earlier of the year after the Company obtains an STC for the SAM System on the Cessna Grand Caravan or the 5th anniversary of the TAI Effective Date. The Company’s obligation to pay exclusivity fees in any year may be offset, in whole or in part, based on the achievement of certain sales milestones of SAM Aircraft and Cessna Grand Caravans subsequently converted to a SAM System.

Under the aircraft purchase agreement, the Company may purchase from TAI 90 specifically configured Cessna Caravans at prevailing market rates whereby the aggregate purchase price could be approximately $297.0 million, with an option to purchase an additional 26 specifically configured Cessna Caravans having an aggregate purchase price in excess of $85.8 million, over the course of 7 years. The final price to be paid by the Company will be dependent upon a number of factors, including the final specifications of such aircraft and any price escalations. During the three months ended March 31, 2025 the Company and TAI agreed to apply a previous deposit under the aircraft purchase agreement to amounts due under the licensing agreement. As of March 31, 2025, the Company has made deposits of $2.0 million under this agreement, with the Company being required to make an additional deposit of $8.0 million during 2025. The Company accepted delivery of four aircraft under the aircraft purchase agreement during 2024.

Jetstream Agreement

On October 10, 2022, the Company and Jetstream Aviation Capital, LLC (“Jetstream”) entered into an agreement (the “Jetstream Agreement”) that provides for a sale and/or assignment of purchase rights of aircraft from the Company to Jetstream and the leaseback of such aircraft from Jetstream to the Company within a maximum aggregate purchase amount of $450.0 million, including a $120.0 million total minimum usage obligation by the Company. The agreement may be terminated: (i) upon a termination notice by either party in the event that a material adverse change in the business of the other party is not resolved within 30 days of such notice; and (ii) as mutually agreed in writing by the parties. No transactions have been executed under this agreement as of March 31, 2025.

Palantir Joint Venture

On August 9, 2024, the Company entered into a joint venture agreement (the "JV Agreement") with Palantir. Pursuant to the JV Agreement, the Company expects to establish Surf Air Technologies LLC ("Surf Air Technologies"), a subsidiary of the Company, in order to help develop, market, sell, maintain, and support an artificial intelligence-powered software platform for the advanced air mobility industry, which is expected to be powered by Palantir, to provide operators of all types of aircraft, amongst other software products and solutions, with systems for the management of planes, airline operations, and customer facing applications (the "Software Platform").

The JV Agreement provides that the Company will assign certain agreements regarding subscription access to certain of Palantir's proprietary commercial software platforms (the "Palantir Platforms") to Surf Air Technologies. The Company has agreed to contribute the software and intellectual property the Company has developed relating to the Software Platform; the data and know-how from its operations on an ongoing basis to support the development, maintenance, support, and operation of the Software Platform; and the employees and contractors directly involved in developing the Software Platform. Palantir has agreed to contribute a service contract to provide implementation engineering services in support of Surf Air Technologies' use of the Palantir Platforms, which may include its interface to Software Platform. Surf Air Technologies is also expected to be capitalized by outside third-party investors sourced by the Company and Palantir, with an initial target raise of not less than $5 million.

The closing of the JV Agreement is anticipated to occur no later than May 31, 2025 and is subject to certain customary conditions, including the following: establishment of Surf Air Technologies as a Delaware limited liability company, signing of an operating agreement, contributions by each party to Surf Air Technologies, the securing and funding of outside capital, and receipt of internal approvals by the Company and Palantir.

Under the JV Agreement, the Company is entitled to designate four of the five members of the board of directors of Surf Air Technologies and Palantir is entitled to designate one board member. The JV Agreement also provides that the Company will be primarily responsible for oversight of Surf Air Technologies and shall designate the Chair of the board of directors, the legal representative, and the General Manager of Surf Air Technologies.

The JV Agreement also provides that the Company and Palantir have certain rights in connection with Surf Air Technologies, including pre-emptive rights if Surf Air Technologies proposes to increase its registered capital, a right of first refusal to purchase equity in Surf Air Technologies that the other party may propose to transfer to a third party, the Company's right to buy out Palantir's stake in Surf Air Technologies, Palantir's right to exchange shares in the Company for equity in Surf Air Technologies, and the right to purchase all of the other party's equity in the event of bankruptcy of the other party.

Guarantees

The Company indemnifies its officers and directors for certain events or occurrences arising as a result of the officer or director serving in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential future amount the Company could be required to pay under these indemnification agreements is unlimited. The Company believes its insurance would cover any liability that may arise from the acts of its officers and directors and as of March 31, 2025 the Company is not aware of any pending claims or liabilities.

The Company enters into indemnification provisions under agreements with other parties in the ordinary course of business, typically with business partners, contractors, customers, landlords and investors. Under these provisions, the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of its activities or, in some cases, as a result of the indemnified party's activities under the agreement. These indemnification provisions sometimes include indemnifications relating to representations the Company has made with regards to intellectual property rights. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential future amount the Company could be required to pay under these indemnification provisions is unlimited.

Legal Contingencies

In 2017, the Company acquired Rise U.S. Holdings, LLC ("Rise"). Prior to the close of the acquisition, Rise Alpha, LLC and Rise Management, LLC (both of which are wholly-owned subsidiaries of Rise and hereinafter referred to as the "Rise Parties"), were served with a petition for judgment by Menagerie Enterprises, Inc. ("Monarch Air"), relating to breach of contract for failure to pay Monarch Air pursuant to the terms and conditions of a flight services agreement with Monarch Air, which occurred prior to the Company's acquisition of Rise. The Rise Parties filed numerous counterclaims against Monarch Air, including fraud, breach of contract and breach of fiduciary duty. Rise, a subsidiary of the Company, was named as a party in the lawsuit. During 2018 and 2019, certain summary judgments were granted in favor of Monarch Air.

On November 8, 2021, the Rise Parties entered into a final judgment in respect of litigation to finally resolve all claims raised by Monarch Air and the Rise Parties agreed to pay actual damages of $1.0 million, pre-judgment interest of $0.2 million, attorneys' fees of

$60 thousand and court costs of approximately $3 thousand. Since then, Monarch Air has been conducting post-judgment discovery. The full settlement had been accrued within Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets by the Company as of March 31, 2025 and December 31, 2024.

The Company is also a party to various other claims and matters of litigation incidental to the normal course of its business, none of which were expected to have a material adverse effect on the Company as of March 31, 2025. However, the resolution of, or increase in any accruals for, one or more matters may have a material adverse effect on the Company's results of operations and cash flows.

FAA Matters

Our operations are highly regulated by several U.S. government agencies, including the U.S. DOT, the FAA and the Transportation Security Administration. Requirements imposed by these regulators (and others) may restrict the ways we may conduct our business, as well as the operations of our third-party aircraft operator customers. Failure to comply with such requirements may result in fines and other enforcement actions by the regulators.

Tax Commitment

On May 15, 2018, the Company received notice of a tax lien filing from the IRS for unpaid federal excise taxes for the quarterly periods beginning October 2016 through September 2017 in the amount of $1.9 million, including penalties and interest as of the date of the notice. The Company agreed to an Installment Plan whereby the IRS agreed to take no further action and remove such liens upon the payment of such amounts. In 2019, the Company defaulted on the Installment Plan. Defaulting on the Installment Plan can result in the IRS nullifying such plan, placing the Company in default and taking collection action against the Company for any unpaid balance. The Company's total outstanding federal excise tax liability, including accrued penalties and interest, is recorded in Accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets and is in the amount of $8.1 million and $7.7 million as of March 31, 2025 and December 31, 2024, respectively. In June 2024, the Company submitted a formal offer-in-compromise ("OIC") to the IRS, seeking to resolve all consolidated excise tax liabilities. Under the terms of the OIC, all collection actions against the Company, in relation to these matters, were abated and the Company made $34 thousand monthly payments on historical excise tax liabilities through November 2024. In December 2024, the Company received notice from the IRS that the OIC had been rejected on an administrative basis. The Company intends to resubmit a revised OIC once these administrative matters are resolved. Additionally, the Company will continue to explore all additional available options regarding settlement of its federal excise tax liability.

During 2018, the Company defaulted on its property tax obligations in various California counties in relation to fixed assets, plane usage and aircraft leases. The Company's total outstanding property tax liability including penalties and interest is $1.7 million and $1.6 million as of March 31, 2025 and December 31, 2024, respectively.

Note 11. Disaggregated Revenue

The disaggregated revenue for the three months ended March 31, 2025 and 2024 were as follows *(in thousands)*:

	Three Months Ended March 31,	
	2025	2024
Scheduled	$ 17,783	$ 22,979
On-Demand	5,723	7,645
Total revenue	$ 23,506	$ 30,624

The revenue deferred and recognized for the three months ended March 31, 2025 and 2024 were as follows *(in thousands)*:

	Three Months Ended March 31,	
	2025	2024
Deferred revenue, beginning of period	$ 17,399	$ 21,726
Revenue deferred	11,263	17,240
Revenue recognized	(12,059)	(17,736)
Deferred revenue, end of period	$ 16,603	$ 21,230

Deferred revenue principally represents tickets sold for future travel on the Company's flights. The balance fluctuates with seasonal travel patterns. The contract duration of passenger tickets is generally one to two years. Accordingly, any revenue associated with tickets sold for future travel will be recognized within 12-24 months. For the three months ended March 31, 2025, $4.3 million of revenue was recognized in passenger revenue that was included in the Company's deferred revenue liability at December 31, 2024.

Note 12. Stock-Based Compensation

Stock Options

A summary of stock option activity for the three months ended March 31, 2025 is set forth below:

	Number of Stock Options Outstanding	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2024	2,689,131	9.21	$ 1,353	$ 7.80
Granted	—	—	—	—
Exercised	—	—	—	—
Canceled	(107,142)	—	—	2.59
Outstanding at March 31, 2025	2,581,989	8.98	1,667	8.02
Exercisable at March 31, 2025	848,987	8.57	—	11.72

As of March 31, 2025, unrecognized compensation expense related to the unvested portion of the Company's share options was approximately $1.7 million with a weighted-average remaining vesting period of approximately 1.41 years.

Warrants

A summary of warrant activity for the three months ended March 31, 2025 is set forth below:

	Number of Warrants Outstanding	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2024	4,549,958	9.73	$ 12,296	$ 2.87
Granted	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
Outstanding at March 31, 2025	4,549,958	9.48	2,885	2.87
Exercisable at March 31, 2025	3,497,343	9.48	2,885	1.92

As of March 31, 2025, unrecognized compensation expense related to the unvested portion of the Company's common stock warrants was approximately $0.6 million which is expected to be recognized over the weighted-average remaining vesting period of approximately 2.00 years.

Restricted Stock Units

A summary of RSU activity for the three months ended March 31, 2025 is set forth below:

	Number of RSUs	Weighted Average Grant Date Fair Value per RSU
Unvested RSUs at December 31, 2024	316,663	$ 4.52
Granted	—	—
Vested/shares issued	(20,554)	7.80
Forfeited, cancelled, or expired	(5,970)	4.90
Unvested RSUs at March 31, 2025	290,139	$ 4.28

Restricted Share Purchase Agreement ("RSPA")

A summary of RSPA activity for the three months ended March 31, 2025 is set forth below:

	Number of RSPAs	Weighted Average Grant Date Fair Value per RSPA
Unvested RSPAs at December 31, 2024	36,907	$ 29.13
Granted	—	—
Vested	(6,082)	27.74
Forfeited	—	—
Unvested RSPAs at March 31, 2025	30,825	$ 29.13

Some RSPAs were issued for cash while others were issued for promissory notes. The executed promissory note creates an option for the RSPA holder, since they will repay the loan when the fair value of the common stock is greater than the amount of the note. The promissory note contains prepayment features and therefore can be repaid at any time. The maturity date of the RSPA's is five years from the grant date. The grant date fair value is based on the terms of the promissory note, since the promissory notes creates the option value. The related expense is recorded over the service vesting terms of the RSPA.

As of March 31, 2025, the unrecognized compensation expense related to the unvested portion of the Company's RSPAs was $0.9 million, which is expected to be recognized over a weighted average period of 1.16 years.

Performance-Based Restricted Stock Units

A summary of performance-based restricted stock units ("PRSU") activity for the three months ended March 31, 2025 is set forth below:

	Number of PRSUs	Weighted Average Grant Date Fair Value per PRSU
PRSUs at December 31, 2024	428,571	$ 14.74
Granted	—	—
Shares issued	—	—
Forfeited, cancelled, or expired	—	—
PRSUs at March 31, 2025	428,571	$ 14.74

A summary of stock-based compensation expense recognized for the three months ended March 31, 2025 and 2024 is as follows *(in thousands)*:

	Three months ended March 31,	
	2025	2024
Stock Options	$ 501	$ 955
RSUs	380	742
RSPAs	169	178
PRSUs	757	768
Warrants	72	—
Management Incentive Bonus Plan	—	10,000
Total Stock Based Compensation	$ 1,879	$ 12,643

Note 13. Segment Reporting

The Company and its chief operating decision maker ("CODM"), which is the Company's chief executive officer, organize and manage the Company on a consolidated basis, and, accordingly, the Company operates as a single operating and reportable segment, namely its Air Mobility segment.

The Air Mobility segment derives revenues from two categories of services:

Scheduled Air Service - revenue from operating scheduled commercial air service flights which are sold to the public primarily on a per seat basis, and through subsidized EAS revenue awards from the Department of Transportation.

On-Demand- revenue from on-demand flights created for customers on an ad-hoc, by request basis.

The accounting policies of the Air Mobility segment are the same as those described in the summary of significant accounting policies. The CODM assesses performance for the Air Mobility segment and decides how to allocate resources based on net loss as reported on the Consolidated Statements of Operations. The measure of segment assets is reported on the balance sheet as total consolidated assets.

In addition to consolidated financial metrics used in assessing the Air Mobility segment, the CODM also regularly reviews additional significant expense categories, which comprise cost of revenue, exclusive of depreciation and amortization within the Company's Condensed Consolidated Statements of Operations. Such cost categories are determined to be those most relevant in providing flight services, and are aligned with cost designations measured by other carriers. All other financial statement metrics are reviewed and/or considered on a consolidated basis:

	Three Months Ended March 31,	
	2025	2024
Revenue	$ 23,506	$ 30,624
Operating expenses:		
Aircraft expenses	$ 17,789	$ 19,293
Pilot expenses	3,892	4,705
Other [(1)]	3,025	4,491
Cost of revenue, exclusive of depreciation and amortization	24,706	28,489
Technology and development	2,680	7,009
Sales and marketing	1,653	3,009
General and administrative	10,886	24,609
Depreciation and amortization	2,148	1,978
Total operating expenses	42,073	65,094
Operating loss	$ (18,567)	$ (34,470)
Other income (expense):		
Changes in fair value of financial instruments carried at fair value, net	$ 5,396	$ (515)
Interest expense	(3,895)	(1,671)
Gain (loss) on extinguishment of debt	39	-
Other income (expense)	(1,492)	(355)
Total other income (expense), net	$ 48	$ (2,541)
Loss before income taxes	(18,519)	(37,011)
Income tax benefit	53	46
Net loss	$ (18,466)	$ (36,965)

[(1)] *Other costs of revenue are comprised of personnel costs related to customer service operations, station expenses, reservation systems and passenger re-accommodation/ re-booking on other carriers.*

The CODM uses net loss to evaluate income (loss) generated from segment assets (return on assets) in deciding how to allocate resources. Consolidated net loss is used to monitor budget versus actual results. The monitoring of budgeted versus actual results are used in assessing performance of the segment and in establishing management's compensation.

The Company does not have intra-entity sales or transfers. All of the Company's long-lived assets are located in the United States and revenue is substantially earned from flights throughout the United States.

Note 14. Income Taxes

The Company’s provision for income taxes for the three months ended March 31, 2025 and 2024, was a benefit of $53 thousand and $46 thousand, respectively. The Company’s effective tax rate for all periods was lower than the federal statutory rate of 21%, primarily due to the Company’s full U.S. federal and state valuation allowance.

The Company is subject to income tax examinations by the U.S. federal and state tax authorities. There were no ongoing income tax examinations as of March 31, 2025. In general, tax years 2011 and forward remain open to audit for U.S. federal and state income tax purposes.

Note 15. Related Party Balances and Transactions

Term Notes

The Company entered into term note agreements with LamVen, a related party, with aggregate principal amounts of $4.5 million and $1.0 million, an effective date of November 30, 2022 and January 18, 2023, respectively, and bearing an interest rate of 8.25% per annum. Both term notes were exchanged for cash and scheduled to mature on the earlier of December 31, 2023 or the date on which the note is otherwise accelerated as provided for in the agreement. Interest for the notes are payable in full at maturity or upon acceleration by prepayment. On December 29, 2023, the term notes were amended to extend the maturity date to January 15, 2024. On January 26, 2024, the term notes were amended to extend the maturity date to February 9, 2024, with an effective date of January 15, 2024. On April 28, 2024, the term notes were further amended to extend the maturity date to May 15, 2024, with an effective date of April 15, 2024. On July 31, 2024, the term notes were further amended to extend the maturity date to August 20, 2024, with an effective date of May 15, 2024. In November 2024, the term notes were exchanged for a new secured convertible promissory note with LamVen.

On May 22, 2023, the Company entered into an additional term note agreement in exchange for $4.6 million in cash from LamVen. The note was scheduled to mature on the earlier of December 31, 2023 or the date on which the note is otherwise accelerated as provided for in the agreement. Interest is due upon maturity at a rate of 10.0% per annum until the note is paid in full at maturity or upon acceleration by prepayment. On December 29, 2023, the term notes were amended to extend the maturity date to January 15, 2024. On January 26, 2024, the term notes were amended to extend the maturity date to February 9, 2024, with an effective date of January 15, 2024. On July 31, 2024, the term notes were further amended to extend the maturity date to August 20, 2024, with an effective date of May 15, 2024. In November 2024, the term notes were exchanged for a new secured convertible promissory note with LamVen.

On June 15, 2023, the Company entered into a $5.0 million note agreement with LamVen. The note was scheduled to mature on the earlier of December 31, 2023 or the date on which the note is otherwise accelerated as provided for in the agreement. Interest is due upon maturity at a rate of 10.0% per annum until the note is paid in full at maturity or upon acceleration by prepayment. On December 29, 2023, the note was amended to extend the maturity date to January 15, 2024 and to increase the principal amount of the note to $10.0 million. The Company received $8.5 million in cash as of December 31, 2023, with the remaining $1.5 million under the note received in 2024. On January 26, 2024, the note was further amended to extend the maturity date to February 9, 2024 and the principal amount increased to $15.0 million, effective as of January 15, 2024. On April 28, 2024, the note was further amended to extend the maturity date to May 15, 2024 and the principal amount increased to $25.0 million, effective as of April 15, 2024. The Company received $38.2 million as of September 30, 2024. In October 2024, the Company received an additional $4.9 million under this note agreement, for an aggregate total of $43.1 million cash received under the note since inception. In November 2024, the note was exchanged for a new secured convertible promissory note with LamVen.

On June 15, 2023, the LamVen term note dated April 1, 2023 for $3.5 million, including principal and interest, was converted, via a payoff letter, into the LamJam SAFE note (see Note 7, *Financing Arrangements*).

On June 15, 2023, the term notes with LamJam, an entity affiliated with a co-founder of the Company, in the amount of $5.3 million principal and interest were converted into 9,932,241 Class B-6s convertible preferred shares. The resulting shares were further converted into shares of the Company’s common stock as part of the direct listing on July 27, 2023.

LamVen Note

On November 14, 2024, the Company entered into a secured convertible promissory note (the "LamVen Note") in aggregate principal amount of $50.0 million to LamVen, to refinance certain existing notes.

The LamVen Note will accrue interest at the greater of (x) SOFR (subject to a 1.00% floor) plus 5.00% and (y) 9.75%. In the event the Company raises capital in certain equity offerings, a portion of the net cash proceeds from such equity offerings and the net cash proceeds from certain asset sales are required to be applied to repay the obligations under the LamVen Note. The scheduled maturity of the LamVen Note is December 31, 2028, which may be accelerated upon the occurrence of certain events of default.

At the election of LamVen from time to time, on one or more occasions, the outstanding principal amount of the LamVen Note (or any portion thereof), together with all accrued but unpaid interest thereon, can be converted into a number of shares of common stock, using a conversion price per share equal to the Minimum Price, as defined in New York Stock Exchange Listed Company Manual Section 312.04(h) (the "Minimum Price"); provided, however, that LamVen shall not be able to convert the LamVen Note if so doing would increase LamVen's beneficial ownership interest in the Company to 10% or more of the Company's then outstanding common stock.

In addition, on November 14, 2024, the outstanding principal and the interest of existing LamVen notes of $7,473,131 was exchanged for (i) 750,000 shares of common stock of the Company issued to LamVen at $1.83 per share, which represents the official closing price of the Company's common stock on the New York Stock Exchange on the date immediately preceding November 14, 2024, and (ii) 3,389,398 warrants to purchase common stock of the Company issued to LamVen with a strike price of $1.83 per share.

The obligations under the LamVen Note are guaranteed by certain of the Company's subsidiaries, and subject to a security interest on assets of the Company and the subsidiary guarantors, subject to certain exceptions.

The conversion feature embedded in the LamVen Note failed to satisfy the requirements for the derivative scope exception for contracts indexed in the Company's own stock. The conversion feature of the LamVen Note required bifurcation from the host contract. The embedded derivative was initially measured at fair value of $6.8 million, with a corresponding debt discount of $6.8 million being recorded as the excess of the principal amount of the LamVen Note over the fair value of the host contract. The debt discount will be amortized to interest expense using the effective interest rate over the term of the LamVen Note. During the three months ended March 31, 2025, the Company recorded $423 thousand of interest expense related to the amortization of this discount.

Park Lane Reimbursement Agreement

On November 14, 2024, in connection with the letter of credit backstopping the Credit Agreement, the Company entered into a Reimbursement Agreement with Park Lane (the "Reimbursement Agreement"), such that if the letter of credit is drawn upon, the Company will be required to reimburse Park Lane for the drawn amount of the letter of credit and pay interest to Park Lane at 15.00% per annum on such drawn amounts (subject to increase in the event of default). The Company is separately obligated to pay a fee of 1.00% per annum to Park Lane on the outstanding face amount of the backstop letter of credit. In the event the Company raises capital in certain equity offerings, a portion of the net cash proceeds from such equity offerings is required to be remitted to Park Lane to be held in trust in accordance with the Reimbursement Agreement. As a result of proceeds received from the April 1, 2025 Registered Direct Offering (see Note 18, *Subsequent Events*), the Company will be required to remit $750 thousand to Park Lane under this provision.

The obligations under the Reimbursement Agreement are guaranteed by certain of the Company's subsidiaries, and subject to a security interest on assets of the Company and the subsidiary guarantors, subject to certain exceptions. The Reimbursement Agreement contains certain representations and warranties, covenants and events of default.

In connection with the Reimbursement Agreement, Park Lane will have the right to appoint a board observer with respect to the Company.

Other Transactions

As of March 31, 2025, the Company continues to lease four aircraft from Park Lane, for a monthly lease payment of $25 thousand per aircraft. The lease for the four planes was extended on a month to month basis as of January 31, 2025.

JA Flight Services and BAJ Flight Services

As of March 31, 2025, the Company leased a total of three aircraft from JA Flight Services ("JAFS") and one aircraft from BAJ Flight Services ("BAJFS") under short-term operating leases. JAFS is 50% owned by Bruce A. Jacobs ("BAJ"), an employee and shareholder of the Company, and BAJFS is 100% owned by BAJ.

The Company recorded approximately $138 thousand in combined lease and engine reserve expense attributable to JAFS and BAJFS during the three months ended March 31, 2025. Accounts payable of $20 thousand owed to JAFS and BAJFS as of March 31, 2025, is included in Due to Related Parties, current on the Condensed Consolidated Balance Sheet.

Schuman Aviation

As of March 31, 2025, the Company leased six aircraft from Schuman Aviation Ltd. ("Schuman"), an entity which is owned by Richard Schuman, an employee and shareholder of the Company. All leases consist of 60-month terms, fixed monthly lease payments and are all eligible for extension at the end of the lease term. All the leases are also subject to monthly engine, propeller and other reserve payment requirements, based on actual flight activity incurred on the subject aircraft engine.

The Company recorded approximately $279 thousand in combined lease and engine reserve expense attributable to Schuman for the three months ended March 31, 2025. As of March 31, 2025, the Company owed approximately $177 thousand to Schuman, which is included in Due to Related Parties, current on the Condensed Consolidated Balance Sheet.

Additionally, the Company has an existing agreement with Schuman, whereby Schuman agreed not to fly any of its Makani Kai airline routes servicing the Hawaiian Island commuter airspace for a period of 10 years. Remaining amounts due under this agreement represent the final two annual installment payments, of $100 thousand each, which will be paid over the next two years.

Advisory Services Agreement with Proxima Centauri, LLC

Proxima Centauri, LLC, an entity wholly-owned by David Anderman, a member of the Company's Board of Directors, provides advisory services to the Company for a monthly fee of $20,000 per month pursuant to an Advisory Services Agreement entered into on December 16, 2024. As additional compensation, the Company issued a warrant to Proxima Centauri to purchase up to 142,857 shares of common stock on December 16, 2024.

Note 16. Supplemental Cash Flows

Supplemental cash flow information for the three months ended March 31, 2025 and 2024 *(in thousands):*

	Three Months Ended March 31,	
	2025	2024
Supplemental cash flow information		
Cash paid for interest	$ 2,263	$ 349
Supplemental schedule of non-cash investing and financing activities:		
Common stock issued as payment for software license agreement	$ 947	$ 4,000
Capitalized interest on convertible notes	$ —	$ 34
Right-of-use assets obtained in exchange for new operating lease liabilities	$ —	$ 1,160
Right-of-use obtained in exchange for new finance lease liabilities	$ —	$ 95
Overhaul accrual in accrued expenses and other current liabilities	$ —	$ 98
Purchases of property and equipment included in accounts payable	$ 716	$ 880

Note 17. Net Loss per Share Applicable to Common Shareholders, Basic and Diluted

The Company calculates basic and diluted net loss per share attributable to common shareholders using the two-class method required for companies with participating securities. The Company considers preferred stock to be participating securities as the holders are entitled to receive dividends on a pari passu basis in the event that a dividend is paid on common shares. As outlined in "Reverse Stock Split" in Note 1, *Description of Business,* the effects of the seven-for-one reverse stock split for all shares of the Company's common stock then issued and outstanding, have been applied to outstanding shares of common stock and rights to receive shares of common stock for all periods presented in calculating earnings per share and for presentation within the Condensed Consolidated Statement of Changes in Shareholders' Deficit.

The following table sets forth the computation of net loss per common share *(in thousands, except share data and per share amounts)*:

	Three Months Ended March 31,	
	2025	2024
Net loss	$ (18,466)	$ (36,965)
Weighted-average number of common shares used in net loss per share applicable to common shareholders, basic and diluted	16,905,684	11,044,190
Net loss per share applicable to common shareholders, basic and diluted	$ (1.09)	$ (3.35)

The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share for the periods indicated because including them would have had an anti-dilutive effect:

	Three Months Ended March 31,	
	2025	2024
Excluded securities:		
Options to purchase common shares	2,581,989	486,362
Warrants to purchase common shares	4,549,958	—
Restricted stock units	719,398	554,002
Unvested RSPAs	30,825	54,320
Convertible notes (as converted to common shares)	18,917,877	190,476
Mandatory Convertible Security	9,387,409	—
Total common shares equivalents	36,187,456	1,285,160

Note 18. Subsequent Events

Registered Direct Offering

On March 31, 2025, the Company entered into a securities purchase agreement with an investor (the "Purchase Agreement") relating to the offering and sale in a registered direct offering (the "Offering") of an aggregate of 1,860,000 shares of the Company's common stock, at an offering price of $2.50 per share, and pre-funded warrants to purchase up to 140,000 shares of common stock (the "Pre-Funded Warrants"), at an offering price of $2.4999 per share. The Offering closed on April 1, 2025 (the "Closing Date") and the Company received gross proceeds of approximately $5 million before deducting placement agent fees and estimated offering expenses.

We also issued warrants (the "Placement Agent Warrants") to purchase up to 100,000 shares of Common Stock to H.C. Wainwright & Co., LLC (the "Placement Agent") in conjunction with the Offering. The Placement Agent Warrants have an exercise price equal to $3.125 per share and are exercisable for five years from the Closing Date.

The common stock, Pre-Funded Warrants and Placement Agent Warrants were offered and sold pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-284845) initially filed with the Securities and Exchange Commission (the "Commission") on February 11, 2025 and declared effective on March 26, 2025. A prospectus supplement relating to the Offering and the Placement Agent Warrants was filed with the Commission on April 1, 2025.

Pursuant to an engagement letter dated as of March 18, 2025, between the Company and the Placement Agent, the Company agreed to pay the Placement Agent a total cash fee equal to 7.0% of the aggregate gross proceeds from the Offering. The Company also agreed to pay the Placement Agent up to $50,000 of legal expenses and $15,950 for other expenses. The Purchase Agreement contains customary representations, warranties and agreements by the Company and customary conditions to closing. In addition, until 45 days after the Closing Date, the Company has agreed not to offer, sell, contract to sell, hypothecate, pledge, otherwise dispose of, or enter into a transaction which might result in the disposition of any shares of Common Stock of the Company or securities convertible, exchangeable or exercisable into, shares of common stock of the Company. The Company agreed to indemnify the Placement Agent against certain liabilities relating to or arising out of the Placement Agent's activities under the engagement letter and to contribute to payments that the Placement Agent may be required to make in respect of such liabilities.

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

The following discussion and analysis is intended to help the reader understand the Company's results of operations and financial condition. This discussion and analysis is provided as a supplement to, and should be read in conjunction with, the information included in Item 1. Financial Statements in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to the Company's plans and strategy for its business, includes forward-looking statements that involve risks and uncertainties. The Company's actual results and outcomes, and the timing of its results and outcomes, may differ materially from management's expectations as a result of various factors, including but not limited to those discussed in the section entitled "Special Note Regarding Forward-Looking Statements" included in this Quarterly Report on Form 10-Q and the sections entitled "Risk Factors" included within this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the U.S. Securities and Exchange Commission ("SEC") on March 21, 2025.

Overview of the Business

Surf Air Mobility Inc. ("Surf Air Mobility", the "Company", "us", "we" or "our") is a regional air mobility platform that aims to transform regional flying. The Company is currently comprised of its Air Mobility business, with the goal of further developing and enhancing its service and technology offerings through its Air Technology business.

The Air Mobility business is an established regional air mobility platform providing scheduled service and an on-demand charter marketplace to passengers in the U.S. and globally. Current initiatives surrounding the Air Technology business seek to drive an innovative platform developing a proprietary, AI-enhanced aviation software operating system as well as technology and services to enable electrification across the regional air mobility sector.

The Company was incorporated in 2021 and became the ultimate parent of both Surf Air Global Limited ("Surf Air") and Southern Airways Corporation ("Southern") in July of 2023 following the Company's public listing on the New York Stock Exchange ("NYSE"). For 2024, the Company's combined network served over 370,000 passengers with approximately 72,000 scheduled departures. We expect the combination of our legacy networks will continue to provide the basis for our expanded, nationwide regional air mobility platform.

Our predecessor company, Surf Air, was formed in 2016 and prior to its reorganization into Surf Air Mobility, aimed to expand the category of regional air travel, connecting underutilized regional airports and private terminals to create a "shared private" customer experience and a high frequency "commercial-like" air service, using small turboprop aircraft. Surf Air provided both scheduled routes and on-demand charter flights operated by third parties that operate under Part 135 of Title 14 of the U.S. Code of Federal Regulations ("Part 135"). Surf Air drove the early stages of development of our current efforts to develop electrified powertrain technology, including the establishment of relationships with key commercial partners who, as a group, we believe can deliver novel hardware and software solutions that can make electrified flight possible for operators across the Part 135 industry, starting with our owned and operated fleet.

Reverse Stock Split

On August 16, 2024, the Company effected a seven-for-one reverse stock split for all shares of the Company's common stock then issued and outstanding. As a result of the reverse stock split, every seven shares of the Company's old common stock were converted into one share of the Company's new common stock. Fractional shares resulting from the reverse stock split were settled by cash payment.

Options, and other like awards, to purchase the Company's common stock were also adjusted in accordance with their terms to reflect the reverse stock split.

Adjustments resulting from the reverse stock split have been retroactively reflected as of all periods presented herein.

Operating Environment

Since 2020, the Company has been incurring expenses to support the development of the technology of its digital platform with the aim of enabling the regional air mobility market to operate at scale and to enhance the user's ability to make informed decisions based on multiple first and third party data sources as well as connected aircraft, and the Company expects these development expenses to continue to be incurred. Additionally, the Company is developing fully-electric and hybrid-electric powertrain technologies with its commercial partners to electrify existing fleets and as well as new aircraft of the same type. As a result, the Company expects to incur significant costs in the future to support the development of this technology.

In addition to incremental costs incurred in the execution of the Company's near and long-term business strategy, the Company has experienced inflationary pressures, which have materially increased the Company's costs for aircraft fuel, wages and benefits and other goods and services critical to its operations during 2024 and 2025 and believes perceived recessionary risks have impacted the operating results for 2024 and the first quarter of 2025. These factors may continue in the future. For example, perceived recessionary risks, as a result of tariff and trade uncertainty or otherwise, may cause companies and individuals to reduce travel for either professional or personal reasons, and drive higher prices in the supply chain the Company relies upon. In addition, the Company incurred greater than expected losses and negative cash flows from operating activities during 2024 and through the first quarter of 2025 due to inefficient aircraft utilization, primarily caused by an underutilization of pilots and a shortage of maintenance personnel and critical aircraft components, which, in aggregate, have challenged the Company's ability to serve its customers as desired and, in turn, cover expenses, specifically related to its scheduled service offerings.

As such, the extent to which global events and market inflationary impacts will affect our financial condition, liquidity and future results of operations is uncertain. Given the uncertainty regarding the length, and intensity, of these factors, the Company cannot reasonably estimate their impact on its future results of operations, cash flows or financial condition. The Company continues to actively monitor its financial condition, liquidity, operations, suppliers, industry and workforce. As the Company does not currently, and does not intend in the foreseeable future to, enter into any transactions to hedge fuel costs, or otherwise fix labor costs, the Company will continue to be fully exposed to fluctuations in prices of material operating costs.

During January 2025, the Company utilized an abundance of caution and voluntarily cancelled a significant number of scheduled flights due to maintenance concerns. The Company took actions to mitigate these concerns and returned its operations to full schedule during the first quarter of 2025. The most significant financial impacts of these cancellations have been lost revenues, lost operating income, decreased operating cash flows, and unplanned maintenance costs.

Key Operating Measures

In addition to the data presented in our condensed consolidated financial statements, we use the following key operating measures commonly used throughout the air transport industry to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions. The following table summarizes key operating measures for each period presented below, which are unaudited.

	Three Months Ended March 31,		Change	
	2025	2024	Increase/ Decrease	%
Scheduled Flight Hours[1]	13,090	16,817	(3,727)	(22)%
On-Demand Flights[2]	620	906	(286)	(32)%
Scheduled Passengers[3]	66,638	87,723	(21,085)	(24)%
Headcount[4]	654	815	(161)	(20)%
Scheduled Departures[5]	13,717	16,529	(2,812)	(17)%

[1] *Scheduled Flight Hours represent actual flight time from takeoff through landing that were flown in the period and excludes departures for maintenance or repositioning events. This metric only measures flight hours for flights that generated scheduled revenue and does not include flight hours for flights that generated on-demand revenue.*
[2] *On-Demand Flights represent the number of flights that generate on-demand revenue taken by customers on the Company's aircraft or third-party operated aircraft during the period.*
[3] *Scheduled Passengers represent the number of passengers flown during the period for scheduled service.*
[4] *Headcount represents all full-time and part-time employees at the end of the period.*
[5] *Scheduled Departures represent the number of takeoffs in the period, agnostic of operator and excludes departures for maintenance or repositioning events. This metric only measures takeoffs that generated scheduled revenue and does not include takeoffs that generated on-demand revenue.*

Results of Operations

Results of the Company's Operations for the Three Months Ended March 31, 2025 and 2024

The following table sets forth our condensed consolidated statements of operations data for the three months ended March 31, 2025 and 2024 (*in thousands, except percentages*):

	Three months ended March 31,		Change	
	2025	2024	$	%
Revenue	$ 23,506	$ 30,624	$ (7,118)	(23)%
Operating expenses:				
Cost of revenue, exclusive of depreciation and amortization	24,706	28,489	(3,783)	(13)%
Technology and development	2,680	7,009	(4,329)	(62)%
Sales and marketing	1,653	3,009	(1,356)	(45)%
General and administrative	10,886	24,609	(13,723)	(56)%
Depreciation and amortization	2,148	1,978	170	9%
Total operating expenses	42,073	65,094	(23,021)	(35)%
Operating loss	(18,567)	(34,470)	15,903	(46)%
Other income (expense):				
Changes in fair value of financial instruments carried at fair value, net	5,396	(515)	5,911	(1,148)%
Interest expense	(3,895)	(1,671)	(2,224)	(133)%
Gain on extinguishment of debt	39	—	39	—%
Other expense	(1,492)	(355)	(1,137)	(320)%
Total other income (expense), net	48	(2,541)	2,589	(102)%
Loss before income taxes	(18,519)	(37,011)	18,492	(50)%
Income tax benefit	53	46	7	15%
Net loss	$ (18,466)	$ (36,965)	$ 18,499	(50)%

Revenue

Revenue decreased by $7.1 million, or 23%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The decrease in revenue was attributable to the following changes in scheduled and on-demand revenues (in thousands, except percentages):

	For The Three Months Ended March 31,		Change	
	2025	2024	$	%
Scheduled	$ 17,783	$ 22,979	$ (5,196)	(23)%
On-Demand	5,723	7,645	(1,922)	(25)%
Total revenue	$ 23,506	$ 30,624	$ (7,118)	(23)%

Scheduled revenue decreased $5.2 million, or 23%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The decrease in scheduled revenue was primarily related to the exiting of unprofitable routes, addressing deferred interior and exterior maintenance items that impacted aircraft availability, and a full decrease in membership subscription revenue due to termination of scheduled membership routes.

On-Demand revenue decreased $1.9 million, or 25%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The decrease in on-demand revenue was related to exiting several on-demand products to focus on profitability rather than near-term market penetration.

Operating Expenses

Cost of Revenue, exclusive of depreciation and amortization

Cost of revenue decreased by $3.8 million, or 13%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The decrease of $2.6 million for the scheduled cost of revenue was primarily attributable to lower revenue due to the exiting of unprofitable routes and addressing deferred interior and exterior maintenance items that impacted aircraft availability.

The decrease of $1.2 million for the on-demand cost of revenue was primarily attributable to exiting several on-demand products to focus on profitability.

Technology and Development

Technology and development expenses decreased by $4.3 million, or 62%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The decrease was driven primarily by a decrease in accruals pertaining to the Textron data license of $3.1 million following the completion of the initial license stage, and additional decreases in labor and labor related expenses for the technology team of $1.3 million due to a decrease in headcount.

Sales and Marketing

Sales and marketing expenses decreased by $1.4 million, or 45%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024, primarily due to a decrease of $1.2 million in employee compensation and commission expenses, due to a reduced headcount.

General and Administrative

General and administrative expenses decreased by $13.7 million, or 56%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. The decrease in general and administrative expense was driven primarily by a $10.8 million reduction in stock-based compensation expense, primarily due to a $10.0 million reduction in expenses related to the Management Incentive Plan. Additional reductions of $2.2 million in professional service fees and $0.4 million in salary and compensation expense was the result of transaction and headcount reductions.

Depreciation and Amortization

Depreciation and amortization expenses increased by $0.2 million, or 9%, for the three months ended March 31, 2025, compared to the three months ended March 31, 2024. This was primarily due overall increases in aircraft depreciation due to capital expenditures subsequent to March 31, 2024.

Other Income/(Expense)

Other expense, net decreased by $2.6 million, or 102%, for the three months ended March 31, 2025 compared to the three months ended March 31, 2024. This was primarily attributable to a $5.5 million decrease in losses from changes in fair value of financial instruments, primarily due to changes in price of the Company's common stock, off set by a $1.8 million increase in interest expense due overall higher borrowings under the Comvest Credit Agreement and LamVen Note, and a $1.1 million increase in other loss, primarily due to $0.7 million in losses on disposal of fixed assets.

Net Loss

The decrease in net loss of $18.5 million, or 50%, for the three months ended March 31, 2025 compared to the three months ended March 31, 2024, was primarily attributable to a decrease in operating expenses of $23.0 million and a decrease in other expense of $2.6 million. These decreases in expenses were offset by a decrease in revenue of $7.1 million.

Cash Flow Analysis

The following table presents a summary of our cash flows (*in thousands*):

	Three Months Ended March 31,		Change	
	2025	**2024**	**$**	**%**
Net cash provided by (used in):				
Operating activities	$ (15,804)	$ (12,810)	$ (2,994)	(23)%
Investing activities	782	(743)	1,525	(205)%
Financing activities	542	13,113	(12,571)	(96)%
Net change in cash and cash equivalents	$ (14,480)	$ (440)	$ (14,040)	(3,191)%

Cash Flow from Operating Activities

For the three months ended March 31, 2025, net cash used in operating activities was $15.8 million, driven by a net loss of $18.5 million. These operating outflows were partially offset by depreciation and amortization expense of $2.1 million and losses on disposals of fixed assets of $0.7 million.

For the three months ended March 31, 2024, net cash used in operating activities was $12.8 million, driven by a net loss of $36.9 million. These operating outflows were partially offset by non-cash stock-based compensation expenses of $12.6 million, increases in accounts payable and accrued expenses of $8.3 million, and depreciation and amortization expense of $2.0 million.

Net cash used in operating activities increased period over period by $3.0 million, driven by decreases in stock based compensation expenses of $10.8 million, decreases in losses of changes in fair value of $5.9 million decrease in change in fair value of financial instruments and a $1.1 million decrease in operating cash flows from related parties. These were offset by a $18.5 million reduction in net loss.

Cash Flow from Investing Activities

For the three months ended March 31, 2025, net cash provided by investing activities was $0.8 million, an increase of $1.5 million compared to the three months ended March 31, 2024, driven by an increase in proceeds from the sale of fixed assets of $2.7 million, which was offset by a $1.2 million increase in purchases of property and equipment and software development costs during the three months ended March 31, 2025.

Cash Flow from Financing Activities

For the three months ended March 31, 2025, net cash provided by financing activities was $0.5 million due to proceeds from borrowings on long-term debt of $0.9 million and $0.3 million in collateralized financings, partially offset by $0.6 million in principal payments on long-term debt.

For the three months ended March 31, 2024, net cash provided by financing activities was $13.1 million from proceeds from borrowings due to related parties of $10.0 million, and proceeds from the GEM stock purchase agreement of $3.8 million, offset by $0.8 million due to payments on long-term debt.

Net cash provided by financing activities decreased period over period by $12.6 million, primarily driven by reductions in borrowings from related parties of $10.0 million and reductions in proceeds from the Share Purchase Agreement of $3.8 million. This was offset by a net increase of $1.2 million in borrowings and repayments on long-term debt and collateralized financings.

Liquidity and Capital Resources

The Company has incurred losses from operations, negative cash flows from operating activities and has a working capital deficit. In addition, the Company is currently in default of certain excise and property taxes as well as certain debt obligations. These tax and debt obligations are classified as current liabilities on the Company's Condensed Consolidated Balance Sheets as of March 31, 2025 and December 31, 2024. On May 15, 2018, the Company received a notice of a tax lien filing from the Internal Revenue Service ("IRS") for unpaid federal excise taxes for the quarterly periods beginning October 2016 through September 2017 in the amount of $1.9 million, including penalties and interest as of the date of the notice. The Company agreed to a payment plan (the "Installment Plan") whereby the IRS would take no further action and remove such liens at the time such amounts have been paid. In 2019, the Company defaulted on the Installment Plan. Defaulting on the Installment Plan can result in the IRS nullifying such plan, placing the Company in default and taking collection action against the Company for any unpaid balance. The Company's total outstanding federal excise tax liability including accrued penalties and interest of $8.1 million is included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheet as of March 31, 2025. The Company is currently considering available options regarding settlement of its federal excise tax liability. The Company has also defaulted on its property tax obligations in various California counties in relation to fixed assets, plane usage and aircraft leases. The Company's total outstanding property tax liability including penalties and interest is approximately $1.7 million as of March 31, 2025. The Company received a net credit of $0.3 million as a result of the property tax audit, which concluded in June 2024. Additionally, Los Angeles County has imposed a tax lien on four of the Company's leased aircraft due to the late filing of the Company's 2022 property tax return. As of March 31, 2025, the amount of property tax, interest and penalties accrued related to the Los Angeles County tax lien for all unpaid tax years was approximately $1.1 million. The Company is in the process of remediating the late filing, inclusive of the completion of county audits, and payment of the property taxes due to Los Angeles County. As of March 31, 2025, the Company was also in default of the Simple Agreements for Future Equity with Token allocation ("SAFE-T") note, where the note matured in July 2019. The SAFE-T note is subordinate to the Company's Convertible Note Purchase Agreement; therefore, the Company cannot pay the outstanding balance prior to paying amounts due under the Convertible Note

Purchase Agreement (as defined below). The SAFE-T note had an outstanding principal amount of $0.5 million as of March 31, 2025 (see Note 7, *Financing Arrangements*).

The airline industry and the Company's operations are cyclical and highly competitive. The Company's success is largely dependent on the ability to raise debt and equity capital, achieve a high level of aircraft and crew utilization, increase flight services and the number of passengers flown, and continue to profitably expand into regions throughout the United States.

The Company's prospects and ongoing business activities are subject to the risks and uncertainties frequently encountered by companies in new and rapidly evolving markets. Risks and uncertainties that could materially and adversely affect the Company's business, results of operations or financial condition include, but are not limited to the ability to (i) raise additional capital (or financing) to fund operating losses, (ii) refinance its current outstanding debt, (iii) maintain efficient aircraft utilization, primarily through the optimized utilization of pilots and managing market shortages of maintenance personnel and critical aircraft components, (iv) sustain ongoing operations, (v)attract and maintain customers, (vi) integrate, manage and grow recent acquisitions and new business initiatives, (vii) obtain and maintain relevant regulatory approvals, and (viii) measure and manage risks inherent to the business model.

The Company has historically funded its operations and capital needs primarily through the net proceeds received from the issuance of various debt instruments, convertible securities, related party funding, and preferred and common share financing arrangements. During the year ended December 31, 2024, the Company entered into a 4-year credit agreement with certain affiliates of Comvest Partners, as lenders, pursuant to which the Company borrowed $44.5 million under a four-year term loan, and $5.5 million of delayed draw commitments. As of March 31, 2025, $1.4 million has been drawn under the delayed draw commitments. Additionally, during the year ended December 31, 2024, the Company received an additional $2.5 million in advances and $1.4 million in draws under the second amended and restated Share Purchase Agreement with GEM. The Company had previously filed a Form S-1 registration statement (File No. 333-275434) with the SEC, registering up to 42,857,143 shares of the Company's common stock, which represents the balance of the full amount of shares of common stock that the Company estimated could be issued and sold to GEM for advances under the Share Purchase Agreement, plus the amount of shares the Company estimated could be sold to GEM for $50.0 million under the Share Purchase Agreement, (the "Prior Registration Statement"). In connection with the GEM Mandatory Convertible Security (see Note 8, *Share Purchase Agreement, GEM Purchase, and Mandatory Convertible Security*), the Company deregistered all of the shares registered but unsold under the Prior Registration Statement on June 4, 2024. The combined 46,428,571 shares contemplated under the Prior Registration Statement have been included in a Form S-1 Registration Statement (File No. 333-279929), which was declared effective by the SEC on August 7, 2024. As of March 31, 2025, the contractual terms allow the Company to make further advances of up to $97.5 million under the Share Purchase Agreement. Additionally, the Company has the ability to draw an additional $298.6 million under the Share Purchase Agreement, subject to daily volume limitations and GEM's requirement to hold less than 10% of the fully-diluted shares of the Company. As of March 31, 2025, GEM held 0% of the then fully-diluted shares of the Company. At March 31, 2025, the daily volume limitations under the Share Purchase Agreement significantly restricted our ability to take additional draws under the Share Purchase Agreement to approximately 104 thousand shares per draw. These restrictions do not impact the Company's ability to execute advances under the Share Purchase Agreement. Additionally, the Company's ability to draw upon the Share Purchase Agreement is contingent on the Company's common stock being listed on a national exchange. The Company is currently attempting to resolve one listing requirement violation, pertaining to its market capitalization, with the New York Stock Exchange. Absent an extension granted by the New York Stock Exchange, the Company would need to regain compliance by November 2025. While not currently subject to de-listing, the Company's inability to cure this listing requirement violation would impact its ability to raise capital through existing sources.

The Company is currently implementing operational improvements and stringent operating expenses management to improve the profitability of its airline operations. In parallel, the Company is advancing its technology initiatives, including its software technology platform and Caravan electrification programs. In addition, the Company continues to evaluate strategies to obtain additional funding for future operations. These strategies may include, but are not limited to, obtaining additional equity financing, issuing additional debt or entering into other financing arrangements, forming joint venture and other partnerships, and restructuring of operations to grow revenues and decrease expenses. There can be no assurance that the Company will be successful in achieving its strategic plans, or that new financing will be available to the Company in a timely manner or on acceptable terms, if at all. If the Company is unable to raise sufficient financing when needed or events or circumstances occur such that the Company does not meet its strategic plans or, the Company will be required to take additional measures to conserve liquidity, which could include, but not necessarily limited to, reducing certain spending, altering or scaling back development plans, including plans to equip regional airline operations with fully-electric or hybrid-electric aircraft, or reducing funding of capital expenditures, which could have a material adverse effect on the Company's financial position, results of operations, cash flows, and ability to achieve its intended business objectives. These factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

The Company's capital expenditures during the three months ended March 31, 2025 were limited to payments made for aircraft parts, engines, immaterial purchases and internally developed software. The Company intends to to utilize the SPA or obtain alternative funding, the Company intends to invest significantly in expansion of its network footprint and in development of electrified powertrain technology and its commercial platform. Expansion of the network will require acquisition of aircraft over the next five years with an expected cost of approximately $0.3 billion. The Company has placed an order with TAI for 90 Cessna Grand Caravan aircraft with an option for an additional 26 Cessna Grand Caravan aircraft, with expected delivery taken over the next five years. As of March 31, 2025, the Company has made deposits of $2.0 million for aircraft that are scheduled to be delivered under this order with TAI. The Company may finance these aircraft through Jetstream Aviation Capital, with which the Company currently has a sale-leaseback financing arrangement of up to $450 million, and additional debt and/or leasing facilities that it intends to obtain in the event sale-leaseback financing is not available through Jetstream Aviation Capital. See the section entitled "Risk Factors — Risks Related to SAM's Financial Position and Capital Requirements — SAM has no operating history. Surf Air and Southern's past financial results may not be a reliable indicator of SAM's future success" included within the Company's Form 10-K filed on March 21, 2025. The Company has engaged AeroTEC to develop hybrid-electric and fully electric STCs for the Cessna Grand Caravan in partnership with TAI.

Commitments

The Company has entered into various contractual arrangements related to the build-out of the Company's air service fleet, the development of its proprietary hybrid and electric aircraft technology, and the build out of its aircraft as a service platform. These arrangements include commitments for payments pursuant to licensing agreements, which routinely contain provisions for guarantees or minimum expenditures during the terms of the contracts. The Company also enters into long-term debt arrangements that include periodic interest and principal payments. Additionally, the Company routinely enters into noncancelable lease agreements for aircraft and operating locations, which contain minimum rental payments.

The timing and nature of these commitments are expected to have an impact on our liquidity and capital requirements in future periods. Refer to the Notes to the accompanying condensed consolidated financial statements included in Part I, Item 1 for additional information relating to our long-term debt, operating and finance leases, related party term notes, and commitments.

Critical Accounting Policies and Estimates

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Our most significant estimates and judgments involve difficult, subjective, or complex judgments made by management. Actual results may differ from these estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected. We had no significant changes to our critical accounting estimates as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

JOBS Act

The Company currently qualifies as an "emerging growth company" under the JOBS Act. Accordingly, the Company has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. The Company's utilization of these transition periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of operating our business, we are exposed to market risks. Market risk represents the risk of loss that may impact our financial position or results of operations due to adverse changes in financial market prices and rates. Except as indicated below, there has been no material change in our exposure to market risk from that described in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act of 1934, as amended (the "Exchange Act")), that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosure. It should be noted that, because of inherent limitations, our disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met.

As required by Rule 13a-15(b) under the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2025. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2025, due to material weaknesses in our internal control over financial reporting described below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and the dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures are being made only in accordance with appropriate authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on its financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2025 based on the criteria described in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was not effective as of December 31, 2024 due to the material weaknesses described below.

As of March 31, 2025, material weaknesses existed in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses are as follows:

- We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we lacked a sufficient complement of resources with (i) an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately, and (ii) an appropriate level of knowledge and experience to establish effective processes and controls. Additionally, the lack of a sufficient complement of resources resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions.
- We did not design and maintain effective controls in response to the risks of material misstatement. Specifically, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting.

These material weaknesses contributed to the following additional material weaknesses:

- We did not design and maintain effective controls related to the identification of and accounting for certain non-routine, unusual or complex transactions, including the proper application of U.S. GAAP of such transactions. Specifically, we did not design and maintain effective controls to timely identify and account for capitalizable costs, revenue, stock-based compensation, and debt and equity financing transactions.
- We did not design and maintain effective controls related to the period-end financial reporting process, including designing and maintaining formal accounting policies, procedures and controls to achieve complete, accurate and timely financial

accounting, reporting and disclosures. Additionally, we did not design and maintain effective controls over the preparation and review of account reconciliations and journal entries, including maintaining appropriate segregation of duties.

- We did not design and maintain effective information technology ("IT") general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain: (i) program change management controls to ensure that program and data changes are identified, tested, authorized, and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and to adequately restrict user and privileged access to appropriate personnel; (iii) computer operations controls to ensure that processing and transfer of data, and data backups and recovery are monitored; and (iv) program development controls to ensure that new software development is tested, authorized and implemented appropriately.
- We did not design and maintain effective controls to achieve complete, accurate and timely accounting for debt, deferred liabilities, leases, property and equipment, redeemable convertible preferred shares, accounts payable, and accrued liabilities.

These material weaknesses resulted in audit adjustments to substantially all of our accounts, which were recorded prior to the issuance of the consolidated financial statements as of December 31, 2021 and 2020 and for the years then ended, and as of June 30, 2022 and 2021 and for the six-month periods then ended. Subsequently, these material weaknesses also resulted in misstatements to revenue, deferred revenue, accrued expenses, additional paid-in capital and stock-based compensation expense to the consolidated financial statements as of December 31, 2022 and 2023 and for the years then ended. These material weaknesses also resulted in misstatements to prepaid expenses and other current assets and sales and marketing to the consolidated financial statements as of and for the quarter ended September 30, 2023. Additionally, these material weaknesses could result in a misstatement of substantially all of our accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

This Quarterly Report on Form 10-Q does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting as we are an "emerging growth company" as defined in the JOBS Act. For as long as we remain an "emerging growth company," we are exempt from the auditor attestation requirement in the assessment of the effectiveness of our internal control over financial reporting.

Remediation Plans to Address Material Weaknesses

As of the date of this Quarterly Report, we have executed on the following remediation actions:

- Adding key personnel with sufficient technical knowledge for the proper application of U.S. GAAP and the assessment of complex transactions;
- Integration and alignment of enterprise wide accounting operations under uniform financial systems and processes; and
- Engagement of a third party in the identification of risks of material misstatement and the designing and implementing of key controls to address the identified risks of material misstatement.

Our remediation plan includes the following actions that are ongoing:

- further segregate key duties, and actively monitor such duties, to reduce risks that could present a reasonable possibility of material misstatements;
- developing and executing action plans to address control deficiencies identified within certain key financial processes, prioritized by potential financial impact and risk;
- develop procedures promoting the consistent operation and evidencing of IT general controls specific to all key systems supporting financial reporting, including program change management, computer operations, program development, and user access reviews; and
- formalize our risk assessment process and accounting policies and provide training to relevant personnel on the importance of internal controls and compliance with policies.

We are prioritizing the above actions to complete our remediation plan. We believe that these actions, when fully implemented, will remediate the deficiencies described above. The deficiencies will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are designed and operating effectively. As we continue to evaluate and improve the applicable controls, management may take additional remedial measures or modify the remediation plan described above.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Inherent Limitation on the Effectiveness of Internal Control over Financial Reporting and Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed 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, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or 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 the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected or preventable.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Except as set out in Item 1 “Financial Statements - Note 10 - Commitments and Contingencies - Legal Contingencies,” we are not currently party to any legal proceedings, the outcome of which, if determined adversely, we believe would individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

ITEM 1A. RISK FACTORS

Except for the risk factor below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Changes in U.S. or foreign trade policies, including the imposition of tariffs and other protectionist trade measures, and other factors beyond our control may adversely impact our business, financial condition, and results of operations.

Since January 2025, the United States has announced significant new tariffs on imports from a wide range of countries, including China, which was followed by retaliatory tariffs by China and a number of countries and a cycle of further retaliatory tariff announcements and trade actions. Certain of the tariffs have been and may be delayed, but others have taken or may take effect. Further, tariffs announced or imposed by the United States could be altered or delayed through presidential action, bilateral negotiations, judicial orders or congressional action, and tariffs announced or imposed by other countries can be affected by similar developments. These and future changes in tariffs and trade policies by the United States or China, or trade actions by or directed toward other countries, such as Mexico or Canada, or retaliatory trade measures in response, may continue to result in additional costs and pricing pressures, supply chain disruptions, volatile or unpredictable customer spending patterns, and increased economic or geopolitical risks, any or all of which could adversely impact our business, financial condition, and results of operations, perhaps materially or in ways that we cannot predict. For example, we plan to outsource the majority of the production, assembly and installation of our fully-electric and hybrid-electric solutions, and international trade disputes and tariffs may increase costs of production and/or otherwise disrupt production, supply, or transit of products to their final destination. In addition, macroeconomic uncertainty tends to make consumers and businesses hesitant about discretionary purchases, which could result in reduced customer demand for air transportation, including our air mobility services, or could shift demand from our air mobility services to other methods of air or ground transportation for which we do not offer a competing service.

We are actively monitoring and evaluating these developments and the potential impacts of trade policy and tariffs on our business and results of operations. If tariffs continue to be maintained at current levels, and/or the U.S. government or foreign governments impose further retaliatory tariffs or other trade restrictive measures in response, we expect that such actions could negatively impact our revenue growth and margins in future periods through increased costs, decreased demand and other adverse economic impacts. The net effect of these actions on our business will depend on our ability to successfully mitigate and offset their impact, which efforts may not be effective. If we are unable to mitigate these risks through supply chain adjustments or other measures, our business could be negatively affected.

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

Except as previously disclosed in the Company’s Current Report on Form 8-K filed with the SEC on March 28, 2025, there have been no unregistered sales of equity securities during the three months ended March 31, 2025.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) Not applicable.

(c) Rule 10b5-1 Trading Plans or Other Preplanned Trading Arrangements

During the three months ended March 31, 2025, none of our directors or officers (as defined in Section 16 of the Exchange Act), adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any “non-Rule 10b5-1 trading arrangement” (as defined in Item 408(c) of Regulation S-K of the Exchange Act).

ITEM 6 – EXHIBITS

The following documents are filed as exhibits to this Report:

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation of Surf Air Mobility Inc. *(incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K, filed with the SEC on March 29, 2024).*
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation *(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 19, 2024).*
3.3	Amended and Restated Bylaws of SAM *(incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K, filed with the SEC on March 29, 2024).*
10.1	Form of Securities Purchase Agreement *(incorporated by reference as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 1 2025).*
10.2	Form of Pre-Funded Warrant *(incorporated by reference as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 1, 2025).*
10.3*	Form of Placement Agent Warrant *(incorporated by reference as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 1, 2025).*
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial and Accounting Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*§	Certification of Principal Executive Officer and Principal Financial and Accounting Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.

§ Furnished herewith. This certification is not deemed filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

	Surf Air Mobility Inc. (Registrant)
Date: May 13, 2025	/s/ Deanna White
	Deanna White Chief Executive Officer and Chief Operating Officer (Principal Executive Officer)
Date: May 13, 2025	/s/ Oliver Reeves
	Oliver Reeves Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Deanna White, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Surf Air Mobility Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 13, 2025

/s/ Deanna White
Deanna White
Chief Executive Officer and Chief Operating Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Oliver Reeves, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Surf Air Mobility Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 13, 2025

/s/ Oliver Reeves
Oliver Reeves
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATIONS
PURSUANT TO 18 U.S.C. 1350

Solely for the purposes of complying with 18 U.S.C. 1350, I, the undersigned Principal Executive Officer and Principal Financial and Accounting Officer of Surf Air Mobility Inc. (the "Company") hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2025 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Deanna White

Deanna White, Chief Executive Officer and Chief Operating Officer

(Principal Executive Officer)

May 13, 2025

/s/ Oliver Reeves

Oliver Reeves, Chief Financial Officer

(Principal Financial and Accounting Officer)

May 13, 2025