

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

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

For the quarterly period ended June 30, 2023

OR

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

Commission file number 001-39668

**Archer Aviation Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

**85-2730902**

(State or other jurisdiction of incorporation or organization)

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

**190 West Tasman Drive, San Jose, CA**

**95134**

(Address of principal executive offices)

(Zip Code)

**(650) 272-3233**

Registrant's telephone number, including area code

**N/A**

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

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

| <b>Title of each class</b>   | <b>Trading Symbol(s)</b> | <b>Name of each exchange on which registered</b> |
|--|--------------------------|--|
| Class A common stock, par value \$0.0001 per share   | ACHR                     | New York Stock Exchange                          |
| Warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of \$11.50 per share | ACHR WS                  | New York Stock Exchange                          |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 | <input type="checkbox"/>            | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input checked="" type="checkbox"/> |

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

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

As of August 4, 2023, the number of shares of the registrant's Class A common stock outstanding was 208,578,693, and the number of shares of the registrant's Class B common stock outstanding was 47,157,435.



**Archer Aviation Inc.**  
**For 10-Q**  
**For the Quarterly Period Ended June 30, 2023**

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#### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains forward-looking statements. All statements, other than statements of present or historical fact, included or incorporated by reference in this Quarterly Report regarding our future financial performance, as well as our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report, the words "anticipate," "believe," "continue," "could," "estimate," "expect," "future," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "seek," "should," "will," "would," the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

These forward-looking statements are based on information available as of the date of this Quarterly Report, and current expectations, assumptions, hopes, beliefs, intentions and strategies regarding future events. Accordingly, forward-looking statements in this Quarterly Report and in any document incorporated herein by reference should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include those described in Part II, Item 1A, "Risk Factors" in this Quarterly Report and Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the "SEC") on March 15, 2023 (the "Annual Report"). Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report, the Annual Report, and other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. Moreover, new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks and uncertainties, the future events and circumstances discussed in this Quarterly Report and the Annual Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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

As used herein, "Archer," "the Company," "Registrant," "we," "us," "our," and similar terms include Archer Aviation Inc. and its subsidiaries, unless the context indicates otherwise.

"Archer" and our other registered and common law trade names and trademarks of ours appearing in this Quarterly Report are our property. This Quarterly Report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

**Part I - Financial Information**

**Item 1. Financial Statements**

**Archer Aviation Inc.**  
**Consolidated Condensed Balance Sheets**  
**(In millions, except share and per share data; unaudited)**

|  | June 30,<br>2023 | December 31,<br>2022 |
|--|------------------|----------------------|
| <b>Assets</b>  |                  |                      |
| Current assets   |                  |                      |
| Cash and cash equivalents  | \$ 407.6         | \$ 69.4              |
| Restricted cash  | 7.2              | 2.9                  |
| Short-term investments   | —                | 461.8                |
| Prepaid expenses   | 6.6              | 9.8                  |
| Other current assets   | 1.2              | 1.6                  |
| Total current assets   | 422.6            | 545.5                |
| Property and equipment, net  | 42.3             | 11.5                 |
| Intangible assets, net   | 0.4              | 0.4                  |
| Right-of-use assets  | 10.1             | 11.9                 |
| Other long-term assets   | 6.1              | 4.5                  |
| <b>Total assets</b>  | <b>\$ 481.5</b>  | <b>\$ 573.8</b>      |
| <b>Liabilities and Stockholders' Equity</b>  |                  |                      |
| Current liabilities  |                  |                      |
| Accounts payable   | \$ 14.6          | \$ 3.6               |
| Current portion of lease liabilities   | 3.0              | 3.7                  |
| Notes payable  | 4.6              | 9.3                  |
| Accrued expenses and other current liabilities   | 135.5            | 36.7                 |
| Total current liabilities  | 157.7            | 53.3                 |
| Lease liabilities, net of current portion  | 13.9             | 9.2                  |
| Warrant liabilities  | 22.6             | 7.0                  |
| Other long-term liabilities  | 11.0             | 11.0                 |
| Total liabilities  | 205.2            | 80.5                 |
| Commitments and contingencies (Note 7)   |                  |                      |
| Stockholders' equity   |                  |                      |
| Preferred stock, \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of June 30, 2023 and December 31, 2022  | —                | —                    |
| Class A common stock, \$0.0001 par value; 700,000,000 shares authorized; 204,468,116 and 177,900,738 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively | —                | —                    |
| Class B common stock, \$0.0001 par value; 300,000,000 shares authorized; 47,845,269 and 63,738,197 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively   | —                | —                    |
| Additional paid-in capital   | 1,264.4          | 1,185.0              |
| Accumulated deficit  | (988.1)          | (690.9)              |
| Accumulated other comprehensive loss   | —                | (0.8)                |
| Total stockholders' equity   | 276.3            | 493.3                |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 481.5</b>  | <b>\$ 573.8</b>      |

See accompanying notes to consolidated condensed financial statements.

**Archer Aviation Inc.**  
**Consolidated Condensed Statements of Operations**  
(In millions, except share and per share data; unaudited)

|  | Three Months Ended June 30, |                  | Six Months Ended June 30, |                   |
|--|-----------------------------|------------------|---------------------------|-------------------|
|  | 2023                        | 2022             | 2023                      | 2022              |
| <b>Operating expenses</b>                              |                             |                  |                           |                   |
| Research and development                               | \$ 63.3                     | \$ 37.8          | \$ 129.1                  | \$ 65.3           |
| General and administrative                             | 118.1                       | 42.4             | 162.2                     | 80.2              |
| Other warrant expense                                  | —                           | —                | 2.1                       | —                 |
| <b>Total operating expenses</b>                        | <b>181.4</b>                | <b>80.2</b>      | <b>293.4</b>              | <b>145.5</b>      |
| Loss from operations                                   | (181.4)                     | (80.2)           | (293.4)                   | (145.5)           |
| Other (expense) income, net                            | (6.6)                       | 8.0              | (9.3)                     | 14.5              |
| Interest income, net                                   | 4.1                         | 0.5              | 5.7                       | 0.1               |
| <b>Loss before income taxes</b>                        | <b>(183.9)</b>              | <b>(71.7)</b>    | <b>(297.0)</b>            | <b>(130.9)</b>    |
| Income tax expense                                     | (0.2)                       | —                | (0.2)                     | —                 |
| <b>Net loss</b>  | <b>\$ (184.1)</b>           | <b>\$ (71.7)</b> | <b>\$ (297.2)</b>         | <b>\$ (130.9)</b> |
| Net loss per share, basic and diluted                  | \$ (0.73)                   | \$ (0.30)        | \$ (1.19)                 | \$ (0.55)         |
| Weighted-average shares outstanding, basic and diluted | 251,018,612                 | 238,062,232      | 249,156,920               | 238,927,711       |

See accompanying notes to consolidated condensed financial statements.

**Archer Aviation Inc.**  
**Consolidated Condensed Statements of Comprehensive Loss**  
**(In millions; unaudited)**

|  | Three Months Ended June 30, |                         | Six Months Ended June 30, |                          |
|--|-----------------------------|-------------------------|---------------------------|--------------------------|
|  | 2023                        | 2022                    | 2023                      | 2022                     |
| Net loss   | \$ (184.1)                  | \$ (71.7)               | \$ (297.2)                | \$ (130.9)               |
| Other comprehensive income:                                  |                             |                         |                           |                          |
| Unrealized gain on available-for-sale securities, net of tax | 0.1                         | —                       | 0.8                       | —                        |
| Comprehensive loss   | <u><u>\$ (184.0)</u></u>    | <u><u>\$ (71.7)</u></u> | <u><u>\$ (296.4)</u></u>  | <u><u>\$ (130.9)</u></u> |

See accompanying notes to consolidated condensed financial statements.

**Archer Aviation Inc.**  
**Consolidated Condensed Statements of Stockholders' Equity**  
(In millions, except share data; unaudited)

|  | Common Stock |        |              |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive |                        | Total   |  |  |  |
|--|--------------|--------|--------------|--------|----------------------------------|------------------------|---------------------------------------|------------------------|---------|--|--|--|
|  | Class A      |        | Class B      |        |                                  |                        | Accumulated<br>Deficit                | Other<br>Comprehensive |         |  |  |  |
|  | Shares       | Amount | Shares       | Amount |                                  |                        |                                       |                        |         |  |  |  |
| <b>Balance as of December 31, 2022</b>                                 | 177,900,738  | \$ —   | 63,738,197   | \$ —   | \$ 1,185.0                       | \$ (690.9)             | \$ (0.8)                              | \$ 493.3               |         |  |  |  |
| Conversion of Class B common stock to Class A common stock             | 2,250,000    | —      | (2,250,000)  | —      | —                                | —                      | —                                     | —                      | —       |  |  |  |
| Issuance of restricted stock units and restricted stock expense        | 2,191,898    | —      | —            | —      | 18.8                             | —                      | —                                     | —                      | 18.8    |  |  |  |
| Exercise of stock options  | 316,116      | —      | 233,190      | —      | 0.1                              | —                      | —                                     | —                      | 0.1     |  |  |  |
| Issuance of warrants and warrant expense                               | —            | —      | —            | —      | 6.3                              | —                      | —                                     | —                      | 6.3     |  |  |  |
| Common stock withheld related to net share settlement of equity awards | (786,342)    | —      | —            | —      | (2.3)                            | —                      | —                                     | —                      | (2.3)   |  |  |  |
| Stock-based compensation   | —            | —      | —            | —      | 6.3                              | —                      | —                                     | —                      | 6.3     |  |  |  |
| Net loss   | —            | —      | —            | —      | —                                | (113.1)                | —                                     | —                      | (113.1) |  |  |  |
| Other comprehensive income   | —            | —      | —            | —      | —                                | —                      | 0.7                                   | —                      | 0.7     |  |  |  |
| <b>Balance as of March 31, 2023</b>                                    | 181,872,410  | \$ —   | 61,721,387   | \$ —   | \$ 1,214.2                       | \$ (804.0)             | \$ (0.1)                              | \$ 410.1               |         |  |  |  |
| Conversion of Class B common stock to Class A common stock             | 14,109,310   | —      | (14,109,310) | —      | —                                | —                      | —                                     | —                      | —       |  |  |  |
| Issuance of restricted stock units and restricted stock expense        | 1,834,274    | —      | —            | —      | 16.2                             | —                      | —                                     | —                      | 16.2    |  |  |  |
| Exercise of stock options  | 306,003      | —      | 233,192      | —      | 0.1                              | —                      | —                                     | —                      | 0.1     |  |  |  |
| Issuance of warrants and warrant expense                               | —            | —      | —            | —      | 4.5                              | —                      | —                                     | —                      | 4.5     |  |  |  |
| Common stock withheld related to net share settlement of equity awards | (592,025)    | —      | —            | —      | (1.2)                            | —                      | —                                     | —                      | (1.2)   |  |  |  |
| Common stock issued under employee stock purchase plan                 | 601,105      | —      | —            | —      | 1.3                              | —                      | —                                     | —                      | 1.3     |  |  |  |
| Common stock issued under stock purchase agreement                     | 6,337,039    | —      | —            | —      | 21.4                             | —                      | —                                     | —                      | 21.4    |  |  |  |
| Stock-based compensation   | —            | —      | —            | —      | 7.9                              | —                      | —                                     | —                      | 7.9     |  |  |  |
| Net loss   | —            | —      | —            | —      | —                                | (184.1)                | —                                     | —                      | (184.1) |  |  |  |
| Other comprehensive income   | —            | —      | —            | —      | —                                | —                      | 0.1                                   | —                      | 0.1     |  |  |  |
| <b>Balance as of June 30, 2023</b>                                     | 204,468,116  | \$ —   | 47,845,269   | \$ —   | \$ 1,264.4                       | \$ (988.1)             | \$ —                                  | \$ 276.3               |         |  |  |  |

See accompanying notes to consolidated condensed financial statements.

**Archer Aviation Inc.**  
**Consolidated Condensed Statements of Stockholders' Equity**  
 (In millions, except share data; unaudited)

|   | Common Stock       |             |                   |             | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive |                 | Total |  |  |  |
|---|--------------------|-------------|-------------------|-------------|----------------------------------|------------------------|---------------------------------------|-----------------|-------|--|--|--|
|   | Class A            |             | Class B           |             |                                  |                        |                                       |                 |       |  |  |  |
|   | Shares             | Amount      | Shares            | Amount      |                                  |                        |                                       |                 |       |  |  |  |
| <b>Balance as of December 31, 2021</b>                          | 162,789,591        | \$ —        | 74,937,945        | \$ —        | \$ 1,072.5                       | \$ (373.6)             | \$ —                                  | \$ 698.9        |       |  |  |  |
| Conversion of Class B common stock to Class A common stock      | 1,757,980          | —           | (1,757,980)       | —           | —                                | —                      | —                                     | —               | —     |  |  |  |
| Issuance of restricted stock units and restricted stock expense | 300,014            | —           | —                 | —           | 16.0                             | —                      | —                                     | 16.0            |       |  |  |  |
| Exercise of stock options                                       | 353,640            | —           | 399,621           | —           | 0.1                              | —                      | —                                     | 0.1             |       |  |  |  |
| Issuance of warrants and warrant expense                        | —                  | —           | —                 | —           | 1.2                              | —                      | —                                     | 1.2             |       |  |  |  |
| Stock-based compensation  | —                  | —           | —                 | —           | 6.7                              | —                      | —                                     | 6.7             |       |  |  |  |
| Net loss  | —                  | —           | —                 | —           | —                                | (59.2)                 | —                                     | (59.2)          |       |  |  |  |
| <b>Balance as of March 31, 2022</b>                             | 165,201,225        | \$ —        | 73,579,586        | \$ —        | \$ 1,096.5                       | \$ (432.8)             | \$ —                                  | \$ 663.7        |       |  |  |  |
| Conversion of Class B common stock to Class A common stock      | 4,190,561          | —           | (4,190,561)       | —           | —                                | —                      | —                                     | —               | —     |  |  |  |
| Issuance of restricted stock units and restricted stock expense | 992,006            | —           | —                 | —           | 17.9                             | —                      | —                                     | 17.9            |       |  |  |  |
| Exercise of stock options                                       | 341,987            | —           | 1,342,726         | —           | 0.2                              | —                      | —                                     | 0.2             |       |  |  |  |
| Issuance of warrants and warrant expense                        | —                  | —           | —                 | —           | 1.6                              | —                      | —                                     | 1.6             |       |  |  |  |
| Cancellation of Class B common stock (Note 9)                   | —                  | —           | (5,002,306)       | —           | —                                | —                      | —                                     | —               | —     |  |  |  |
| Stock-based compensation  | —                  | —           | —                 | —           | 6.5                              | —                      | —                                     | 6.5             |       |  |  |  |
| Net loss  | —                  | —           | —                 | —           | —                                | (71.7)                 | —                                     | (71.7)          |       |  |  |  |
| <b>Balance as of June 30, 2022</b>                              | <u>170,725,779</u> | <u>\$ —</u> | <u>65,729,445</u> | <u>\$ —</u> | <u>\$ 1,122.7</u>                | <u>\$ (504.5)</u>      | <u>\$ —</u>                           | <u>\$ 618.2</u> |       |  |  |  |

See accompanying notes to consolidated condensed financial statements.

**Archer Aviation Inc.**  
**Consolidated Condensed Statements of Cash Flows**  
(In millions; unaudited)

|   | Six Months Ended June 30, |                 |
|---|---------------------------|-----------------|
|   | 2023                      | 2022            |
| <b>Cash flows from operating activities</b>   |                           |                 |
| Net loss  | \$ (297.2)                | \$ (130.9)      |
| Adjustments to reconcile net loss to net cash used in operating activities:           |                           |                 |
| Depreciation, amortization and other  | 2.1                       | 1.3             |
| Debt discount and issuance cost amortization  | 0.3                       | 0.3             |
| Stock-based compensation  | 52.2                      | 50.1            |
| Change in fair value of warrant liabilities and other warrant costs                   | 15.6                      | (14.5)          |
| Gain on issuance of common stock  | (3.6)                     | —               |
| Non-cash lease expense  | 2.5                       | 2.1             |
| Research and development warrant expense  | 8.7                       | 2.4             |
| Other warrant expense   | 2.1                       | —               |
| Technology and dispute resolution agreements expense                                  | 73.0                      | —               |
| Accretion and amortization income of short-term investments                           | (2.3)                     | —               |
| Changes in operating assets and liabilities:  |                           |                 |
| Prepaid expenses  | 3.2                       | (2.5)           |
| Other current assets  | 0.4                       | (1.1)           |
| Other long-term assets  | (1.8)                     | 1.5             |
| Accounts payable  | 8.2                       | (1.6)           |
| Accrued expenses and other current liabilities  | 12.8                      | 11.5            |
| Operating lease right-of-use assets and lease liabilities, net                        | 3.3                       | (1.5)           |
| Other long-term liabilities   | (0.3)                     | 0.5             |
| Net cash used in operating activities   | <u>(120.8)</u>            | <u>(82.4)</u>   |
| <b>Cash flows from investing activities</b>   |                           |                 |
| Proceeds from maturities of short-term investments                                    | 465.0                     | —               |
| Purchase of property and equipment  | (19.5)                    | (2.1)           |
| Net cash provided by (used in) investing activities                                   | <u>445.5</u>              | <u>(2.1)</u>    |
| <b>Cash flows from financing activities</b>   |                           |                 |
| Repayment of long-term debt   | (5.0)                     | (5.0)           |
| Payments for taxes related to net share settlement of equity awards                   | (3.5)                     | —               |
| Proceeds from exercise of stock options   | —                         | 0.3             |
| Proceeds from shares issued under employee stock purchase plan                        | 1.3                       | —               |
| Proceeds from issuance of common stock  | <u>25.0</u>               | <u>—</u>        |
| Net cash provided by (used in) financing activities                                   | <u>17.8</u>               | <u>(4.7)</u>    |
| Net increase (decrease) in cash, cash equivalents, and restricted cash                | 342.5                     | (89.2)          |
| Cash, cash equivalents, and restricted cash, beginning of period                      | 72.3                      | 746.9           |
| Cash, cash equivalents, and restricted cash, end of period                            | <u>\$ 414.8</u>           | <u>\$ 657.7</u> |
| <b>Supplemental Cash Flow Information:</b>  |                           |                 |
| Cash paid for interest  | \$ 0.5                    | \$ 0.8          |
| Non-cash investing and financing activities:  |                           |                 |
| Purchases of property and equipment included in accounts payable and accrued expenses | \$ 16.2                   | \$ 1.6          |

See accompanying notes to consolidated condensed financial statements.

**Note 1 - Organization and Nature of Business**

***Organization and Nature of Business***

Archer Aviation Inc. (the "Company," "we," "us" or "our"), a Delaware corporation, with its headquarters located in San Jose, California, is an aerospace company. The Company is designing and developing electric vertical takeoff and landing ("eVTOL") aircraft for use in urban air mobility ("UAM") networks. The Company's mission is to unlock the skies, freeing everyone to reimagine how they move and spend time.

***The Company's Planned Lines of Business***

Upon receipt of all necessary Federal Aviation Administration ("FAA") certifications and any other government approvals necessary for the Company to manufacture and operate its aircraft, the Company intends to operate two complementary lines of business. The Company's core focus is direct-to-consumer offerings ("Archer UAM") with its secondary focus being business-to-business offerings ("Archer Direct").

***Archer UAM***

The Company plans to operate its own UAM ecosystem initially in select major U.S. cities. The Company's UAM ecosystem will operate using its eVTOL aircraft, which is currently in development.

***Archer Direct***

The Company also plans to selectively sell a certain amount of its eVTOL aircraft to third parties.

**Note 2 - Liquidity and Going Concern**

Since the Company's formation, the Company has devoted substantial effort and capital resources to the design and development of its planned eVTOL aircraft and UAM network. Funding of these activities has primarily been through the net proceeds received from the issuance of related and third-party debt (Note 6), and the sale of preferred and common stock to related and third parties (Note 8). Through June 30, 2023, the Company has incurred cumulative losses from operations, negative cash flows from operating activities, and has an accumulated deficit of \$988.1 million. As of June 30, 2023, the Company had cash and cash equivalents of \$407.6 million, which management believes will be sufficient to fund the Company's current operating plan for at least the next 12 months from the date these consolidated condensed financial statements were issued.

There can be no assurance that the Company will be successful in achieving its business plans, that the Company's current capital will be sufficient to support its ongoing business plans, or that any additional financing will be available in a timely manner or on acceptable terms, if at all. If the Company's business plans require it to raise additional capital, but the Company is unable to do so, it may be required to alter, or scale back its aircraft design, development and certification programs, as well as its manufacturing capabilities, or be unable to fund capital expenditures. Any such events would have a material adverse effect on the Company's financial position, results of operations, cash flows, and ability to achieve the Company's intended business plans.

**Note 3 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited consolidated condensed financial statements have been prepared pursuant to the rules and regulations of the SEC for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of financial position, results of operations, and cash flows for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The unaudited consolidated condensed financial statements should be read in conjunction with the Company's audited

consolidated financial statements as of and for the fiscal year ended December 31, 2022 set forth in the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2023. The December 31, 2022 consolidated condensed balance sheet was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

The Company has provided a discussion of significant accounting policies, estimates, and judgments in the Company's audited consolidated financial statements. There have been no changes to the Company's significant accounting policies since December 31, 2022 which are expected to have a material impact on the Company's financial position, results of operations, or cash flows.

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

Cash consists of cash on deposit with financial institutions. Cash equivalents consist of short-term, highly liquid financial instruments that are readily convertible to cash and have maturities of three months or less from the date of purchase. As of June 30, 2023 and December 31, 2022, the Company's cash and cash equivalents included money market funds of \$298.4 million and \$4.4 million, respectively.

Restricted cash consists primarily of cash held as security for the Company's standby letters of credit. Refer to Note 7 - Commitments and Contingencies for further details.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated condensed balance sheets that sum to amounts reported on the statements of cash flows (in millions):

|  | June 30,<br>2023 | December 31,<br>2022 |
|--|------------------|----------------------|
| Cash and cash equivalents                                | \$ 407.6         | \$ 69.4              |
| Restricted cash  | 7.2              | 2.9                  |
| <b>Total cash, cash equivalents, and restricted cash</b> | <b>\$ 414.8</b>  | <b>\$ 72.3</b>       |

#### **Short-Term Investments**

The Company had short-term investments in marketable securities with original maturities of less than one year, including U.S. Treasury securities, corporate debt securities and commercial paper. The Company classifies its marketable securities as available-for-sale at the time of purchase and reevaluates such classification at each balance sheet date. These marketable securities are carried at fair value, and unrealized gains and losses are recorded in other comprehensive loss in the consolidated condensed statements of comprehensive loss, which is reflected as a component of stockholders' equity. These marketable securities are assessed as to whether those with unrealized loss positions are other than temporarily impaired. The Company considers impairments to be other than temporary if they are related to deterioration in credit risk or if it is likely the securities will be sold before the recovery of their cost basis. Realized gains and losses from the sale of marketable securities and from declines in value deemed to be other than temporary are determined based on the specific identification method and recognized in other income, net in the consolidated condensed statements of operations.

#### **Fair Value Measurements**

The Company applies the provisions of Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, which defines a single authoritative definition of fair value, sets out a framework for measuring fair value and expands on required disclosures about fair value measurements. The provisions of ASC 820 relate to financial assets and liabilities as well as other assets and liabilities carried at fair value on a recurring and nonrecurring basis. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

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

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

The carrying amounts of the Company's cash, accounts payable, accrued compensation, and accrued liabilities approximate fair value due to the short-term nature of these instruments.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2023 and December 31, 2022 and indicate the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value (in millions):

| description | As of June 30, 2023 |         |         |       |
|-------------|---------------------|---------|---------|-------|
|             | Level 1             | Level 2 | Level 3 | Total |

|  |          |     |     |       |
|--|----------|-----|-----|-------|
| <b>Assets:</b>                                 |          |     |     |       |
| Cash Equivalents:                              |          |     |     |       |
| Money market funds                             | \$ 298.4 | -\$ | -\$ | 298.4 |
| <b>Liabilities:</b>                            |          |     |     |       |
| Current Liability – Public Warrants            | \$ 14.3  | -\$ | -\$ | 14.3  |
| Current Liability – Private Placement Warrants | \$ 8.3   | -\$ | 8.3 | 8.3   |

| description | As of December 31, 2022 |         |         |       |
|-------------|-------------------------|---------|---------|-------|
|             | Level 1                 | Level 2 | Level 3 | Total |

|  |          |     |     |       |
|--|----------|-----|-----|-------|
| <b>Assets:</b>                                 |          |     |     |       |
| Cash Equivalents:                              |          |     |     |       |
| Money market funds                             | \$ 4.4   | -\$ | -\$ | 4.4   |
| <b>Short-Term Investments:</b>                 |          |     |     |       |
| U.S. Treasury securities                       | \$ 316.6 | -\$ | -\$ | 316.6 |
| Corporate debt securities                      | \$ 20.1  | -\$ | -\$ | 20.1  |
| Commercial paper                               | \$ 125.1 | -\$ | -\$ | 125.1 |
| <b>Liabilities:</b>                            |          |     |     |       |
| Current Liability – Public Warrants            | \$ 4.5   | -\$ | -\$ | 4.5   |
| Current Liability – Private Placement Warrants | \$ 2.5   | -\$ | 2.5 | 2.5   |

*Cash Equivalents*

The Company's cash equivalents consist of short-term, highly liquid financial instruments that are readily convertible to cash and have maturities of three months or less from the date of purchase. The Company classifies its money market funds as Level 1, because they are valued based on quoted market prices in active markets.

*Short-Term Investments*

The Company's short-term investments consisted of high quality, investment grade marketable securities and were classified as available-for-sale. The Company classifies its investments in U.S. Treasury securities as Level 1, because they are valued using quoted market prices in active markets. The Company classifies its investments in corporate debt securities and commercial paper as Level 2, because they are valued using inputs other than quoted prices which are directly or indirectly

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**Notes to Consolidated Condensed Financial Statements (Unaudited)**

observable in the market, including readily available pricing sources for the identical underlying security which may not be actively traded.

The following table presents a summary of the Company's cash equivalents and short-term investments as of June 30, 2023 and December 31, 2022 (in millions):

| Description              | As of June 30, 2023 |                  |                   |                 |
|--------------------------|---------------------|------------------|-------------------|-----------------|
|                          | Amortized Cost      | Unrealized Gains | Unrealized Losses | Fair Value      |
| <b>Cash Equivalents:</b> |                     |                  |                   |                 |
| Money market funds       | \$ 298.4            | \$ —             | \$ —              | \$ 298.4        |
| <b>Total</b>             | <b>\$ 298.4</b>     | <b>\$ —</b>      | <b>\$ —</b>       | <b>\$ 298.4</b> |

| Description                    | As of December 31, 2022 |                  |                   |                 |
|--------------------------------|-------------------------|------------------|-------------------|-----------------|
|                                | Amortized Cost          | Unrealized Gains | Unrealized Losses | Fair Value      |
| <b>Cash Equivalents:</b>       |                         |                  |                   |                 |
| Money market funds             | \$ 4.4                  | \$ —             | \$ —              | \$ 4.4          |
| <b>Short-Term Investments:</b> |                         |                  |                   |                 |
| U.S. Treasury securities       | 317.4                   | —                | (0.8)             | 316.6           |
| Corporate debt securities      | 20.1                    | —                | —                 | 20.1            |
| Commercial paper               | 125.1                   | —                | —                 | 125.1           |
| <b>Total</b>                   | <b>\$ 467.0</b>         | <b>\$ —</b>      | <b>\$ (0.8)</b>   | <b>\$ 466.2</b> |

The unrealized losses related to the Company's short-term investments were primarily due to changes in interest rates and not due to increased credit risk or other valuation concerns. During the three and six months ended June 30, 2023, the Company had no other-than-temporary impairments.

*Public Warrants*

The measurement of the public warrants as of June 30, 2023 is classified as Level 1 due to the use of an observable market quote in an active market under the ticker "ACHR WS." The quoted price of the public warrants was \$0.82 per warrant as of June 30, 2023.

*Private Placement Warrants*

The Company utilizes a Monte Carlo simulation model for the private placement warrants at each reporting period, with changes in fair value recognized in the consolidated condensed statements of operations. The estimated fair value of the private placement warrant liability is determined using Level 3 inputs. Inherent in a binomial options pricing model and Monte Carlo simulation model are assumptions related to expected share-price volatility, expected life, risk-free interest rate, and dividend yield.

The key inputs into the Monte Carlo simulation model for the private placement warrants are as follows:

| Input           | June 30, |          | December 31, |      |
|-----------------|----------|----------|--------------|------|
|                 | 2023     | 2022     | 2023         | 2022 |
| Stock price     | \$ 4.12  | \$ 1.87  |              |      |
| Strike price    | \$ 11.50 | \$ 11.50 |              |      |
| Dividend yield  | 0.00 %   | 0.00 %   |              |      |
| Term (in years) | 3.21     | 3.71     |              |      |
| Volatility      | 70.8 %   | 75.0 %   |              |      |
| Risk-free rate  | 4.40 %   | 4.14 %   |              |      |

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The following table presents the change in fair value of the Company's Level 3 private placement warrants during the six months ended June 30, 2023 (in millions):

|                                    |               |
|------------------------------------|---------------|
| Balance as of December 31, 2022    | \$ 2.5        |
| Change in fair value               | 5.8           |
| <b>Balance as of June 30, 2023</b> | <b>\$ 8.3</b> |

In connection with changes in the fair value of the Company's public and private placement warrants, the Company recognized a loss of \$10.6 million and \$15.6 million within other (expense) income, net in the consolidated condensed statements of operations during the three and six months ended June 30, 2023, respectively. Refer to Note 12 - Liability Classified Warrants for additional information about the public and private placement warrants.

*Financial Instruments Not Recorded at Fair Value on a Recurring Basis*

Certain financial instruments, including debt, are not measured at fair value on a recurring basis in the consolidated condensed balance sheets. The fair value of debt as of June 30, 2023 approximates its carrying value (Level 2). Refer to Note 6 - Notes Payable for additional information.

*Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis*

Certain assets and liabilities are subject to measurement at fair value on a non-recurring basis if there are indicators of impairment or if they are deemed to be impaired as a result of an impairment review.

**Intangible Assets, Net**

Intangible assets consist solely of domain names and are recorded at cost, net of accumulated amortization, and if applicable, impairment charges. Amortization of domain names is provided over a 15-year estimated useful life on a straight-line basis or based on the pattern in which economic benefits are consumed, if reliably determinable. The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has analyzed a variety of factors to determine if any circumstance could trigger an impairment loss, and, at this time and based on the information presently known, do not believe that it is more likely than not that an impairment loss has been incurred.

As of each of June 30, 2023 and December 31, 2022, the net carrying amounts for domain names were \$ 0.4 million recorded in the Company's consolidated condensed balance sheets.

**Cloud Computing Arrangements**

The Company capitalizes certain implementation costs incurred in the application development stage of projects related to its cloud computing arrangements that are service contracts. Capitalized implementation costs are recognized in other long-term assets in the consolidated condensed balance sheets and amortized on a straight-line basis over the fixed, noncancelable term of the associated hosting arrangement plus any reasonably certain renewal periods. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. As of June 30, 2023 and December 31, 2022, the net carrying amounts of the Company's capitalized cloud computing implementation costs were \$5.5 million and \$3.7 million, respectively.

**Net Loss Per Share**

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding. For all periods presented, the calculation of basic net loss per share excludes shares issued upon the early exercise of stock options where the vesting conditions have not been satisfied.

Because the Company reported net losses for all periods presented, diluted loss per share is the same as basic loss per share.

Contingently issuable shares, including equity awards with performance conditions, are considered outstanding common shares and included in basic net loss per share as of the date that all necessary conditions to earn the awards have been satisfied.

**Archer Aviation Inc.**  
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Prior to the end of the contingency period, the number of contingently issuable shares included in diluted net loss per share is based on the number of shares, if any, that would be issuable under the terms of the arrangement at the end of the reporting period.

Because the Company reported net losses for all periods presented, all potentially dilutive common stock equivalents are antidilutive and have been excluded from the calculation of net loss per share. The diluted net loss per common share was the same for Class A and Class B common shares because they are entitled to the same liquidation and dividend rights.

The following table presents the number of antidilutive shares excluded from the calculation of diluted net loss per share:

|  | Three Months Ended June 30, |                   | Six Months Ended June 30, |                   |
|--|-----------------------------|-------------------|---------------------------|-------------------|
|  | 2023                        | 2022              | 2023                      | 2022              |
| Options to purchase common stock                                   | 4,130,912                   | 6,736,534         | 4,130,912                 | 6,736,534         |
| Unvested restricted stock units                                    | 50,088,312                  | 40,679,383        | 50,088,312                | 40,679,383        |
| Warrants   | 43,347,301                  | 32,168,405        | 43,347,301                | 32,168,405        |
| Shares issuable under the Employee Stock Purchase Plan<br>(Note 9) | 682,884                     | —                 | 682,884                   | —                 |
| <b>Total</b>   | <b>98,249,409</b>           | <b>79,584,322</b> | <b>98,249,409</b>         | <b>79,584,322</b> |

### **Comprehensive Loss**

Comprehensive loss includes all changes in equity during a period from nonowner sources. The Company's comprehensive loss consists of its net loss and its unrealized gains or losses on available-for-sale securities.

### **Recent Accounting Pronouncements**

#### *Recently Issued Accounting Pronouncements Not Yet Adopted*

In August 2020, the Financial Accounting Standards Board issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The ASU simplifies the accounting for convertible instruments by removing certain separation models in ASC 470-20, *Debt—Debt with Conversion and Other Options*, for convertible instruments. The ASU updates the guidance on certain embedded conversion features that are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital, such that those features are no longer required to be separated from the host contract. The convertible debt instruments will be accounted for as a single liability measured at amortized cost. Further, the ASU made amendments to the EPS guidance in Topic 260, *Earnings Per Share*, for convertible instruments, the most significant impact of which is requiring the use of the if-converted method for diluted EPS calculation, and no longer allowing the net share settlement method. The ASU also made revisions to Topic 815-40, which provides guidance on how an entity must determine whether a contract qualifies for a scope exception from derivative accounting. The amendments to Topic 815-40 change the scope of contracts that are recognized as assets or liabilities. The ASU is effective for public business entities, excluding smaller reporting companies, for interim and annual periods beginning after December 15, 2021, with early adoption permitted. For all other entities, the amendments are effective for interim and annual periods beginning after December 15, 2023. Adoption of the ASU can either be on a modified retrospective or full retrospective basis. The Company is currently evaluating the impact the adoption of this standard will have on its financial statements and related disclosures.

No other recently issued accounting pronouncements had or are expected to have a material impact on the Company's financial statements.

**Archer Aviation Inc.**  
**Notes to Consolidated Condensed Financial Statements (Unaudited)**

**Note 4 - Property and Equipment, Net**

Property and equipment, net, consisted of the following (in millions):

|  | June 30,<br>2023 | December 31,<br>2022 |
|--|------------------|----------------------|
| Furniture, fixtures, and equipment       | \$ 3.5           | \$ 1.5               |
| Computer hardware                        | 5.0              | 4.5                  |
| Computer software                        | 0.8              | 0.7                  |
| Website design                           | 0.8              | 0.7                  |
| Leasehold improvements                   | 26.6             | 2.9                  |
| Construction in progress                 | 11.0             | 4.8                  |
| Total property and equipment             | 47.7             | 15.1                 |
| Less: Accumulated depreciation           | (5.4)            | (3.6)                |
| <b>Total property and equipment, net</b> | <b>\$ 42.3</b>   | <b>\$ 11.5</b>       |

Construction in progress includes costs incurred for the Company's manufacturing facilities to be constructed in Covington, Georgia and other assets that have not yet been placed in service.

The following table presents depreciation expense included in each respective expense category in the consolidated condensed statements of operations (in millions):

|                                   | Three Months Ended June 30, |               | Six Months Ended June 30, |               |
|-----------------------------------|-----------------------------|---------------|---------------------------|---------------|
|                                   | 2023                        | 2022          | 2023                      | 2022          |
| Research and development          | \$ 0.9                      | \$ 0.5        | \$ 1.6                    | \$ 0.9        |
| General and administrative        | 0.1                         | 0.2           | 0.3                       | 0.4           |
| <b>Total depreciation expense</b> | <b>\$ 1.0</b>               | <b>\$ 0.7</b> | <b>\$ 1.9</b>             | <b>\$ 1.3</b> |

**Note 5 - Accrued Expenses and Other Current Liabilities**

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

|   | June 30,<br>2023 | December 31,<br>2022 |
|---|------------------|----------------------|
| Accrued professional fees   | \$ 28.5          | \$ 17.2              |
| Accrued employee costs  | 9.7              | 7.8                  |
| Accrued parts and materials   | 7.0              | 5.2                  |
| Taxes payable   | 0.9              | 0.3                  |
| Accrued capital expenditures  | 13.2             | 2.9                  |
| Accrued cloud computing implementation costs                          | 2.2              | 2.0                  |
| Accrued marketing fees  | —                | 0.2                  |
| Accrued technology and dispute resolution agreements expense (Note 7) | 73.0             | —                    |
| Other current liabilities   | 1.0              | 1.1                  |
| <b>Total</b>  | <b>\$ 135.5</b>  | <b>\$ 36.7</b>       |

**Archer Aviation Inc.**  
**Notes to Consolidated Condensed Financial Statements (Unaudited)**

**Note 6 - Notes Payable**

The Company's notes payable consisted of the following (in millions):

|  | June 30,<br>2023   | December 31,<br>2022 |
|--|--------------------|----------------------|
| Silicon Valley Bank ("SVB") Term Loans                                 | \$ 5.0             | \$ 10.0              |
| Term Loans unamortized discount and loan issuance costs                | (0.4)              | (0.7)                |
| Total debt, net of discount and loan issuance costs                    | 4.6                | 9.3                  |
| Less current portion, net of discount and loan issuance costs          | (4.6)              | (9.3)                |
| Total long-term notes payable, net of discount and loan issuance costs | <u><u>\$ —</u></u> | <u><u>\$ —</u></u>   |

**SVB Loan**

On July 9, 2021, the Company, as the borrower, entered into a Loan and Security Agreement (the "Loan and Security Agreement") with SVB and SVB Innovation Credit Fund VIII, L.P. ("SVB Innovation") as the lenders, and SVB as the collateral agent. The total principal amount of the loans is \$20.0 million (the "Term Loans"), and all obligations due under the Term Loans are collateralized by all of the Company's right, title, and interest in and to its specified personal property in favor of the collateral agent. The Term Loans include events of default and covenant provisions, whereby accelerated repayment may result if the Company were to default. On January 1, 2022, the Company began repaying the Term Loans, which are payable in 24 equal monthly installments, including principal and interest. The interest rate on the loans is a floating rate per annum equal to the greater of (i) 8.5% and (ii) the Prime Rate plus the Prime Rate Margin (each as defined in the Loan and Security Agreement), which increases by 2% per annum upon the occurrence of an event of default. For the three and six months ended June 30, 2023, the Company recognized interest expense of \$0.2 million and \$0.5 million, respectively. For the three and six months ended June 30, 2022, the Company recognized interest expense of \$0.4 million and \$0.8 million, respectively.

Additionally, in conjunction with the issuance of the Term Loans, the Company issued 366,140 warrants to SVB and 366,140 warrants to SVB Innovation, totaling 732,280 warrants. The Company issued the warrants to the lenders as consideration for entering into the Term Loans, representing a loan issuance fee. Each warrant provides SVB and SVB Innovation with the right to purchase one share of the Company's Class A common stock. The Company recorded the warrants as liabilities at their fair value and adjust the warrants to fair value at each reporting period. This liability is subject to remeasurement at each balance sheet date until exercised, and any change in fair value is recognized as a gain or loss in the Company's consolidated condensed statements of operations. The initial offsetting entry to the warrant liability was a debt discount recorded to reflect the loan issuance fee. See Note 12 - Liability Classified Warrants for further details. Effective March 27, 2023, the Term Loans and warrants were assigned to and assumed by First-Citizens Bank & Trust Company on the original terms and conditions of the financial instruments.

Upon the closing of the business combination between the Company, Atlas Crest Investment Corp. ("Atlas") and Artemis Acquisition Sub Inc. (the "Business Combination") on September 16, 2021 (the "Closing Date"), the SVB warrants became public warrants. The subsequent measurement of the SVB warrants as of June 30, 2023 is classified as Level 1 due to the use of an observable market quote in an active market under the ticker "ACHR WS." The quoted price of the public warrants was \$0.82 as of June 30, 2023.

During the three and six months ended June 30, 2023, the Company recognized interest expense of \$ 0.1 million and \$0.3 million related to the amortization of the discount and issuance costs, respectively. During the three and six months ended June 30, 2022, the Company recognized interest expense of \$0.1 million and \$0.3 million related to the amortization of the discount and issuance costs, respectively. The unamortized balance of the discount and issuance costs was \$0.4 million as of June 30, 2023.

The future scheduled principal maturities of notes payable as of June 30, 2023 are as follows (in millions):

|                |                      |
|----------------|----------------------|
| Remaining 2023 | <u><u>\$ 5.0</u></u> |
|                | <u><u>\$ 5.0</u></u> |

**Archer Aviation Inc.**  
**Notes to Consolidated Condensed Financial Statements (Unaudited)**

**Note 7 - Commitments and Contingencies**

**Operating Leases**

The Company leases office, lab, hangar, and storage facilities under various operating lease agreements with lease periods expiring between 2023 and 2030 and generally containing periodic rent increases and various renewal and termination options.

The Company's lease costs were as follows (in millions):

|                       | Three Months Ended June 30, |        | Six Months Ended June 30, |        |
|-----------------------|-----------------------------|--------|---------------------------|--------|
|                       | 2023                        | 2022   | 2023                      | 2022   |
| Operating lease cost  | \$ 1.5                      | \$ 1.5 | \$ 3.3                    | \$ 2.6 |
| Short-term lease cost | 0.6                         | —      | 0.6                       | —      |
| Total lease cost      | \$ 2.1                      | \$ 1.5 | \$ 3.9                    | \$ 2.6 |

The Company's weighted-average remaining lease term and discount rate as of June 30, 2023 and 2022 were as follows:

|   | 2023    | 2022    |
|---|---------|---------|
| Weighted-average remaining lease term (in months) | 60      | 42      |
| Weighted-average discount rate                    | 14.60 % | 11.46 % |

The minimum aggregate future obligations under the Company's non-cancelable operating leases as of June 30, 2023 were as follows (in millions):

|  |         |
|--|---------|
| Remaining 2023                         | \$ 2.2  |
| 2024                                   | 5.4     |
| 2025                                   | 5.0     |
| 2026                                   | 4.6     |
| 2027                                   | 2.1     |
| Thereafter                             | 6.7     |
| Total future lease payments            | 26.0    |
| Less: leasehold improvement allowance  | (0.7)   |
| Total net future lease payments        | 25.3    |
| Less: imputed interest                 | (8.4)   |
| Present value of future lease payments | \$ 16.9 |

Supplemental cash flow information and non-cash activities related to right-of-use assets and lease liabilities were as follows (in millions):

|  | Three Months Ended June 30, |        | Six Months Ended June 30, |        |
|--|-----------------------------|--------|---------------------------|--------|
|  | 2023                        | 2022   | 2023                      | 2022   |
| Operating cash outflows from operating leases                  | \$ 1.2                      | \$ 0.9 | \$ 2.8                    | \$ 1.8 |
| Operating lease liabilities from obtaining right-of-use assets | \$ 0.3                      | \$ 0.6 | \$ 0.4                    | \$ 9.2 |

**Finance Lease**

In February 2023, the Company entered into a lease arrangement with the Newton County Industrial Development Authority (the "Authority") for the Company's manufacturing facilities to be constructed in Covington, Georgia. In connection with the lease arrangement, the Authority issued a taxable revenue bond (the "Bond"), which was acquired by the Company. The arrangement is structured so that the Company's lease payments to the Authority equal and offset the Authority's bond

payments to the Company. Accordingly, the Company offsets the finance lease obligation and the Bond on its consolidated condensed balance sheets.

***Letters of Credit***

On February 28, 2023, in conjunction with a project agreement the Company entered into with the City of Covington and the Authority for the Company's manufacturing facilities to be constructed in Covington, Georgia, the Company entered into a standby letter of credit in the amount of \$3.5 million in favor of the City of Covington, to guarantee certain performance obligations. The standby letter of credit expires on March 31, 2035.

As of June 30, 2023, the Company had standby letters of credit in the aggregate outstanding amount of \$ 6.2 million, secured with restricted cash.

***Litigation***

During the ordinary course of the business, the Company may be subject to legal proceedings, various claims, and litigation. Such proceedings can be costly, time consuming, and unpredictable, and therefore, no assurance can be given that the final outcome of such proceedings will not materially impact financial condition or results of operations.

***Wisk Litigation***

On April 6, 2021, Wisk Aero LLC ("Wisk") brought a lawsuit against the Company in the United States District Court for the Northern District of California (the "District Court") alleging misappropriation of trade secrets and patent infringement. The Company has filed certain counterclaims for defamation, tortious interference and unfair competition.

On April 6, 2022, the Company brought a lawsuit against The Boeing Company ("Boeing") in the Superior Court of California, County of Santa Clara (the "Superior Court"), asserting substantially the same claims set forth in the Company's counterclaims against Wisk. On April 11, 2022, the Superior Court issued an order staying discovery and the responsive pleading deadline until after the case management conference set for August 2022. On September 6, 2022, the Superior Court entered an order approving the parties' joint stipulation to stay the Company's lawsuit against Boeing pending the resolution of the lawsuit between Wisk and the Company in the District Court.

On August 10, 2023, the Company, Boeing and Wisk (a wholly-owned subsidiary of Boeing) entered into a series of agreements that provide for, among other things, for certain investments by Boeing into the Company and an autonomous flight technology collaboration between Wisk and the Company, the issuance of certain warrants to Wisk and resolution of the federal and state court litigation between the parties (the "Technology and Dispute Resolution Agreements").

Pursuant to a private placement transaction entered into by the Company on August 10, 2023, Boeing subscribed to purchase shares of the Company's Class A common stock, par value \$0.0001 per share (the "Common Stock") (the "First Boeing Investment") and received registration rights with respect to such shares of Common Stock and the shares of Common Stock underlying the Warrant (as defined below) pursuant to a registration rights agreement.

Pursuant to the Technology and Dispute Resolution Agreements, the Company has agreed to issue Wisk a warrant to purchase up to 13,176,895 shares of Common Stock with an exercise price of \$0.01 per share (the "Warrant"). The Warrant shall vest and be exercisable as follows: (i) immediately as to 4,512,636 shares, underlying the Warrant (the "Initial Vested Share Tranche") and (ii) for up to 8,664,259 shares (the "Second Tranche") underlying the Warrant as determined six months from the effective date of the Warrant (the "Specified Date"). The extent to which the Second Tranche vests is based on the value of the First Boeing Investment and the shares underlying the Initial Vested Share Tranche as of the Specified Date. The portion of the Warrant that does not vest in accordance with the foregoing shall be forfeited on the Specified Date.

Wisk and Boeing agreed not to transfer any of the shares of Common Stock issued in the Initial Boeing Investment or the shares of Common Stock underlying the Warrant until the Specified Date.

In addition, Boeing has agreed to participate in a subsequent private placement of equity or equity-linked securities by the Company, if any, that occurs on or prior to a specified date (the "Second Boeing Investment"). Concurrently with the closing of the Second Boeing Investment, the Company would issue to Wisk a subsequent warrant to purchase a certain number of shares

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of Common Stock at an exercise price of \$0.01 per share, in connection with Wisk's services related to the insertion of its autonomy technology into the Company's aircraft.

In connection with the series of agreements discussed above, the Company has recorded a \$ 73.0 million non-cash charge in general and administrative expenses consisting of a \$25.0 million non-cash charge associated with the Initial Vested Share Tranche and a \$ 48.0 million non-cash charge for the unvested portion of the Boeing Warrant that is subject to the vesting criteria described above and may never be realized.

**Note 8 - Preferred and Common Stock**

***Preferred Stock***

As of June 30, 2023, no shares of preferred stock were outstanding, and the Company has no present plans to issue any shares of preferred stock.

***Class A and Class B Common Stock***

Except for voting rights and conversion rights, or as otherwise required by applicable law, the shares of the Company's Class A common stock and Class B common stock have the same powers, preferences, and rights and rank equally, share ratable and are identical in all respects as to all matters. The rights, privileges, and preferences are as follows:

***Voting***

Holders of the Company's Class A common stock are entitled to one vote per share on all matters to be voted upon by the stockholders, and holders of Class B common stock are entitled to ten votes per share on all matters to be voted upon by the stockholders. The holders of Class A common stock and Class B common stock will generally vote together as a single class on all matters submitted to a vote of the stockholders, unless otherwise required by Delaware law or the Company's amended and restated certificate of incorporation.

***Dividends***

Holders of Class A common stock and Class B common stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's board of directors in its discretion out of funds legally available therefor. No dividends on common stock have been declared by the Company's board of directors through June 30, 2023, and the Company does not expect to pay dividends in the foreseeable future.

***Preemptive Rights***

Stockholders have no preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to Class A common stock and Class B common stock.

***Conversion***

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will automatically convert into one share of Class A common stock upon transfer to a non-authorized holder. In addition, Class B common stock is subject to "sunset" provisions, under which all shares of Class B common stock will automatically convert into an equal number of shares of Class A common stock upon the earliest to occur of (i) the ten-year anniversary of the closing of the Business Combination, (ii) the date specified by the holders of two-thirds of the then outstanding Class B common stock, voting as a separate class, and (iii) when the number of Class B common stock represents less than 10% of the aggregate number of Class A common stock and Class B common stock then outstanding. In addition, each share of Class B common stock will automatically convert into an equal number of Class A common stock upon the earliest to occur of (a) in the case of a founder of the Company, the date that is nine months following the death or incapacity of such founder, and, in the case of any other holder, the date of the death or incapacity of such holder, (b) in the case of a founder of the Company, the date that is 12 months following the date that such founder ceases to provide services to the Company and its subsidiaries as an executive officer, employee or director of the Company, and, in the case of any other holder, immediately at the occurrence of any such event, and (c) in the case of a founder of the Company or any other

holder, at least 80% (subject to customary capitalization adjustments) of the Class B common stock held by such founder or holder (on a fully as converted/as exercised basis) as of immediately following the closing of the Business Combination having been transferred (subject to exceptions for certain permitted transfers).

During the three and six months ended June 30, 2023, 14,109,310 and 16,359,310 shares of Class B common stock were converted into Class A common stock, respectively. During the three and six months ended June 30, 2022, 4,190,561 and 5,948,541 shares of Class B common stock were converted into Class A common stock, respectively.

*Liquidation*

In the event of the Company's voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up, subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of the Company's common stock will be entitled to receive an equal amount per share of all of the Company's assets of whatever kind available for distribution to stockholders, after the rights of the holders of any preferred stock have been satisfied.

**Note 9 - Stock-Based Compensation**

***Amended and Restated 2021 Plan***

In August 2021, the Company adopted the 2021 Equity Incentive Plan (the "2021 Plan"), which was approved by the stockholders of the Company in September 2021 and became effective immediately upon the closing of the Business Combination. In April 2022, the Company amended and restated the 2021 Plan (the "Amended and Restated 2021 Plan"), which was approved by the stockholders of the Company in June 2022. The aggregate number of shares of Class A common stock that may be issued under the plan increased to 34,175,708. In addition, the number of shares of Class A common stock reserved for issuance under the Amended and Restated 2021 Plan will automatically increase on January 1st of each year following this amendment, starting on January 1, 2023 and ending on (and including) January 1, 2031, in an amount equal to the lesser of (1) 5.0% of the total number of shares of Class A and Class B common stock outstanding on December 31 of the preceding year, or (2) a lesser number of shares of Class A common stock determined by the board of directors prior to the date of the increase. In accordance therewith, the number of shares of Class A common stock reserved for issuance under the Amended and Restated 2021 Plan increased by 12,292,155 shares on January 1, 2023. The Amended and Restated 2021 Plan provides for the grant of incentive and non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards, and other awards to employees, directors, and non-employees.

In connection with the adoption of the 2021 Plan, the Company ceased issuing awards under its 2019 Equity Incentive Plan (the "2019 Plan"). Following the closing of the Business Combination, the Company assumed the outstanding stock options under the 2019 Plan and converted such stock options into options to purchase the Company's common stock. Such stock options will continue to be governed by the terms of the 2019 Plan and the stock option agreements thereunder, until such outstanding options are exercised or until they terminate or expire.

***Employee Stock Purchase Plan***

In August 2021, the Company adopted the 2021 Employee Stock Purchase Plan (the "ESPP"), which became effective immediately upon the closing of the Business Combination. The ESPP permits eligible employees to purchase shares of Class A common stock at a price equal to 85% of the lower of the fair market value of Class A common stock on the first day of an offering or on the date of purchase. Additionally, the number of shares of Class A common stock reserved for issuance under the ESPP will automatically increase on January 1st of each year, beginning on January 1, 2022 and continuing through and including January 1, 2031, by the lesser of (i) 1.0% of the total number of shares of Class A common stock outstanding on December 31 of the preceding year; (ii) 9,938,118 shares of Class A common stock; or (iii) a lesser number of shares of Class A common stock determined by the board of directors prior to the date of the increase. In accordance therewith, the number of shares of Class A common stock reserved for issuance under the ESPP increased by 1,809,383 on January 1, 2023. As of June 30, 2023, the maximum number of shares authorized for issuance under the ESPP was 8,406,337, of which 7,805,232 shares remained available under the ESPP.

The Company currently offers six-month offering periods, and at the end of each offering period, which occurs every six months on May 31 and November 30, employees can elect to purchase shares of the Company's Class A common stock with contributions of up to 15% of their base pay, accumulated via payroll deductions, subject to certain limitations.

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For the six-month ESPP offering period that ended during the three months ended June 30, 2023, employees purchased 601,105 shares at a price of \$2.19 per share.

The Company uses the Black-Scholes option pricing model to calculate the grant date fair value of each award granted under the ESPP. The following table sets forth the key assumptions and fair value results for each award granted in the Company's six-month offering period that started on June 1, 2023:

|                                 | June 1, 2023 |
|---------------------------------|--------------|
| Stock price                     | \$ 2.99      |
| Risk-free interest rate         | 5.44 %       |
| Term (in years)                 | 0.50         |
| Volatility                      | 81.00 %      |
| Dividend yield                  | 0.00 %       |
| Grant date fair value per share | \$ 1.11      |

During the three and six months ended June 30, 2023, the Company recognized stock-based compensation expense of \$ 0.3 million and \$0.6 million for the ESPP, respectively. There was no stock-based compensation expense recognized for the ESPP during each of the three and six months ended June 30, 2022.

As of June 30, 2023, the total remaining stock-based compensation expense was \$ 0.6 million for the ESPP, which is expected to be recognized over the current six-month offering period until November 30, 2023.

#### **Annual Equity Awards**

Subject to the achievement of certain performance goals established by the Company from time to time, the Company's employees are eligible to receive an annual incentive bonus that will entitle them to an annual grant of a number of restricted stock units ("RSUs") determined by dividing the annual bonus target amount by the closing price of the Company's Class A common stock on the date of grant. The RSUs will be fully vested on the date of grant. Furthermore, all the annual equity awards are contingent and issued only upon approval by the Company's board of directors or the compensation committee. During the three and six months ended June 30, 2023, the Company recognized stock-based compensation expense of \$3.1 million and \$6.0 million related to these annual equity awards.

#### **Stock Options**

A summary of the Company's stock option activity is as follows:

|  | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value (In millions) |
|--|------------------|---------------------------------|---|---|
| <b>Outstanding as of January 1, 2023</b>               | 5,335,974        | \$ 0.12                         | 7.66  | \$ 9.4                                  |
| Exercised  | (1,088,501)      | \$ 0.12                         | \$  | 2.8                                     |
| Expired/forfeited                                      | (116,561)        | \$ 0.12                         |   |   |
| <b>Outstanding as of June 30, 2023</b>                 | <u>4,130,912</u> | <u>\$ 0.12</u>                  | 7.13  | \$ 16.5                                 |
| <b>Exercisable as of June 30, 2023</b>                 | <u>1,192,916</u> | <u>\$ 0.13</u>                  | 7.15  | \$ 4.8                                  |
| <b>Vested and expected to vest as of June 30, 2023</b> | <u>4,130,912</u> | <u>\$ 0.12</u>                  | 7.13  | \$ 16.5                                 |

The Company recognized stock-based compensation expense of \$ 0.7 million and \$1.4 million for stock options for the three and six months ended June 30, 2023, respectively. The Company recognized stock-based compensation expense of \$1.1 million and \$2.1 million for stock options for the three and six months ended June 30, 2022, respectively.

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As of June 30, 2023, the total remaining stock-based compensation expense for unvested stock options was \$ 6.4 million, which is expected to be recognized over a weighted-average period of 0.9 years.

**Restricted Stock Units**

A summary of the Company's RSU activity is as follows:

|  | Number of<br>Shares | Weighted<br>Average<br>Grant Price |
|--|---------------------|------------------------------------|
| <b>Outstanding as of January 1, 2023</b> | 43,146,632          | \$ 5.72                            |
| Granted                                  | 9,672,018           | \$ 2.85                            |
| Vested                                   | (4,026,387)         | \$ 3.85                            |
| Forfeited                                | (578,951)           | \$ 4.41                            |
| <b>Outstanding as of June 30, 2023</b>   | <b>48,213,312</b>   | <b>\$ 5.32</b>                     |

During the six months ended June 30, 2023, the Company granted 998,364 RSUs under the Amended and Restated 2021 Plan, representing the quarterly equity awards for the Company's fourth fiscal quarter of 2022. The RSUs were fully vested on the date of grant and settled in Class A common stock on a one-for-one basis. In addition, the Company granted 8,673,654 RSUs under the Amended and Restated 2021 Plan, which generally vest over a three- or four-year period with a one-year cliff and remain subject to forfeiture if vesting conditions are not met. Upon vesting, RSUs are settled in Class A common stock on a one-for-one basis. The shares of Class A common stock underlying RSU grants are not issued and outstanding until the applicable vesting date.

Immediately prior to closing of the Business Combination, each of the Company's founders was granted 20,009,224 RSUs under the 2019 Plan (the "Founder Grants") pursuant to the terms and conditions of the business combination agreement, dated February 10, 2021, as amended and restated on July 29, 2021 (the "Business Combination Agreement"). Considering each of the founder's existing equity ownership and assuming the Founder Grants fully vest, it would result in each of the founders owning approximately 18% of all outstanding shares of the Total Outstanding Capitalization of the Company (as defined in the Business Combination Agreement). One-quarter of each Founder Grant vests upon the achievement of the earlier to occur of (i) a price-based milestone or (ii) a performance-based milestone, with a different set of such price and performance-based milestones applying to each quarter of each Founder Grant and so long as the achievement occurs within seven years following the closing of the Business Combination.

The Company accounts for the Founder Grants as four separate tranches, with each tranche consisting of two award grants, a performance award grant and market award grant. Each tranche vests when either the market condition or performance condition is satisfied (only one condition is satisfied). The Company determined the fair value of the performance award by utilizing the trading price on the Closing Date. When the applicable performance milestone is deemed probable of being achieved, the Company will recognize compensation expense for the portion earned to date over the requisite period. For the market award, the Company determined both the fair value and derived service period using a Monte Carlo simulation model on the Closing Date. The Company will recognize compensation expense for the market award on a straight-line basis over the derived service period. If the applicable performance condition is not probable of being achieved, compensation cost for the value of the award incorporating the market condition is recognized, so long as the requisite service is provided. If the performance milestone becomes probable of being achieved, the full fair value of the award will be recognized, and any remaining expense for the market award will be canceled.

One-quarter of each Founder Grant, totaling 5,002,306 shares each of Class B common stock, vested immediately prior to the Closing Date pursuant to the terms and conditions of the Business Combination Agreement. On April 14, 2022, the vested 5,002,306 shares of Class B common stock of the Company's co-founder and former co-CEO, were cancelled. Following the separation of the officer from the Company on April 13, 2022 (the "Separation Date"), the officer's unvested 15,006,918 shares of Class B common stock for the remaining three tranches remain outstanding and eligible for vesting upon the achievement of the milestones as described above for 15 months from the Separation Date pursuant to the original terms of the Founder Grants.

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On July 13, 2023, 15 months following the separation of the officer from the Company, the officer's unvested 15,006,918 shares of Class B common stock for the remaining three tranches of the Founder Grant were forfeited. The Company reversed the previously recognized stock-compensation expense associated with these shares for \$59.1 million.

For the three and six months ended June 30, 2023, the Company recorded \$ 16.2 million and \$32.2 million of stock-based compensation expense, respectively, for the amortized portion of the market award for the remaining three tranches in general and administrative expenses in the consolidated condensed statements of operations. For the three and six months ended June 30, 2022, the Company recorded \$16.2 million and \$32.2 million of stock-based compensation expense, respectively, for the amortized portion of the market award for the remaining three tranches in general and administrative expenses in the consolidated condensed statements of operations.

For the three and six months ended June 30, 2023, the Company recorded \$ 6.2 million and \$11.5 million of stock-based compensation expense, respectively, related to RSUs (excluding the Founder Grants). For the three and six months ended June 30, 2022, the Company recorded \$5.4 million and \$11.1 million of stock-based compensation expense, respectively, related to RSUs (excluding the Founder Grants).

As of June 30, 2023, the total remaining stock-based compensation expense for unvested RSUs (including the Founder Grants) was \$ 240.9 million, which is expected to be recognized over a weighted-average period of 1.3 years.

The Company records stock-based compensation expense for stock-based compensation awards based on the fair value on the date of grant. The stock-based compensation expense is recognized ratably over the course of the requisite service period.

The Company has elected to account for forfeitures as they occur and will record stock-based compensation expense assuming all stockholders will complete the requisite service period. If an employee forfeits an award because they fail to complete the requisite service period, the Company will reverse stock-based compensation expense previously recognized in the period the award is forfeited.

The following table presents stock-based compensation expense included in each respective expense category in the consolidated condensed statements of operations (in millions):

|   | Three Months Ended June 30, |                | Six Months Ended June 30, |                |
|---|-----------------------------|----------------|---------------------------|----------------|
|   | 2023                        | 2022           | 2023                      | 2022           |
| Research and development                      | \$ 6.7                      | \$ 6.9         | \$ 13.4                   | \$ 12.3        |
| General and administrative                    | 19.8                        | 18.7           | 38.8                      | 37.8           |
| <b>Total stock-based compensation expense</b> | <b>\$ 26.5</b>              | <b>\$ 25.6</b> | <b>\$ 52.2</b>            | <b>\$ 50.1</b> |

#### **Warrants**

A summary of the Company's warrant activity is as follows:

|   | Number of Shares  | Exercise Price | Weighted |             |   |
|---|-------------------|----------------|----------|-------------|---|
|   |                   |                | Average  | Remaining   | Aggregate Intrinsic Value (in millions) |
| <b>Outstanding as of January 1, 2023</b>          | 8,736,599         | \$ 0.01        |          | 7.84        | \$ 16.3                                 |
| Issued  | 15,000,000        | \$ 0.01        |          |             |   |
| <b>Outstanding as of June 30, 2023</b>            | <b>23,736,599</b> | <b>\$ 0.01</b> |          | <b>5.56</b> | <b>\$ 97.6</b>                          |
| <b>Vested and exercisable as of June 30, 2023</b> | <b>5,788,245</b>  | <b>\$ 0.01</b> |          | <b>6.20</b> | <b>\$ 23.8</b>                          |

#### **United Airlines**

On January 29, 2021, the Company entered into a Purchase Agreement (the "United Purchase Agreement"), Collaboration Agreement (the "United Collaboration Agreement"), and Warrant to Purchase Shares Agreement (the "United Warrant Agreement") with United Airlines, Inc. ("United"). Under the terms of the United Purchase Agreement, United has a

conditional purchase order for up to 200 of the Company's aircraft, with an option to purchase an additional 100 aircraft. Those purchases are conditioned upon the Company meeting certain conditions that include, but are not limited to, the certification of the Company's aircraft by the FAA and further negotiation and reaching of mutual agreement on certain material terms related to the purchases. The Company issued 14,741,764 warrants to United to purchase shares of the Company's Class A common stock. Each warrant provides United with the right to purchase one share of the Company's Class A common stock at an exercise price of \$0.01 per share. The warrants were initially expected to vest in four installments in accordance with the following milestones: the execution of the United Purchase Agreement and the United Collaboration Agreement, the completion of the Business Combination, the certification of the aircraft by the FAA, and the sale of aircraft to United.

On August 9, 2022, the Company entered into Amendment No. 1 to the United Purchase Agreement (the "Amended United Purchase Agreement") and Amendment No. 1 to the United Warrant Agreement (the "Amended United Warrant Agreement"). In association with the Amended United Purchase Agreement, the Company received a \$10.0 million pre-delivery payment from United for 100 of the Company's aircraft (the "Pre-Delivery Payment"), which was recognized as a contract liability in other long-term liabilities in the Company's consolidated condensed balance sheets. Pursuant to the Amended United Warrant Agreement, the vesting condition of the fourth milestone of the United Warrant Agreement was modified, and the warrants now vest in four installments in accordance with the following sub-milestones: (i) 737,088 warrants vested upon receipt by the Company of the Pre-Delivery Payment on August 9, 2022; (ii) 2,211,264 warrants vested on February 9, 2023 upon the six-month anniversary of the amendment date; (iii) 3,685.45 warrants shall vest upon the acceptance and delivery of each of the Company's 160 aircraft; and (iv) 22,112.65 warrants shall vest upon the acceptance and delivery of each of the Company's 40 aircraft.

The Company accounts for the Amended United Purchase Agreement and the United Collaboration Agreement under ASC 606, *Revenue from Contracts with Customers*. The Company identified the sale of each aircraft ordered by United as a separate performance obligation in the contract. As the performance obligations have not been satisfied, the Company has not recognized any revenue as of June 30, 2023.

With respect to the warrant vesting milestones outlined above, the Company accounts for them as consideration payable to a customer under ASC 606 related to the future purchase of aircraft by United. Pursuant to ASC 718, *Compensation — Stock Compensation*, the Company measured the grant date fair value of the warrants to be recognized upon the achievement of each of the original four milestones and the vesting of the related warrants. The Company determined that the warrants will be classified as equity awards based on the criteria of ASC 480, *Distinguishing Liabilities from Equity* and ASC 718.

For the first milestone, issuance of the warrants in conjunction with the execution of the United Purchase Agreement and the United Collaboration Agreement, the Company recorded the grant date fair value of the respective warrant tranche at the vesting date upon satisfaction of the milestone, and the related costs were recorded in other warrant expense due to the absence of historical or probable future revenue. For the second milestone, the completion of the Business Combination transaction, the related costs were also recorded in other warrant expense due to the absence of historical or probable future revenue. For the third milestone, the certification of the aircraft by the FAA, the Company will assess whether it is probable that the award will vest at the end of every reporting period. If and when the award is deemed probable of vesting, the Company will begin capitalizing the grant date fair value of the associated warrants as an asset through the vesting date and subsequently amortize the asset as a reduction to revenue as it sells the new aircraft to United.

For the original fourth milestone, the sale of aircraft to United, the Company was initially expected to record the cost associated with the vesting of each portion of warrants within this milestone as a reduction of the transaction price as revenue is recognized for each sale of the aircraft. In connection with the Amended United Warrant Agreement, the Company evaluated the accounting implications associated with the amendment to the fourth milestone in accordance with ASC 606 and ASC 718. For the first sub-milestone, the receipt of the Pre-Delivery Payment, the Company accounted for it as a modification under ASC 718 and recorded the modification date fair value of the associated warrants in other warrant expense upon satisfaction of the sub-milestone on August 9, 2022. For the second sub-milestone, the vesting of warrants on February 9, 2023, the Company accounted for it as a modification under ASC 718 and will record the modification date fair value of the associated warrants in other warrant expense on a straight-line basis over six months following the amendment date. The modification date fair value of each warrant associated with the first and second sub-milestones was determined to be \$4.37, which was the stock price of the Company's Class A common stock at the modification date. For the third and fourth sub-milestones, the sale of 160 aircraft and 40 aircraft, respectively, the Company determined that the amendment does not represent a modification under ASC 718. The Company will record the cost associated with the vesting of each portion of the associated warrants as a reduction of the transaction price based on the original grant date fair value as revenue is recognized for each sale of the aircraft.

For the three and six months ended June 30, 2023, the Company recorded zero and \$2.1 million in other warrant expense, respectively, in the consolidated condensed statement of operations related to the second sub-milestone under the fourth milestone, and a total of 2,211,264 warrants vested from achievement of this milestone. There was no other warrant expense recognized for the three and six months ended June 30, 2022.

**Stellantis N.V.**

On January 3, 2023, the Company entered into a manufacturing and collaboration agreement with Stellantis N.V. ("Stellantis"), pursuant to which the Company and Stellantis will collaborate on the development and implementation of the Company's manufacturing operations for the production of its eVTOL aircraft products (the "Stellantis Collaboration Agreement"). In connection with the Stellantis Collaboration Agreement, the Company entered into a forward purchase agreement (as amended, the "Stellantis Forward Purchase Agreement") and a warrant agreement (the "Stellantis Warrant Agreement") with Stellantis on January 3, 2023.

Under the terms of the Stellantis Forward Purchase Agreement, the Company may elect, in the Company's sole discretion, to issue and sell to Stellantis up to \$150.0 million of shares of the Company's Class A common stock, following the satisfaction of certain Milestones (as defined in the Stellantis Forward Purchase Agreement) and pursuant to the terms and conditions of the Stellantis Forward Purchase Agreement. As any issuance of Class A common stock by the Company to Stellantis pursuant to the Stellantis Forward Purchase Agreement is at the election of the Company, the Company will recognize any share issuance at the time it elects to issue and sell shares to Stellantis.

Under the terms of the Stellantis Warrant Agreement, Stellantis is entitled to purchase up to 15.0 million of shares of the Company's Class A common stock, at an exercise price of \$0.01 per share (the "Stellantis Warrant"). The warrant will vest and become exercisable in three equal tranches upon 12, 24 and 36 months of the grant date, provided that (i) Stellantis has performed certain undertakings set forth in the Stellantis Collaboration Agreement and/or (ii) the VWAP (as defined in the Stellantis Warrant Agreement) for the Class A common stock exceeding certain specified amounts. Pursuant to the terms and conditions of the Stellantis Collaboration Agreement, Stellantis is deemed to have performed the undertakings if the Stellantis Collaboration Agreement has not been terminated by the Company as of the specified vesting date for each tranche.

As the Company is currently in pre-revenue stage and is not generating any revenue from the Stellantis Collaboration Agreement, all costs incurred with third parties are recorded based on the nature of the costs incurred. The Company accounts for the warrant in accordance with the provisions of ASC 718. The grant date fair value of each warrant was determined to be \$1.93, which was the stock price of the Company's Class A common stock on January 3, 2023. For each tranche of the warrant, the Company will recognize compensation costs as the related services are received from Stellantis on a straight-line basis over the associated service period. During the three and six months ended June 30, 2023, the Company recorded \$4.5 million and \$8.7 million of research and development expense in the consolidated condensed statements of operations in connection with the Stellantis Collaboration Agreement.

On June 23, 2023, the Company issued 6,337,039 shares of Class A common stock to Stellantis at a price of \$ 3.94506 per share in connection with the first milestone under the Stellantis Forward Purchase Agreement and received approximately \$25.0 million in gross proceeds. The Company recognized the issued shares at a fair value of \$3.38 per share, which was the closing price of the Company's Class A common stock on June 23, 2023, and recognized a gain of \$3.6 million within other (expense) income, net in the consolidated condensed statements of operations during the three and six months ended June 30, 2023, to account for the difference between the amount of cash proceeds and the fair value of the issued shares.

On August 10, 2023, Stellantis waived certain conditions provided for in the Stellantis Forward Purchase Agreement relating to the Company's actual achievement pursuant to Milestone 2 (as defined in the Stellantis Forward Purchase Agreement). In connection with this, the Company submitted an election notice to draw down upon the \$70.0 million applicable to Milestone 2, which equals 12,313,234 shares of Common Stock. Such shares of Common Stock issuable to Stellantis upon such election notice will be subject to satisfaction of customary closing conditions, including the submission of a filing pursuant to the Hart-Scott Rodino Act.

**Note 10 - Income Taxes**

The Company recognized \$0.2 million income tax expense for each of the three and six months ended June 30, 2023, and zero income tax expense for each of the three and six months ended June 30, 2022, resulting in an effective tax rate of 0%. The

effective tax rate is different from the federal statutory tax rate primarily due to the full valuation allowance on the Company's deferred tax assets.

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Based upon the analysis of federal and state deferred tax balances, future tax projections, and the Company's lack of taxable income in the carryback period, the Company recorded a full valuation allowance on its U.S. deferred tax assets as of June 30, 2023 and 2022.

**Note 11 - 401(k) Savings Plan**

The Company maintains a 401(k) savings plan for the benefit of its employees. The Company makes matching contributions equal to 50% of each employee contribution, subject to the maximum amount established by the Internal Revenue Service. All current employees are eligible to participate in the 401(k) savings plan. The Company's matching contributions were approximately \$0.9 million and \$1.8 million for the three and six months ended June 30, 2023, respectively, and \$0.5 million and \$1.0 million for the three and six months ended June 30, 2022, respectively.

**Note 12 - Liability Classified Warrants**

As of June 30, 2023, there were 17,398,947 public warrants outstanding. Public warrants may only be exercised for a whole number of shares. No fractional shares are issued upon exercise of the public warrants. The public warrants became exercisable on October 30, 2021, 12 months after the closing of the initial public offering of Atlas, the predecessor of Archer. The public warrants will expire five years from the consummation of the Business Combination or earlier upon redemption or liquidation.

Once the public warrants become exercisable, the Company may redeem the public warrants for redemption:

- in whole and not in part;
- at a price of \$0.01 per public warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the closing price of the Class A common stock equals or exceeds \$18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period commencing after the warrants become exercisable and ending three business days before the Company sends the notice of redemption to the warrant holders.

If and when the warrants become redeemable by the Company, the Company may exercise its redemption right even if the Company is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

Each public warrant entitles the registered holder to purchase one share of Class A common stock at a price of \$ 11.50 per share. The exercise price and number of Class A common stock issuable upon exercise of the public warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. The public warrants will not be adjusted for issuances of Class A common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the public warrants.

As of June 30, 2023, there were 8,000,000 private placement warrants outstanding. The private placement warrants are identical to the public warrants underlying the shares sold in the initial public offering of Atlas, except that the private placement warrants and the shares of Class A common stock issuable upon the exercise of the private placement warrants became transferable, assignable, and salable on October 16, 2021, 30 days after the completion of the Business Combination, subject to certain limited exceptions. Additionally, the private placement warrants will be exercisable on a cashless basis and will be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the private placement warrants are held by someone other than the initial purchasers or their permitted transferees, the private placement warrants will be redeemable by the Company and exercisable by such holders on the same basis as the public warrants.

**Archer Aviation Inc.**  
**Notes to Consolidated Condensed Financial Statements (Unaudited)**

**Note 13 - Subsequent Events**

On July 13, 2023, 15 months following the separation of the co-founder and former co-CEO from the Company, the officer's unvested 15,006,918 shares of Class B common stock for the remaining three tranches of the Founder Grant were forfeited. See Note 9 - Stock-Based Compensation for more information.

On August 10, 2023, the Company entered into subscription agreements with certain investors providing for the private placement of 26,173,286 Class A common stock of the Company for gross proceeds of approximately \$145.0 million.

On August 10, 2023, Stellantis waived certain conditions provided for in the Stellantis Forward Purchase Agreement relating to the Company's actual achievement pursuant to Milestone 2 and the Company submitted an election notice to draw down upon the \$70.0 million applicable to Milestone 2. See Note 9 - Stock-Based Compensation for more information.

On August 10, 2023, the Company, Wisk and Boeing entered into the Technology and Dispute Resolution Agreements that provide for certain investments by Boeing into the Company and an autonomous flight collaboration between the parties, issuance of certain warrants to Wisk and resolution of the federal and state court litigation between the parties. For a description of the Technology and Dispute Resolution Agreements, see Note 7 - Commitments and Contingencies — Litigation.

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

*This Quarterly Report includes forward-looking statements. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. See the section titled "Special Note Regarding Forward-Looking Statements" in this Quarterly Report. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those set forth in Part II, Item 1A, "Risk Factors" in this Quarterly Report and Part I, Item 1A, "Risk Factors" in our Annual Report. The following discussion should be read in conjunction with our financial statements and related notes thereto included elsewhere in this Quarterly Report and the audited financial statements as of and for the year ended December 31, 2022 set forth in our Annual Report.*

### Overview

We are designing and developing electric vertical takeoff and landing ("eVTOL") aircraft for use in urban air mobility ("UAM") networks. Our mission is to unlock the skies, freeing everyone to reimagine how they move and spend time. Our eVTOL aircraft are designed to be safe, sustainable, and quiet. Our production aircraft, Midnight, which we unveiled in November 2022, is designed around our proprietary 12-tilt-6 aircraft configuration. This means that it has 12 propellers attached to 6 booms on a fixed wing with all 12 propellers providing vertical lift during take-off and landing, and the forward 6 propellers tilting forward to cruise position to provide propulsion during forward flight with the wing providing aerodynamic lift like a conventional airplane.

Midnight is designed to carry 4 passengers plus a pilot up to 100 miles at speeds up to 150 miles per hour, but is optimized for back-to-back short distance trips of around 20-miles, with a charging time of approximately 10 minutes between trips. We are working to certify Midnight with the Federal Aviation Administration ("FAA") in late 2024 so that we can then enter into commercial service in 2025.

Midnight is the evolution of our demonstrator eVTOL aircraft, Maker, which through its flight test program has helped validate our proprietary 12-tilt-6 aircraft configuration and certain key enabling technologies. The design of Midnight marries what we believe to be cutting-edge electric propulsion technology with state-of-the-art aircraft systems to deliver the key attributes of our eVTOL aircraft:

- **Safety.** High redundancy and simplified propulsion systems make for a significantly safer aircraft compared to a helicopter. Midnight has no single critical point of failure, meaning that should any single component fail, the aircraft can still safely complete its flight.
- **Low noise.** With its intended cruising altitude at approximately 2,000 feet, the design of Midnight is such that the noise that reaches the ground is expected to measure around 45 A-weighted decibels, approximately 100 times quieter than that of a helicopter. During forward flight, the aircraft's tilt propellers spin on axes that are aligned with the oncoming air flow, rather than edge-wise to the flow, as is the case with traditional helicopters - further decreasing noise levels. Since Archer's aircraft is spinning 12 small propellers rather than one large rotor, it can also spin them at significantly lower tip speeds, resulting in much lower noise levels.
- **Sustainable.** Midnight is all electric, resulting in zero operating emissions. Archer is committed to sourcing renewable energy wherever possible to power its aircraft. Archer's design and engineering teams have worked to integrate materials into this aircraft that have their own unique sustainability stories. For example, Midnight's seats are constructed out of "flax" fiber, a natural plant which requires very little irrigation and is highly absorbent of CO<sub>2</sub>. In addition, Archer's design uses fabric made from recycled contents like plastic bottles.

We continue to work to optimize our eVTOL aircraft design for both manufacturing and certification. The development of an eVTOL aircraft that meets our business requirements demands significant design and development efforts on all facets of the aircraft. We believe that by bringing together a mix of talent with eVTOL, traditional commercial aerospace, as well as electric propulsion backgrounds, we have built a team that enables us to move through the design, development, and certification of our eVTOL aircraft with the FAA in an efficient manner, thus allowing us to achieve our end goal of bringing to market our eVTOL aircraft as efficiently as possible.

## Our Planned Lines of Business

Upon receipt of all necessary FAA certifications and any other government approvals necessary for us to manufacture and operate our aircraft, we intend to operate two complementary lines of business. Our core focus is direct-to-consumer offerings ("Archer UAM") with our secondary focus being business-to-business offerings ("Archer Direct").

### **Archer UAM**

We plan to operate our own UAM ecosystem initially in select major U.S. cities. Our UAM ecosystem will operate using our eVTOL aircraft, which is currently in development. We project that the cost to manufacture and operate our eVTOL aircraft will be such that it will be able to enter the UAM ride-sharing market at a price point that is competitive with ground-based ride sharing services today. We will continue to evaluate our go-to-market strategy based on, among other things, estimated demand, readiness of the required infrastructure, and our ability to scale of our aircraft fleet.

### **Archer Direct**

We also plan to selectively sell a certain amount of our eVTOL aircraft to third parties. We have entered into a purchase agreement (as further amended, the "United Purchase Agreement") with United Airlines, Inc. ("United") for the conditional purchase of up to \$1.0 billion worth of aircraft, with an option for another \$500.0 million worth of aircraft.

As we get closer to commercialization, we will look to determine the right mix of selling our eVTOL aircraft versus using them as part of our UAM ecosystem based on, among other factors, our capital needs, our volume of manufacturing, our ability to ramp Archer UAM operations, and the purchase demand from our Archer Direct customers.

To date, we have not generated any revenue from either of these planned categories, as we continue to design, develop, and seek the governmental approvals necessary for our eVTOL aircraft to enter into service. We will use our cash and cash equivalents for the foreseeable future to continue to fund our efforts to bring our eVTOL aircraft to market. The amount and timing of any future capital requirements will depend on many factors, including the pace and results of the design and development of our aircraft and manufacturing operations, as well as our progress in obtaining necessary FAA certifications and other government approvals. For example, any significant delays in obtaining such FAA certifications and other government approvals will likely require us to raise additional capital above our existing cash on hand and delay our generation of revenues.

## Components of Results of Operations

### **Revenue**

We are still working to design, develop, certify, and bring up manufacturing of our eVTOL aircraft and thus have not generated any revenues from either of our planned lines of business. We do not expect to begin generating significant revenues until we are able to complete the design, development, certification, and bring up of manufacturing of our eVTOL aircraft.

### **Operating Expenses**

#### *Research and Development*

Research and development activities represent a significant part of our business. Our research and development efforts focus on the design and development of our eVTOL aircraft, including certain of the systems that are used in it. As part of those activities, we continue to work closely with the FAA towards our goal of achieving certification of our eVTOL aircraft on an efficient timeline. Research and development expenses consist primarily of personnel-related costs (including salaries, bonuses, benefits, and stock-based compensation) for employees focused on research and development activities, costs associated with developing and building prototype aircraft, associated facilities costs, and depreciation. We expect research and development expenses to increase significantly as we progress towards the certification and manufacturing of our eVTOL aircraft.

We cannot determine with certainty the timing, duration or the costs necessary to complete the design, development, certification, and manufacturing bring up of our eVTOL aircraft due to the inherently unpredictable nature of our research and development activities. Development timelines, the probability of success, and development costs may differ materially from expectations.

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*General and Administrative*

General and administrative expenses consist primarily of personnel-related costs (including salaries, bonuses, benefits, and stock-based compensation) for employees associated with administrative services such as finance, legal, human resources, information technology, associated facilities costs, depreciation and non-cash technology and dispute resolution agreements expense. We expect our general and administrative expenses to increase in absolute dollars, primarily as a result of operating as a publicly-traded company, including expenses to comply with the rules and regulations applicable to publicly-traded companies, as well as additional expenses customary for a publicly-traded company, such as directors' and officers' liability insurance, director fees, and additional internal and external accounting and legal fees and expenses.

*Other Warrant Expense*

Other warrant expense consists entirely of non-cash expense related to the vesting of warrants issued in conjunction with the execution of the United Purchase Agreement and the United Warrant Agreement.

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

Other (expense) income, net consists of miscellaneous income and expense items, including the change in fair value of our warrant liabilities .

***Interest Income, Net***

Interest income, net primarily consists of interest income from our cash and cash equivalents and short-term investments in marketable securities, net of interest on notes payable.

## Results of Operations

The following tables set forth our consolidated condensed statements of operations for the periods indicated:

|   | Three Months Ended June 30, |           | Change \$  | Change % |  |
|---|-----------------------------|-----------|------------|----------|--|
|   | 2023                        | 2022      |            |          |  |
|   | (In millions)               |           |            |          |  |
| <b>Operating expenses</b>                 |                             |           |            |          |  |
| Research and development <sup>(1)</sup>   | \$ 63.3                     | \$ 37.8   | \$ 25.5    | 67 %     |  |
| General and administrative <sup>(1)</sup> | 118.1                       | 42.4      | 75.7       | 179 %    |  |
| Total operating expenses                  | 181.4                       | 80.2      | 101.2      | 126 %    |  |
| Loss from operations                      | (181.4)                     | (80.2)    | (101.2)    | 126 %    |  |
| Other (expense) income, net               | (6.6)                       | 8.0       | (14.6)     | NM       |  |
| Interest income, net                      | 4.1                         | 0.5       | 3.6        | NM       |  |
| Loss before income taxes                  | (183.9)                     | (71.7)    | (112.2)    | 156 %    |  |
| Income tax expense                        | (0.2)                       | —         | (0.2)      | 100 %    |  |
| Net loss                                  | \$ (184.1)                  | \$ (71.7) | \$ (112.4) | 157 %    |  |

NM=Not Meaningful.

|   | Six Months Ended June 30, |            | Change \$  | Change % |  |
|---|---------------------------|------------|------------|----------|--|
|   | 2023                      | 2022       |            |          |  |
|   | (In millions)             |            |            |          |  |
| <b>Operating expenses</b>                 |                           |            |            |          |  |
| Research and development <sup>(1)</sup>   | \$ 129.1                  | \$ 65.3    | \$ 63.8    | 98 %     |  |
| General and administrative <sup>(1)</sup> | 162.2                     | 80.2       | 82.0       | 102 %    |  |
| Other warrant expense                     | 2.1                       | —          | 2.1        | 100 %    |  |
| Total operating expenses                  | 293.4                     | 145.5      | 147.9      | 102 %    |  |
| Loss from operations                      | (293.4)                   | (145.5)    | (147.9)    | 102 %    |  |
| Other (expense) income, net               | (9.3)                     | 14.5       | (23.8)     | NM       |  |
| Interest income, net                      | 5.7                       | 0.1        | 5.6        | NM       |  |
| Loss before income taxes                  | (297.0)                   | (130.9)    | (166.1)    | 127 %    |  |
| Income tax expense                        | (0.2)                     | —          | (0.2)      | 100 %    |  |
| Net loss                                  | \$ (297.2)                | \$ (130.9) | \$ (166.3) | 127 %    |  |

NM=Not Meaningful.

<sup>(1)</sup> Includes stock-based compensation expense as follows:

|  | Three Months Ended June 30, |         | Six Months Ended June 30, |         |
|--|-----------------------------|---------|---------------------------|---------|
|  | 2023                        | 2022    | 2023                      | 2022    |
|  | (In millions)               |         |                           |         |
| Research and development               | \$ 6.7                      | \$ 6.9  | \$ 13.4                   | \$ 12.3 |
| General and administrative             | 19.8                        | 18.7    | 38.8                      | 37.8    |
| Total stock-based compensation expense | \$ 26.5                     | \$ 25.6 | \$ 52.2                   | \$ 50.1 |

### Comparison of the Three and Six Months Ended June 30, 2023 and 2022

#### Research and Development

Research and development expenses increased by \$25.5 million, or 67%, for the three months ended June 30, 2023, compared to the same period ended June 30, 2022, as we invested in people and materials to advance our technology development. Specifically, the increase was primarily due to an increase of \$10.9 million in costs related to professional

services and tools and materials to support our increased research and development activities, an increase of \$9.3 million in personnel-related expenses due to a significant increase in our workforce from the prior year period and an increase of \$3.2 million in warrant expenses related to the warrants issued to Stellantis N.V. ("Stellantis") in connection with the manufacturing and collaboration agreement between us and Stellantis. See Note 9 - Stock-Based Compensation for further details on our warrants.

Research and development expenses increased by \$63.8 million, or 98%, for the six months ended June 30, 2023, compared to the same period ended June 30, 2022, as we invested in people and materials to advance our technology development. Specifically, the increase was primarily due to an increase of \$31.2 million in costs related to professional services and tools and materials to support our increased research and development activities, an increase of \$20.2 million in personnel-related expenses due to a significant increase in our workforce from the prior year period and an increase of \$6.2 million in warrant expenses related to the warrants issued to Stellantis in connection with the manufacturing and collaboration agreement between us and Stellantis. See Note 9 - Stock-Based Compensation for further details on our warrants.

#### *General and Administrative*

General and administrative expenses increased by \$75.7 million, or 179%, and \$82.0 million, or 102%, for the three and six months ended June 30, 2023, respectively, compared to the same periods ended June 30, 2022. The increase was primarily due to a \$73.0 million non-cash charge comprised of a \$25.0 million non-cash charge associated with the Initial Vested Share Tranche and a \$48.0 million non-cash charge for the unvested portion of the Warrant that is contingent and may never be realized, relating to the Technology and Dispute Resolution Agreements. For additional information, see Note 7 - Commitments and Contingencies — Litigation.

#### *Other Warrant Expense*

Other warrant expense increased by \$2.1 million, or 100%, for the six months ended June 30, 2023, compared to the same period ended June 30, 2022. The increase was due to the vesting of United warrants associated with specific milestones. See Note 9 - Stock-Based Compensation for further details on our other warrant expense.

There was no other warrant expense recognized for each of the three months ended June 30, 2023 and 2022.

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

Other (expense) income, net decreased by \$14.6 million and \$23.8 million for the three and six months ended June 30, 2023, respectively, compared to the same periods ended June 30, 2022, primarily due to changes in fair value of our warrant liabilities. See Note 3 - Summary of Significant Accounting Policies.

#### *Interest Income, Net*

Interest income, net increased by \$3.6 million and \$5.6 million for the three and six months ended June 30, 2023, respectively, compared to the same period ended June 30, 2022, primarily due to interest income from our cash and cash equivalents and short-term investments in marketable securities.

### **Liquidity and Capital Resources**

As of June 30, 2023, our principal sources of liquidity were cash and cash equivalents of \$407.6 million. We have incurred net losses since our inception and to date have not generated any revenues. We expect to incur additional losses and higher operating expenses for the foreseeable future. We believe that our existing cash and cash equivalents will be sufficient for at least the next 12 months to meet our requirements and plans for cash, including meeting our working capital requirements and capital expenditure requirements.

On August 10, 2023, we entered into subscription agreements with certain investors providing for the private placement of 26,173,286 shares of Class A common stock of the Company for gross proceeds of approximately \$145.0 million (the "Private Placement").

On August 10, 2023, Stellantis waived certain conditions provided for in the Stellantis Forward Purchase Agreement relating to our actual achievement pursuant to Milestone 2 (as defined in the Stellantis Forward Purchase Agreement). In connection with this, we submitted an election notice to draw down upon the \$70.0 million applicable to Milestone 2, which equals 12,313,234 shares of Common Stock. Such shares of Common Stock issuable to Stellantis upon such election notice will

be subject to satisfaction of customary closing conditions, including the submission of a filing pursuant to the Hart-Scott Rodino Act.

In the long term, our ability to support our working capital and capital expenditure requirements will depend on many factors, including:

- the level of research and development expenses we incur as we continue to develop our eVTOL aircraft;
- capital expenditures needed to bring up our aircraft manufacturing capabilities, including for both the build out of our manufacturing facilities and component purchases necessary to build our aircraft;
- general and administrative expenses as we scale our operations; and
- sales, marketing and distribution expenses as we build, brand and market our eVTOL aircraft and UAM network.

Until such time as we can generate significant revenue from our business operations, we expect to finance our cash needs primarily through existing cash on hand, pre-delivery payments, equity financing and debt financing.

The following includes our short-term and long-term material cash requirements from known contractual obligations as of June 30, 2023:

#### **Notes Payable**

We have short-term debt obligations of \$5.0 million. See Note 6 - Notes Payable to the consolidated condensed financial statements for further details on our debt.

#### **Leases**

We lease office, lab, hangar, and storage facilities in the normal course of business. Under our operating leases as noted in Note 7 - Commitments and Contingencies to the consolidated condensed financial statements, we have current obligations of \$5.0 million and long-term obligations of \$21.0 million.

#### **Cash Flows**

The following table summarizes our cash flows for the periods indicated:

|  | <b>Six Months Ended June 30,</b> |             |
|--|----------------------------------|-------------|
|  | <b>2023</b>                      | <b>2022</b> |
|  | <b>(In millions)</b>             |             |
| <b>Net cash (used in) provided by:</b> |                                  |             |
| Operating activities                   | \$ (120.8)                       | \$ (82.4)   |
| Investing activities                   | \$ 445.5                         | \$ (2.1)    |
| Financing activities                   | \$ 17.8                          | \$ (4.7)    |

#### *Cash Flows Used in Operating Activities*

We continue to experience negative cash flows from operations as we are still working to design, develop, certify, and bring up manufacturing of our eVTOL aircraft and thus have not generated any revenues from either of our planned lines of business. Our cash flows from operating activities are significantly affected by our cash investments to support the growth of our research and development activities related to our eVTOL aircraft, as well as the general and administrative functions necessary to support those activities and operations as a publicly traded company. Our operating cash flows are also impacted by the working capital requirements to support growth and fluctuations in personnel-related expenditures, accounts payable, accrued interest and other current liabilities, and other current assets.

Net cash used in operating activities during the six months ended June 30, 2023 was \$120.8 million, resulting from a net loss of \$297.2 million, adjusted for non-cash items consisting primarily of a \$73.0 million non-cash charge comprised of a \$25.0 million non-cash charge associated with the Initial Vested Share Tranche and a \$48.0 million non-cash charge for the unvested portion of the Warrant that is contingent and may never be realized, relating to the Technology and Dispute Resolution Agreements (see Note 7 - Commitments and Contingencies — Litigation), \$52.2 million in stock-based

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compensation primarily related to the 20,009,224 restricted stock units granted to the founders under the 2019 Equity Incentive Plan (the "Founder Grants"), a loss of \$15.6 million due to a change in fair value of our warrant liabilities, and \$8.7 million of research and development warrant expenses related to the warrants issued to Stellantis (see Note 9 - Stock-Based Compensation). The net cash provided by changes in our net operating assets and liabilities of \$25.8 million was primarily related to a \$12.8 million increase in accrued expenses and other current liabilities mainly due to professional service fees and expenses and a \$8.2 million increase in accounts payable due to timing of payments.

Net cash used in operating activities during the six months ended June 30, 2022 was \$82.4 million, resulting from a net loss of \$130.9 million, adjusted for non-cash items consisting primarily of \$50.1 million in stock-based compensation primarily related to the Founder Grants, partially offset by a gain of \$14.5 million due to a change in fair value of our warrant liabilities. The net cash provided by changes in our net operating assets and liabilities of \$6.8 million was primarily related to a \$11.5 million increase in accrued expenses and other current liabilities mainly due to professional service fees and expenses, partially offset by a \$2.5 million increase in prepaid expenses, primarily due to prepaid research and development-related expenses, and a \$1.6 million decrease in accounts payable due to timing of payments.

### *Cash Flows Provided by (Used in) Investing Activities*

Net cash provided by investing activities during the six months ended June 30, 2023 was \$445.5 million, driven by proceeds from maturities of short-term investments of \$465.0 million, partially offset by purchases of property and equipment of \$19.5 million within the period.

Net cash used in investing activities during the six months ended June 30, 2022 was \$2.1 million, driven by purchases of property and equipment within the period.

### *Cash Flows Provided by (Used in) Financing Activities*

Net cash provided by financing activities during the six months ended June 30, 2023 was \$17.8 million, driven by proceeds from issuance of common stock to Stellantis of \$25.0 million and proceeds from shares issued under the Employee Stock Purchase Plan of \$1.3 million (see Note 9 - Stock-Based Compensation), partially offset by the repayment of term loans to Silicon Valley Bank, a division of First-Citizens Bank (the "Silicon Valley Bank Term Loans") for \$5.0 million and payments for taxes related to net share settlement of equity awards for \$3.5 million.

Net cash used in financing activities during the six months ended June 30, 2022 was \$4.7 million, consisting of the repayment of the Silicon Valley Bank Term Loans for \$5.0 million, partially offset by \$0.3 million proceeds from the exercise of stock options.

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

Our audited consolidated condensed financial statements and accompanying notes set forth in the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2023 have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these consolidated condensed financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

For a discussion of our critical accounting policies and estimates, see "Critical Accounting Policies and Estimates" included under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report. There have been no material changes in our policies from those previously discussed in our Annual Report.

### **Recent Accounting Pronouncements**

See Note 3 - Summary of Significant Accounting Policies to the consolidated condensed financial statements included elsewhere in this Quarterly Report for a discussion about accounting pronouncements recently adopted and recently issued not yet adopted.

### **Credit Risk**

Financial instruments, which subjects us to concentrations of credit risk, consist primarily of cash, cash equivalents, and short-term investments. Our cash and cash equivalents are held at several long-standing financial institutions located in the

United States of America. At times, cash account balances with any one financial institution may exceed Federal Deposit Insurance Corporation insurance limits (\$250 thousand per depositor per institution). We have not experienced any losses due to these excess deposits and believe this risk is not significant. Our short-term investments consisted of high quality, investment grade marketable securities and were held at a major financial institution located in the United States. We have established guidelines regarding diversification of our investments and their maturities that are designed to preserve principal and achieve liquidity requirements. We review these guidelines and modify them as necessary based on updated liquidity needs and changes in our operations and financial position.

#### **Emerging Growth Company and Smaller Reporting Company Status**

Section 107(b) of the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”) provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Atlas initially elected, and we currently take advantage of the extended transition period to comply with new or revised accounting standards and to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of the accounting standards election, we are not currently subject to the same implementation timeline for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult.

We have also elected to take advantage of some of the reduced regulatory and reporting requirements of emerging growth companies pursuant to the JOBS Act so long as we qualify as an emerging growth company, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments.

Additionally, we are currently a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements.

Because the market value of our common stock held by our non-affiliates as of June 30, 2023, exceeded \$700.0 million, we will generally lose the ability to rely on the scaled disclosure and other benefits associated with emerging growth company status and smaller reporting company status in our periodic reports and other filings with the SEC during the year ending December 31, 2024.

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

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

We are exposed to market risk for changes in interest rates applicable to our short-term investments. We had cash, cash equivalents, and restricted cash totaling \$414.8 million as of June 30, 2023. Cash equivalents were invested in money market funds. The primary objectives of our investment activities are to preserve principal and achieve liquidity requirements. We do not enter into investments for trading or speculative purposes. Due to the relatively short-term nature of our investment portfolio, a hypothetical 100 basis point change in interest rates would not have had a material impact on the fair value of our portfolio for the periods presented.

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

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

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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

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). Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as

amended (the "Exchange Act") as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, our disclosure controls and procedures were ineffective, due to the material weaknesses described below.

However, after giving full consideration to these material weaknesses, and the additional analyses and other procedures that we performed to ensure that our consolidated condensed financial statements included in this Quarterly Report were prepared in accordance with U.S. GAAP, our management has concluded that our consolidated condensed financial statements included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations, and cash flows for the periods presented.

#### **Material Weaknesses in Internal Control over Financial Reporting**

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

In connection with the preparation and audit of our financial statements, we identified certain control deficiencies in the design and operation of our internal control over financial reporting that constituted material weaknesses. The material weaknesses are:

- We did not design and maintain an effective control environment commensurate with our financial reporting requirements. We lack a sufficient number of trained professionals 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 limited personnel also resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions.

The material weakness in the control environment contributed to the following additional material weaknesses:

- We did not design and maintain an effective risk assessment process at a precise enough level to identify new and evolving risks of material misstatement in our financial statements. 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.
- We did not design and maintain formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over the preparation and review of business performance reviews, account reconciliations and journal entries.
- We did not design and maintain effective controls over 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:
  - user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate company personnel;
  - program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized, and implemented appropriately; and
  - computer operations controls to ensure that data backups are authorized and monitored.

These material weaknesses resulted in a revision to our consolidated condensed financial statements for the period ended March 31, 2021 to reclassify certain costs within operating expenses from research and development expense to other warrant expense and immaterial errors to our previously issued consolidated financial statements which were corrected in the consolidated financial statements as of and for the year ended December 31, 2022. Additionally, each of 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 financial statements that would not be prevented or detected.

## **Remediation Measures**

We are taking the steps we believe are necessary to remediate these material weaknesses to comply with the rules and regulations of the SEC regarding compliance with Section 404(a) of the Sarbanes-Oxley Act. Management, with the participation of our Board of Directors and its Audit Committee, is engaged in remediation activities to address the material weaknesses described above. Those remediation measures are ongoing and include the following:

- We prepared a remediation plan for each of the material weaknesses and trained process owners, developed new controls, enhanced existing controls and evaluated process adoption, and are monitoring results;
- We hired a new Chief Financial Officer in February 2022 and have hired and plan to continue to hire additional accounting, human resources and payroll, and IT personnel to bolster our accounting and IT capabilities and capacity, and to establish and maintain our internal controls;
- We have implemented and continue to implement controls to formalize roles and review responsibilities that align with our team's skills and experience and to ensure segregation of duties;
- We engaged third-party professionals to design and implement a formal risk assessment process and identified and evaluated changes in our internal controls;
- We have implemented formal processes, policies, and procedures supporting our financial close process, including establishing and reviewing thresholds for business performance reviews, formalizing procedures over the review of financial statements, and creation of standard balance sheet reconciliation templates and journal entry controls;
- We continue to design and implement IT general controls, including controls over the review and updating of user access rights and privileges and implementing more robust IT policies and procedures over change management, data backup authorization and computer operations; and
- We implemented a new enterprise resource planning ("ERP") system in February 2023 that is expected to be capable of automating some of our manual financial reporting processes, enhancing our information technology control environment, and mitigating some of the internal control gaps and limitations that cannot be addressed by our current system.

We believe we are making progress toward achieving the effectiveness of our internal control over financial reporting and disclosure controls and procedures. The actions that we are taking are subject to ongoing senior management review, as well as oversight by the audit committee of our board of directors. We will not be able to conclude whether the steps we are taking will fully remediate these material weaknesses in our internal control over financial reporting until we have completed our remediation efforts including evaluation of their ongoing effectiveness for a sufficient period of time. We may also conclude that additional measures may be required to remediate the material weaknesses in our internal control over financial reporting, which may necessitate additional implementation and evaluation time. We will continue to assess the effectiveness of our internal control over financial reporting and take steps to remediate the known material weaknesses expeditiously.

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

We are taking actions to remediate the material weaknesses relating to our internal control over financial reporting. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II - Other Information

### Item 1. Legal Proceedings

For a description of our material pending legal proceedings, see Note 7 - Commitments and Contingencies of the notes to the consolidated condensed financial statements, which is incorporated herein by reference. From time to time, we may bring or be subject to other legal proceedings and claims in the ordinary course of business. While management currently believes that resolving claims against us, individually or in aggregate, will not have a material adverse impact on our financial position, results of operations or statement of cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. If an unfavorable final outcome were to occur, it may have a material adverse impact on our financial position, results of operations or cash flows for the period in which the effect can be reasonably estimated.

### Item 1A. Risk Factors

Investing in our securities involves risks. Risk factors describing the major risks to our business can be found under Part I, Item 1A, "Risk Factors" in our Annual Report. The following risk factors supplement and, to the extent inconsistent, supersede the risk factors disclosed in Part I, Item 1A, "Risk Factors" in our Annual Report. You should consider carefully the risks and uncertainties described therein, together with all of the other information in this Quarterly Report, including Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated condensed financial statements and related notes, before deciding whether to purchase any of our securities. Our business, results of operations, financial condition, and prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of these risks actually occur, our business, results of operations, financial condition, and prospects could be materially and adversely affected. Unless otherwise indicated, references in these risk factors to our business being harmed will include harm to our business, reputation, brand, financial condition, results of operations, and prospects. In such event, the market price of our securities could decline, and you could lose all or part of your investment.

***Our business plan requires a significant amount of capital. In addition, our future capital needs may require us to issue additional equity or debt securities that may dilute our stockholders or introduce covenants that may restrict our operations or our ability to pay dividends.***

We expect our capital expenditures and operating expenses to continue to be significant in the foreseeable future as we develop our aircraft and business, and that our level of capital expenditures and operating expenses will be significantly affected by the aircraft development and certification process as well as subsequent customer demand for our aircraft. We believe our current cash balances will be sufficient to fund our current operating plan for at least the next 12 months. However, we expect that over the coming years we will continue to make significant investments in our business, including development of our aircraft, bring up of manufacturing capabilities, the infrastructure to support Archer UAM, and investments in our brand.

Our investments and expenses may be greater than currently anticipated or there may be investments or expenses that are unforeseen, and we may not succeed in acquiring sufficient capital to offset these expenses and achieve significant revenue generation. We have a limited operating history and no historical data on the demand for our planned Archer UAM and Archer Direct businesses. As a result, our future capital requirements are difficult to predict and our actual capital requirements may be different from those we currently anticipate. We may need to seek equity or debt financing to finance a portion of our future capital requirements. Such financing might not be available to us when needed or on terms that are acceptable, or at all.

Our ability to obtain the necessary capital to carry out our business plan is subject to a number of factors, including general economic and market conditions, as well as investor sentiment regarding our planned business. These factors may make the timing, amount, terms and conditions of any such financing unattractive or unavailable to us. The current macroeconomic environment may increase our cost of financing or make it more difficult to raise additional capital on favorable terms, if at all. If we are unable to raise sufficient capital, we may have to significantly reduce our spending and/or delay or cancel our planned activities. We might not be able to obtain any financing, and we might not have sufficient capital to conduct our business as projected, both of which could mean that we would be forced to curtail or discontinue our operations.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, the Federal Deposit Insurance Corporation, or the FDIC, took control and was appointed receiver of Silicon Valley Bank, or SVB. Similarly, on March 12, 2023, Signature Bank

and Silvergate Capital Corp. were each swept into receivership. Although a statement by the Department of the Treasury, the Federal Reserve and the FDIC stated that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with SVB, Signature Bank or any other financial institution that is placed into receivership by the FDIC may be unable to access undrawn amounts thereunder. If any of our counterparties to any such instruments were to be placed into receivership, we may be unable to access such funds. As of March 15, 2023, our exposure to SVB is immaterial and we do not have any exposure to Signature Bank and Silvergate Capital Corp. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened and could have a material adverse effect on our business and financial condition.

In addition, our future capital needs and other business needs or plans could require us to issue additional equity or debt securities or obtain a credit facility. For example, at the closing of the Private Placement, we have agreed to issue Wisk a warrant to purchase up to 13,176,895 shares of Class A Common Stock with an exercise price of \$0.01 per share (the "Warrant"). The Warrant shall vest and be exercisable as follows: (i) immediately as to 4,512,636 of the shares underlying the Warrant (the "Initial Vested Share Tranche") and (ii) for up to 8,664,259 of the shares (the "Second Tranche") underlying the Warrant as determined six months from issuance. The extent to which the second tranche of the Warrant will vest is based on the value of Boeing's investment in the Private Placement and the shares underlying the Initial Vested Share Tranche as determined six months from entry into the Warrant (the "Specified Date"). Any shares underlying the Warrant that do not vest in accordance with the foregoing shall be immediately forfeited and shall not become exercisable. If the value of the shares underlying First Boeing Investment and the Warrant plus any shares that become vested pursuant to the Second Tranche have a combined value of less than a certain specified amount as of the Specified Date, Archer will be required to pay the balance, if any, in cash. The issuance of additional equity or equity-linked securities could dilute our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our stockholders.

If we cannot raise additional capital when we need or want to, our operations and prospects could be negatively affected.

***We are, and may in the future become, subject to legal proceedings, which may be time-consuming and expensive and, if adversely determined, could delay, limit or prevent our ability to commercialize our aircraft or otherwise execute on our business plans.***

Pending legal proceedings and other future legal proceedings against us or our employees, regardless of outcome or merit, could be time consuming and expensive to defend or resolve, result in substantial diversion of management and technical resources, delay, limit or prevent our ability to make, develop, commercialize or deploy our aircraft and aerial ride sharing services and deteriorate our reputation and our business relationships, any of which could make it more difficult or impossible for us to operate our business or otherwise execute on our business plan and significantly adversely affect our business, financial condition, or results of operations. In the event of an adverse outcome of litigation, we may have to cease developing and/or using the asserted intellectual property, which could significantly adversely impact our business, financial condition, or results of operation.

***We are party to certain purchase agreements and other contract orders for our Midnight aircraft and the provision of related services that contain conditions with respect to the purchase of our aircraft or that require us to perform and provide certain deliverables. If the conditions to or performance obligations under such contracts are not met, or if such contracts are otherwise canceled, modified or delayed, our prospects, results of operations, liquidity and cash flow will be harmed.***

We are party to certain purchase agreements, including the United Purchase Agreement, as well as other contract orders for our Midnight aircraft and the provision of related services, including with the United States Air Force (the "USAF Contracts"), that contain conditions with respect to the purchase of our aircraft or that require us to perform and deliver certain test, certificates and other services. Payment obligations under the United Purchase Agreement, for example, are conditioned upon, among other things, us receiving certification of our aircraft by the FAA and further negotiation and reaching mutual agreement on certain material terms, such as aircraft specifications, warranties, usage and transfer of the aircraft, performance guarantees, delivery periods, most favored nation provisions, the type and extent of assistance to be provided by United in obtaining certification of the aircraft for its intended use, territorial restrictions, rights to jointly developed intellectual property, escalation adjustments and other matters. The obligations of United to consummate an order pursuant to the United Purchase Agreement will arise only after all such material terms are agreed by the parties. Payment obligations under the USAF Contracts are predicated upon, among other things, our ability to complete the design, development and ground test of our Midnight aircraft.

our delivery of certain test reports and certificates, the receipt of an FAA Airworthiness Certificate, the development of pilot and maintenance training workshops, the completion of flight tests and the delivery of a certain number of our Midnight production aircraft. The obligations of the United States Air Force to provide funding will arise only after a particular deliverable has been received and accepted by the United States Air Force. Further, with respect to the United Purchase Agreement, in addition to other termination rights set forth in the United Purchase Agreement and the Collaboration Agreement with United (the "United Collaboration Agreement"), if the parties do not agree on such material terms, either party will have the right to terminate the agreements if such party determines in its discretion that it is not likely that such material terms will be agreed in a manner that is consistent with such party's business and operational interests (as those interests may change from time to time). The USAF Contracts may be terminated by the United States Air Force upon advanced written notice, and may also be subject to stop orders issued by the United States Air Force. If the United Purchase Agreement, the USAF Contracts or any future purchase agreements or contracts are canceled, modified or delayed, or otherwise not consummated, or if we are otherwise unable to convert our strategic relationships or collaborations into revenue, our prospects, results of operations, liquidity and cash flow will be affected.

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain additional executive management and qualified board members.***

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the NYSE and other applicable securities rules and regulations. Compliance with these rules and regulations has increased, and will continue to increase, our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight have been and may in the future be required. Because the market value of our common stock held by non-affiliates as of June 30, 2023, exceeded \$700.0 million, we will lose emerging growth company status under the JOBS Act as of December 31, 2023. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which would increase our costs and expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve or otherwise change over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations, and standards (or changing interpretations of them), and this investment may result in increased selling, general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be adversely affected. As a public company, we have also had to incur increased expenses in order to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain the same or similar coverage or obtain coverage in the future. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, compensation committee, and nominating and governance committee, and qualified executive officers.

As a result of disclosure of information in the filings required of a public company, our business and financial condition is more visible, which may result in threatened or actual litigation, including by competitors. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results. In addition, as a result of our disclosure obligations as a public company, we have reduced flexibility and are under pressure to focus on short-term results, which may adversely affect our ability to achieve long-term profitability.

**We are currently an emerging growth company and smaller reporting company within the meaning of the Securities Act, and the reduced reporting requirements applicable to emerging growth companies or smaller reporting companies could make our securities less attractive to investors and may make it more difficult to compare our performance to the performance of other public companies.**

We are currently an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act of 1933, as amended (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”). As such, we are eligible for and may take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including, but not limited to, (a) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, (b) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and (c) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders currently may not have access to certain information they may deem important. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

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

Additionally, we are currently a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible.

Because the market value of our common stock held by our non-affiliates as of June 30, 2023, exceeded \$700.0 million, we will generally lose the ability to rely on the scaled disclosure and other benefits associated with emerging growth company status and smaller reporting company status in our periodic reports and other filings with the SEC during the year ending December 31, 2024. We expect that our independent registered public accounting firm will be required to formally attest to the effectiveness of our internal control over financial reporting for the year ended December 31, 2023, as we will be a “large accelerated filer” as of December 31, 2023, based on the assessment of our public float as of June 30, 2023. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that are filed with the SEC.

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

### **Use of Proceeds**

On October 30, 2020, Atlas consummated its initial public offering of 50,000,000 units. The units were sold at a price of \$10.00 per unit, generating total gross proceeds of \$500.0 million from the initial public offering. The securities sold in the offering were registered under the Securities Act of 1933, as amended (the “Securities Act”) on a registration statement on Form S-1 (No. 333-249289). The registration statement became effective on October 27, 2020.

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Simultaneously with the consummation of the initial public offering, Atlas consummated the sale of 8,000,000 private placement warrants, at a price of \$1.50 per warrant, to Atlas Crest Investment LLC, generating gross proceeds to Atlas of \$12.0 million. Such securities were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act.

Atlas incurred \$10.5 million in offering costs for its initial public offering including \$10.0 million of underwriting fees and \$0.5 million of other costs. Following the initial public offering and the sale of the private placement warrants, a total of \$500.0 million was deposited into the trust account for the purpose of effecting an initial business combination. As of August 5, 2021, the record date of the Business Combination, there was \$500.1 million held in the trust account. After deducting payments to existing Atlas unit holders of \$242.2 million in connection with their exercise of redemption rights, the remainder of the trust account totaling \$257.6 million is now held on our balance sheet to fund our operations and continued growth.

The Business Combination generated \$857.6 million in gross cash proceeds, inclusive of \$600.0 million in proceeds from the related private placement financing and \$257.6 million transferred from the trust account. Total direct and incremental transaction costs aggregated \$81.8 million, of which \$10.9 million was expensed as part of the Business Combination, \$55.8 million was recorded to APIC as equity issuance costs, and the remaining \$15.1 million was settled through the issuance of shares of our Class A common stock.

There has been no material change in the planned use of proceeds noted above from those disclosed in the final prospectus (File No. 333-254007), dated August 11, 2021, which was declared effective by the SEC on August 11, 2021.

**Sales of Unregistered Securities**

On June 23, 2023, we issued 6,337,039 shares of Class A common stock to Stellantis N.V. in connection with the first milestone under the Forward Purchase Agreement, dated January 3, 2023, between Stellantis and us ("Tranche 1 Issuance"). The shares of Class A common stock were issued at a price per share of \$3.94506 and we received approximately \$25.0 million in gross proceeds from the Tranche 1 Issuance. The Tranche 1 Issuance was made in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act.

**Issuer Purchases of Equity Securities**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

| Exhibit | Description   |
|---------|---|
| 31.1    | <a href="#">Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a> |
| 31.2    | <a href="#">Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a> |
| 32.1*   | <a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>                               |
| 32.2*   | <a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>                               |
| 101.INS | Inline XBRL Instance Document   |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document  |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document   |
| 104     | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)  |

\* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report and are not deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

**SIGNATURES**

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

**ARCHER AVIATION INC.**

August 14, 2023

By: /s/ Mark Mesler

Mark Mesler

*Chief Financial Officer*

*(Principal Financial and Accounting Officer)*

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

I, Adam Goldstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2023, of Archer Aviation Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 14, 2023

*/s/ Adam Goldstein*

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Adam Goldstein

*Chief Executive Officer*

(Principal Executive Officer)

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

I, Mark Mesler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2023, of Archer Aviation Inc. (the "registrant");
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.

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Date: August 14, 2023

*/s/* Mark Mesler

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Mark Mesler

*Chief Financial Officer*

(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Archer Aviation Inc. (the "Company") for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Adam Goldstein, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Date: August 14, 2023

*/s/ Adam Goldstein*

Adam Goldstein

*Chief Executive Officer*

(Principal Executive Officer)

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

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

In connection with the Quarterly Report on Form 10-Q of Archer Aviation Inc. (the "Company") for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Mesler, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Date: August 14, 2023

/s/ Mark Mesler

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Mark Mesler

*Chief Financial Officer*

(Principal Financial Officer)

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.