

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 March 31, 2024

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-40725

**Jet.AI Inc.**

(Exact Name of Registrant As Specified In Its Charter)

|  |                                      |
|--|--------------------------------------|
| Delaware   | 93-2971741                           |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 10845 Griffith Peak Dr.<br>Suite 200<br>Las Vegas, NV          | 89135                                |
| (Address of Principal Executive Offices)                       | (ZIP Code)                           |

(702) 747-4000  
(Registrant's telephone number, including area code)

N/A

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

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

| Title of each class   | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$0.0001 per share  | JTAI              | The Nasdaq Stock Market LLC               |
| Redeemable warrants, each whole warrant exercisable for one share of Common Stock at an exercise price of \$11.50 per share           | JTAIW             | The Nasdaq Stock Market LLC               |
| Merger Consideration Warrants, each whole warrant exercisable for one share of Common Stock at an exercise price of \$15.00 per share | JTAIZ             | The Nasdaq Stock Market LLC               |

Securities to be registered under Section 12(g) of the Act: None

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the Company 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 checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 15, 2024, there were 12,721,468 shares of the Company's common stock, par value \$0.0001, issued and outstanding.

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*In this Form 10-Q, unless otherwise specified, the term "Jet.AI", "we", "us", "our", or "the Company" refers to Jet.AI Inc. and our subsidiaries on a consolidated basis.*

THIS FILING MAY CONTAIN FORWARD-LOOKING STATEMENTS AND INFORMATION RELATING TO, AMONG OTHER THINGS, THE COMPANY, ITS BUSINESS PLAN AND STRATEGY, AND ITS INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON THE BELIEFS OF, ASSUMPTIONS MADE BY, AND INFORMATION CURRENTLY AVAILABLE TO THE COMPANY'S MANAGEMENT. WHEN USED IN THE OFFERING MATERIALS, THE WORDS "ESTIMATE," "PROJECT," "BELIEVE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, WHICH CONSTITUTE FORWARD LOOKING STATEMENTS. THESE STATEMENTS REFLECT MANAGEMENT'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN THE FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE. THE COMPANY DOES NOT UNDERTAKE ANY OBLIGATION TO REVISE OR UPDATE THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER SUCH DATE OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

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## PART I FINANCIAL INFORMATION

### Item 1. FINANCIAL STATEMENTS

#### JET.AI, INC. CONSOLIDATED BALANCE SHEETS

|  | March 31,<br>2024<br>(unaudited) | December 31,<br>2023 |
|--|----------------------------------|----------------------|
| <b>Assets</b>  |                                  |                      |
| Current assets:  |                                  |                      |
| Cash and cash equivalents  | \$ 595,555                       | \$ 2,100,543         |
| Accounts receivable  | 162,962                          | 96,539               |
| Other current assets   | 104,657                          | 190,071              |
| Prepaid offering costs   | 800,000                          | 800,000              |
| Subscription receivable  | 1,500,025                        | -                    |
| Total current assets   | 3,163,199                        | 3,187,153            |
| Property and equipment, net  | 6,967                            | 7,604                |
| Intangible assets, net   | 53,577                           | 73,831               |
| Right-of-use lease asset   | 1,442,884                        | 1,572,489            |
| Investment in joint venture  | 100,000                          | 100,000              |
| Deposits and other assets  | 798,111                          | 798,111              |
| Total assets   | \$ 5,564,738                     | \$ 5,739,188         |
| <b>Liabilities and Stockholders' Deficit</b>   |                                  |                      |
| Current liabilities:   |                                  |                      |
| Accounts payable   | \$ 1,386,436                     | \$ 1,656,965         |
| Accrued liabilities  | 2,444,004                        | 2,417,115            |
| Deferred revenue   | 1,395,285                        | 1,779,794            |
| Operating lease liability  | 513,869                          | 510,034              |
| Note payable   | -                                | 321,843              |
| Notes payable - related party  | -                                | 266,146              |
| Total current liabilities  | 5,739,594                        | 6,951,897            |
| Lease liability, net of current portion  | 891,415                          | 1,021,330            |
| Redeemable preferred stock   | 1,702,000                        | 1,702,000            |
| Total liabilities  | 8,333,009                        | 9,675,227            |
| Commitments and contingencies (Note 2 and 5)   | -                                | -                    |
| Stockholders' Deficit  |                                  |                      |
| Preferred Stock, 4,000,000 shares authorized, par value \$0.0001, 0 issued and outstanding | -                                | -                    |

|   |              |              |
|---|--------------|--------------|
| Series B Convertible Preferred Stock, 5,000 shares authorized, par value \$0.0001, 150 and 0 issued and outstanding, respectively |              |              |
| Common stock, 55,000,000 shares authorized, par value \$0.0001, 12,555,144 and 9,754,364 issued and outstanding, respectively     | 1,255        | 975          |
| Subscription receivable   | (6,724)      | (6,724)      |
| Additional paid-in capital  | 39,738,635   | 35,342,098   |
| Accumulated deficit   | (42,501,437) | (39,272,388) |
| Total stockholders' deficit   | (2,768,271)  | (3,936,039)  |
| Total liabilities and stockholders' deficit   | \$ 5,564,738 | \$ 5,739,188 |

See accompanying notes to the consolidated financial statements

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**JET.AI, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

|   | Three Months Ended<br>March 31, |                |
|---|---------------------------------|----------------|
|   | 2024                            | 2023           |
| Revenues  | \$ 3,848,598                    | \$ 1,875,508   |
| Cost of revenues  | 3,972,954                       | 1,950,526      |
| Gross loss  | (124,356)                       | (75,018)       |
| Operating Expenses:   |                                 |                |
| General and administrative (including stock-based compensation of \$ 1,199,318 and \$1,407,044, respectively) | 2,546,294                       | 2,488,018      |
| Sales and marketing   | 446,600                         | 120,167        |
| Research and development  | 32,546                          | 36,319         |
| Total operating expenses  | 3,025,440                       | 2,644,504      |
| Operating loss  | (3,149,796)                     | (2,719,522)    |
| Other expense (income):   |                                 |                |
| Interest expense  | 79,314                          | -              |
| Other income  | (61)                            | -              |
| Total other expense   | 79,253                          | -              |
| Loss before provision for income taxes  | (3,229,049)                     | (2,719,522)    |
| Provision for income taxes  | -                               | -              |
| Net Loss  | \$ (3,229,049)                  | \$ (2,719,522) |
| Less cumulative preferred stock dividends   | 29,728                          | -              |
| Net Loss to common stockholders   | \$ (3,258,777)                  | \$ (2,719,522) |
| Weighted average shares outstanding - basic and diluted   | 11,441,443                      | 3,902,489      |
| Net loss per share - basic and diluted  | \$ (0.28)                       | \$ (0.70)      |

See accompanying notes to the consolidated financial statements

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**JET.AI, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY**  
**THREE MONTHS ENDED MARCH 31, 2024 AND 2023**  
**(UNAUDITED)**

|                                       | Series B Preferred Stock |        | Common Stock |        | Subscription Receivable | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' (Deficit) Equity |
|---------------------------------------|--------------------------|--------|--------------|--------|-------------------------|----------------------------|---------------------|--------------------------------------|
|                                       | Shares                   | Amount | Shares       | Amount |                         |                            |                     |                                      |
| Balance at December 31, 2022          | -                        | \$ -   | 4,454,665    | \$ 445 | \$ (15,544)             | \$ 27,407,372              | \$ (26,655,980)     | \$ 736,293                           |
| Stock-based compensation              | -                        | -      | -            | -      | -                       | 1,407,044                  | -                   | 1,407,044                            |
| Sale of Common Stock for cash         | -                        | -      | 65,960       | 7      | (86,370)                | 1,598,623                  | -                   | 1,512,260                            |
| Receipt of subscription receivable    | -                        | -      | -            | -      | 76,435                  | -                          | -                   | 76,435                               |
| Offering costs                        | -                        | -      | -            | -      | -                       | (436,969)                  | -                   | (436,969)                            |
| Net loss                              | -                        | -      | -            | -      | -                       | -                          | (2,719,522)         | (2,719,522)                          |
| Balance at March 31, 2023 (unaudited) | -                        | \$ -   | 4,520,625    | \$ 452 | \$ (25,479)             | \$ 29,976,070              | \$ (29,375,502)     | \$ 575,541                           |

| Series B Preferred Stock                           |        | Common Stock |            | Subscription | Additional Paid-in | Accumulated Deficit | Total Stockholders' (Deficit) |
|--|--------|--------------|------------|--------------|--------------------|---------------------|-------------------------------|
| Shares   | Amount | Shares       | Amount     | Receivable   | Capital            | Deficit             | Equity                        |
| Balance at December 31, 2023                       | -      | 9,754,364    | \$ 975     | \$ (6,724)   | \$35,342,098       | \$ (39,272,388)     | \$ (3,936,039)                |
| Stock-based compensation                           | -      | -            | -          | -            | 1,199,318          | -                   | 1,199,318                     |
| Sale of Series B Convertible Preferred Units       | 150    | -            | 250,000    | 25           | -                  | 1,500,000           | 1,500,025                     |
| Offering costs                                     | -      | -            | -          | -            | (155,000)          | -                   | (155,000)                     |
| Issuance of Common Stock upon exercise of warrants | -      | -            | 1,550,780  | 155          | -                  | 742,319             | 742,474                       |
| Sale of Common Stock for cash                      | -      | -            | 1,000,000  | 100          | -                  | 1,109,900           | 1,110,000                     |
| Net loss   | -      | -            | -          | -            | -                  | (3,229,049)         | (3,229,049)                   |
| Balance at March 31, 2024 (unaudited)              | 150    | \$ -         | 12,555,144 | \$ 1,255     | \$ (6,724)         | \$39,738,635        | \$ (42,501,437)               |
|  |        |              |            |              |                    |                     | \$ (2,768,271)                |

See accompanying notes to the consolidated financial statements

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**JET.AI, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

|   | Three Months Ended<br>March 31, |                     |
|---|---------------------------------|---------------------|
|   | 2024                            | 2023                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                                 |                     |
| Net loss  | \$ (3,229,049)                  | \$ (2,719,522)      |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                 |                     |
| Amortization and depreciation   | 33,813                          | 33,596              |
| Amortization of debt discount   | 80,761                          | -                   |
| Stock-based compensation  | 1,199,318                       | 1,407,044           |
| Non-cash operating lease costs  | 129,605                         | 125,884             |
| Changes in operating assets and liabilities:                                |                                 |                     |
| Accounts receivable   | (66,423)                        | -                   |
| Other current assets  | 85,414                          | (98,571)            |
| Accounts payable  | (270,529)                       | 22,105              |
| Accrued liabilities   | 26,889                          | (192,625)           |
| Deferred revenue  | (384,509)                       | 352,401             |
| Operating lease liability   | (126,080)                       | (122,359)           |
| Net cash used in operating activities                                       | <u>(2,520,790)</u>              | <u>(1,192,047)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                                 |                     |
| Purchase of property and equipment  | -                               | (4,339)             |
| Purchase of intangible assets   | (12,922)                        | (4,294)             |
| Investment in joint venture   | -                               | (100,000)           |
| Deposits and other assets   | -                               | 15,000              |
| Net cash used in investing activities                                       | <u>(12,922)</u>                 | <u>(93,633)</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                                 |                     |
| Repayments - notes payable  | (371,250)                       | -                   |
| Repayments - related party notes payable                                    | (297,500)                       | -                   |
| Offering costs  | (155,000)                       | (436,969)           |
| Exercise of warrants  | 742,474                         | -                   |
| Proceeds from sale of Common Stock  | 1,110,000                       | 1,588,695           |
| Net cash provided by financing activities                                   | <u>1,028,724</u>                | <u>1,151,726</u>    |
| Decrease in cash and cash equivalents                                       | (1,504,988)                     | (133,954)           |
| Cash and cash equivalents, beginning of period                              | 2,100,543                       | 1,527,391           |
| Cash and cash equivalents, end of period                                    | <u>\$ 595,555</u>               | <u>\$ 1,393,437</u> |
| Supplemental disclosures of cash flow information:                          |                                 |                     |
| Cash paid for interest  | \$ 79,314                       | \$ -                |
| Cash paid for income taxes  | \$ -                            | \$ -                |
| Non cash financing activities:  |                                 |                     |
| Subscription receivable from sale of common and preferred stock             | <u>\$ 1,500,025</u>             | <u>\$ 9,935</u>     |

See accompanying notes to the consolidated financial statements

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**JET.AI, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS**

Oxbridge Acquisition Corp. ("Oxbridge") was incorporated as a Cayman Islands exempted company on April 12, 2021. Oxbridge was incorporated for the purpose of effecting a merger, capital stock or share exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. Jet Token Inc. was formed on June 4, 2018 ("Inception") in the State of Delaware and is headquartered in Las Vegas, Nevada.

On August 10, 2023 (the "Closing Date"), Oxbridge consummated the business combination transaction ("Business Combination") pursuant to the Business Combination Agreement and Plan of Reorganization with OXAC Merger Sub I, Inc., a Delaware corporation and a direct wholly owned subsidiary of Oxbridge ("First Merger Sub"), Summerlin Aviation LLC (f/k/a OXAC Merger Sub II, LLC), a Delaware limited liability company and a direct wholly owned subsidiary of Oxbridge ("Second Merger Sub"), and Jet Token, Inc., a Delaware corporation ("Jet Token"). Pursuant to the terms of the Business Combination Agreement, a business combination between Oxbridge and Jet Token was effected through the merger of First Merger Sub and Jet Token, with Jet Token emerging as the surviving company, followed by a merger between Jet Token and Second Merger Sub, with Second Merger Sub emerging as the surviving company as a wholly owned subsidiary of Oxbridge. In connection with the finalization of the Business Combination on August 10, 2023, Oxbridge filed a notice of deregistration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and filed a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, under which the Company was domesticated and continues as a Delaware corporation (the "Domestication") and immediately changed its name to Jet.Al, Inc. ("Jet.Al" or the "Company"). Upon consummation of the Business Combination, the Company has one class of common stock, par value \$0.0001 per share, which is listed on Nasdaq under the ticker symbol "JTAI". The Company's warrants are listed on Nasdaq under the ticker symbols "JTAIW" and "JTAIZ", respectively.

Following the closing of the Business Combination, the Company owns, directly or indirectly, all of the issued and outstanding equity interests in the Second Merger Sub and its subsidiaries, and the stockholders of Jet Token as of immediately prior to the effective time of the First Merger (the "Jet Token Stockholders") hold a portion of the Company's common stock, par value \$0.0001 per share (the "Common Stock").

As a result of and upon the effective time of the Domestication: (a) each then issued and outstanding Class A Ordinary Share of Oxbridge was converted automatically, on a one-for-one basis, into a share of Common Stock; (b) each then issued and outstanding Class B Ordinary Share of Oxbridge was converted automatically, on a one-for-one basis, into a share of Common Stock; (c) each then issued and outstanding Oxbridge Warrant was converted automatically into a warrant to purchase one share of Common Stock pursuant to the Warrant Agreement ("Jet.Al Warrant"); and (d) each then issued and outstanding Oxbridge Unit was converted automatically into a Jet.Al Unit, each consisting of one share of Common Stock and one Jet.Al Warrant.

At the effective time of the Business Combination (the "Effective Time"), (i) each outstanding share of Jet Token Common Stock, including each share of Jet Token Preferred Stock that was converted into shares of Jet Token Common Stock immediately prior to the Effective Time, was cancelled and automatically converted into the right to receive (x) the number of shares of Common Stock equal to the Stock Exchange Ratio of 0.03094529, and (y) the number of warrants ("Merger Consideration Warrants") equal to the Warrant Exchange Ratio of 0.04924242; (ii) each Jet Token Option, whether or not exercisable and whether or not vested, that was outstanding immediately prior to the Effective Time was automatically converted into an option to purchase a number of Jet.Al Options based on the Option Exchange Ratio (determined in accordance with the Business Combination Agreement and as further described in the Proxy Statement); (iii) each Jet Token Warrant issued and outstanding immediately prior to the Effective Time was automatically converted into a warrant to acquire (x) a number of shares of Common Stock equal to the Stock Exchange Ratio and (y) a number of Merger Consideration Warrants equal to the Warrant Exchange Ratio; and (iv) each Jet Token RSU Award that was outstanding immediately prior to the Effective Time was converted into a Jet.Al RSU Award with respect to a number of RSUs based on the applicable exchange ratio as determined in accordance with the Business Combination Agreement.

The Company, directly and indirectly through its subsidiaries, is principally involved in (i) the sale of fractional and whole interests in aircraft, (ii) the sale of jet cards, which enable holders to use certain of the Company's and other's aircraft at agreed-upon rates, (iii) the operation of a proprietary booking platform (the "App"), which functions as a prospecting and quoting platform to arrange private jet travel with third party carriers as well as via the Company's leased and managed aircraft, (iv) direct chartering of its HondaJet aircraft by Cirrus, (v) aircraft brokerage and (vi) service revenue from the monthly management and hourly operation of customer aircraft.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Going Concern and Management Plans*

The Company has limited operating history and has incurred losses from operations since Inception. These matters raise concern about the Company's ability to continue as a going concern.

The Company began ramping up its revenue-generating activities during the second half of the year ended December 31, 2021 and continuing into 2022 and 2023. During the next twelve months, the Company intends to fund its operations with capital from its operations, drawdowns under its GEM share purchase agreement and proceeds from the exercise of warrants under the Ionic Securities Purchase Agreement described in Note 6. The Company also has the ability to reduce cash burn to preserve capital. There are no assurances, however, that management will be able to raise capital on terms acceptable to the Company. If the Company is unable to obtain sufficient amounts of additional capital, the Company may be required to reduce the near-term scope of its planned development and operations, which could delay implementation of the Company's business plan and harm its business, financial condition and operating results. The consolidated balance sheets do not include any adjustments that might result from these uncertainties.

### *Basis of Presentation*

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and an Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in the consolidated financial statements herein.

The Business Combination was accounted for as a reverse recapitalization in accordance with GAAP, whereby Oxbridge is treated as the acquired company and Jet Token is treated as the acquirer (the "Reverse Recapitalization"). Accordingly, for accounting purposes, the Reverse Recapitalization was treated as the equivalent of Jet Token issuing stock for the net assets of Oxbridge, accompanied by a recapitalization. The net assets of Oxbridge were stated at historical cost, with no goodwill or other intangible assets recorded.

Jet Token was determined to be the accounting acquirer in the Business Combination based on the following predominate factors:

- Jet Token's existing stockholders had the greatest voting interest in the combined entity;
- Jet Token existing stockholders had the ability to nominate a majority of the initial members of the combined entity Board;
- Jet Token's senior management is the senior management of the combined entity;
- Jet Token is the larger entity based on historical operating activity and has the larger employee base; and
- The post-combination company has assumed a Jet Token branded name: "Jet.Al Inc."

## *Unaudited Interim Financial Statements*

Certain information and disclosures normally included in the annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these unaudited consolidated interim financial statements have been included. Such adjustments consist of normal recurring adjustments. The results of operations for the three months ended March 30, 2024 are not necessarily indicative of the results that may be expected for the full year.

### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of Jet.AI Inc. and its wholly owned subsidiaries, Summerlin Aviation LLC, Jet Token Software Inc., Jet Token Management Inc., Galilee LLC, and Galilee 1 SPV LLC and Cloudrise Ltd. All intercompany accounts and transactions have been eliminated in consolidation.

The consolidated assets, liabilities, and results of operations prior to the Reverse Recapitalization are those of Jet Token. The shares and corresponding capital amounts and losses per share, prior to the Reverse Recapitalization, have been retroactively restated based on shares reflecting the exchange ratio established in the Business Combination.

### *Use of Estimates*

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of expenses during the reporting period. Making estimates requires management to exercise significant judgement. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

### *Fair Value of Financial Instruments*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

### *Risks and Uncertainties*

The Company has a limited operating history and has only recently begun generating revenue from intended operations. The Company's business and operations are sensitive to general business and economic conditions in the U.S. and worldwide along with local, state, and federal governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include but are not limited to: changes in the airline industry, fuel and operating costs, changes to corporate governance best practices for executive flying, general demand for private jet travel, regulations on carbon emissions from aviation and market acceptance of the Company's business model. These adverse conditions could affect the Company's financial condition and the consolidated results of its operations.

### *Cash and Cash Equivalents*

For purpose of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Included within cash and cash equivalents is restricted cash of \$500,000 at March 31, 2024 and December 31, 2023.

### *Offering Costs*

The Company complies with the requirements of ASC 340 with regards to offering costs. Prior to the completion of an offering, offering costs will be capitalized as deferred offering costs on the consolidated balance sheets. The deferred offering costs will be charged to stockholders' deficit upon the completion of an offering or to expense if the offering is not completed.

### *Other Current Assets*

Other current assets include security deposits, which relate primarily to contractual prepayments to third-parties for future services, prepaid expenses and customer receivables for additional expenses incurred in their charter trips.

### *Property and Equipment*

Property and equipment are recorded at cost, less accumulated depreciation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. As of March 31, 2024 and December 31, 2023, property and equipment consisted entirely of equipment which is being depreciated over a three-year period.

The Company incurs software development costs to develop software programs to be used solely to meet its internal needs and cloud-based applications used to deliver its services. In accordance with ASC 350-40, Internal-Use Software, the Company capitalizes development costs related to these software applications once a preliminary project stage is complete, funding has been committed, and it is probable that the project will be completed, and the software will be used to perform the function intended. As of March 31, 2024 and December 31, 2023, the Company has capitalized approximately \$398,108 of internal software related costs, which is included in intangible assets in the accompanying consolidated balance sheets. The software officially launched on December 31, 2020. Amortization expense for the three months ended March 31, 2024 and 2023 was \$33,176, which is included in cost of revenues in the accompanying consolidated statements of operations. Accumulated amortization as of March 31, 2024 was \$431,276.

#### *Investments in Joint Ventures*

In January 2023, the Company formed a 50/50 joint venture subsidiary with Great Western Air LLC dba Cirrus Aviation Services, 380 Software LLC, a Nevada limited liability company. Costs and profits are to be shared equally. The Company accounts for these investments using the equity method whereby the initial investment is recorded at cost and subsequently adjusted by the Company's share of income or loss from the joint venture. There is currently no financial activity or material assets to report for this joint venture beyond this initial investment.

#### *Leases*

The Company determines if an arrangement is a lease at inception on an individual contract basis. Operating leases are included in operating lease right-of-use assets, operating lease liabilities, current and operating lease liabilities, non-current on the consolidated balance sheets. Operating lease right-of-use assets represent the right to use an underlying asset for the lease term. Operating lease right-of-use assets are recognized at lease commencement date based on the present value of the future minimum lease payments over the lease term. The interest rate implicit in each lease was readily determinable to discount lease payments.

The operating lease right-of-use assets include any lease payments made, including any variable amounts that are based on an index or rate, and exclude lease incentives. Lease terms may include options to extend or terminate the lease. Renewal option periods are included within the lease term and the associated payments are recognized in the measurement of the operating right-of-use asset when they are at the Company's discretion and considered reasonably certain of being exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected the practical expedient not to recognize leases with an initial term of 12 months or less on the Company's consolidated balance sheets and lease expense is recognized on a straight-line basis over the term of the short-term lease.

#### *Impairment of Long-Lived Assets*

The Company follows ASC 360, Accounting for Impairment or Disposal of Long-Lived Assets. ASC 360 requires that if events or changes in circumstances indicate that the carrying value of long-lived assets or asset groups may be impaired, an evaluation of recoverability would be performed by comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying value to determine if a write-down to market value would be required. Long-lived assets or asset groups that meet the criteria in ASC 360 as being held for sale are reflected at the lower of their carrying amount or fair market value, less costs to sell.

#### *Revenue Recognition*

In applying the guidance of ASC 606, the Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, a performance obligation is satisfied.

Revenue is derived from a variety of sources including, but not limited to, (i) fractional/whole aircraft sales, (ii) fractional ownership and jet card programs, (iii) ad hoc charter through the Jet Token App and (iv) aircraft management.

Under the fractional ownership program, a customer purchases an ownership share in a jet which guarantees the customer access to the jet for a preset number of hours per year. The fractional ownership program consists of a down payment, one or more progress payments, a payment on delivery, a Monthly Management Fee (MMF) and an Occupied Hourly Fee (OHF). Revenues from the sale of fractional or whole interests in an aircraft are recognized at the time title to the aircraft is transferred to the purchasers, which generally occurs upon delivery or ownership transfer.

The jet card program provides the customer with a preset number of hours of guaranteed private jet access over the agreement term (generally a year) without the larger hourly or capital commitment of purchasing an ownership share. The jet card program consists of a fixed hourly rate for flight hours typically paid 100% up front.

Revenue is recognized upon transfer of control of the Company's promised services, which generally occurs upon the flight hours being used. Any unused hours for the fractional jet and jet card programs are forfeited at the end of the contract term and are thus immediately recognized as revenue at that time.

Deferred revenue is an obligation to transfer services to a customer for which the Company has already received consideration. Upon receipt of a prepayment from a customer for all or a portion of the transaction price, the Company initially recognizes a contract liability. The contract liability is settled, and revenue is recognized when the Company satisfies its performance obligation to the customer at a future date. As of March 31, 2024 and December 31, 2023, the Company deferred \$1,207,474 and \$1,510,976, respectively, related to prepaid flight hours under the jet card program for which the related travel had not yet occurred.

The Company also generates revenues from individual ad hoc charter bookings processed through the Company's App, whereby the Company will source, negotiate, and arrange travel on a charter basis for a customer based on pre-selected options and pricing provided by the Company to the customer through the App. In addition, Cirrus markets charter on the Company's aircraft for the Company's benefit. Deferred revenue with respect to the App was \$187,811 and \$268,818 as of March 31, 2024 and December 31, 2023, respectively.

The Company utilizes certificated independent third-party air carriers in the performance of a portion of flights. The Company evaluates whether there is a promise to transfer services to the customer, as the principal, or to arrange for services to be provided by another party, as the agent, using a control

model. The nature of the flight services the Company provides to members is similar regardless of which third-party air carrier is involved. The Company directs third-party air carriers to provide an aircraft to a member or customer. Based on evaluation of the control model, it was determined that the Company acts as the principal rather than the agent within all revenue arrangements. Owner charter revenue is recognized for flights where the owner of a managed aircraft sets the price for the trip. The Company records owner charter revenue at the time of flight on a net basis for the margin we receive to operate the aircraft. If the Company has primary responsibility to fulfill the obligation, then the revenue and the associated costs are reported on a gross basis in the consolidated statements of operations.

The following is a breakout of revenue components by subcategory for the three months ended March 31, 2024 and 2023.

|                                  | For the Three Months Ended |                     |
|----------------------------------|----------------------------|---------------------|
|                                  | March 31,                  |                     |
|                                  | 2024                       | 2023                |
| Software App and Cirrus Charter  | \$ 2,371,091               | \$ 994,253          |
| Jet Card and Fractional Programs | 677,320                    | 547,545             |
| Management and Other Services    | 800,187                    | 333,710             |
|                                  | <u>\$ 3,848,598</u>        | <u>\$ 1,875,508</u> |

#### Flights

Flights and flight-related services, along with the related costs of the flights, are earned and recognized as revenue at the point in time in which the service is provided. For round-trip flights, revenue is recognized upon arrival at the destination for each flight segment.

Fractional and jet card members pay a fixed quoted amount for flights based on a contractual capped hourly rate. Ad hoc charter customers primarily pay a fixed rate for flights. In addition, flight costs are paid by members through the purchase of dollar-denominated prepaid blocks of flight hours ("Prepaid Blocks"), and other incidental costs such as catering and ground transportation are billed monthly as incurred. Prepaid Blocks are deferred and recognized as revenue when the member completes a flight segment.

#### Aircraft Management

The Company manages aircraft for owners in exchange for a contractual fee. Revenue associated with the management of aircraft also includes the recovery of owner-incurred expenses including maintenance coordination, cabin crew and pilots, as well as recharging of certain incurred aircraft operating costs and expenses such as maintenance, fuel, landing fees, parking and other related operating costs. The Company passes the recovery and recharge costs back to owners at either cost or a predetermined margin.

Aircraft management-related revenue contains two types of performance obligations. One performance obligation is to provide management services over the contract period. Revenue earned from management services is recognized over the contractual term, on a monthly basis. The second performance obligation is the cost to operate and maintain the aircraft, which is recognized as revenue at the point in time such services are completed.

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#### Aircraft Sales

The Company acquires aircraft from vendors and various other third-party sellers in the private aviation industry. The Company's classifies the purchase as aircraft inventory on the consolidated balance sheets. Aircraft inventory is valued at the lower of cost or net realizable value. Sales are recorded on a gross basis within revenues and cost of revenue in the consolidated statements of operations. The Company recorded aircraft sales of \$0 for the three months ended March 31, 2024 and 2023.

#### Pass-Through Costs

In applying the guidance of ASC 606, the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are distinct performance obligations. The Company then assesses whether it is acting as an agent or a principal for each identified performance obligation and includes revenue within the transaction price for third-party costs when the Company determines that it is acting as the principal.

#### Cost of Sales

The cost of sales expenses includes costs incurred in providing air transportation services, such as chartering third-party aircraft, aircraft lease expenses, pilot training and wages, aircraft fuel, aircraft maintenance, and other aircraft operating expenses.

- Chartering Third-Party Aircraft: The cost of chartering third-party aircraft is recorded as a part of the cost of sales expense. These expenses include the fees paid to third-party operators for providing aircraft services on behalf of the company. Expenses are recognized in the income statement in the period when the service is rendered and are reported on an accrual basis.
- Aircraft Lease Expenses: Aircraft lease expenses include the cost of leasing aircraft for the company's operations. The lease expenses are recognized as an operating expense in the income statement over the lease term on a straight-line basis.
- Pilot Training and Wages: Pilot training costs are expensed as incurred and are included in the cost of sales expenses. This encompasses expenses related to initial pilot training, recurrent training, and any additional required training programs. Pilot wages, including salaries, bonuses, and benefits, are also recognized as a part of the cost of sales expenses and are reported on an accrual basis.
- Aircraft Fuel: The cost of aircraft fuel is recognized as an expense in the cost of sales category based on the actual consumption during flight operations. Fuel costs are recorded in the income statement in the period when the fuel is consumed and are reported on an accrual basis.
- Aircraft Maintenance: Aircraft maintenance expenses include both routine and non-routine maintenance. Routine maintenance costs are expensed as incurred and are recorded as a part of the cost of sales expense. Non-routine maintenance expenses, such as major repairs and overhauls, are capitalized and amortized over their expected useful life. The amortization expense is included in the cost of sales expense and is recognized in the income statement on a straight-line basis over the asset's useful life.

6. Other Aircraft Operating Expenses: Other aircraft operating expenses include costs such as insurance, landing fees, navigation charges, and catering services. These expenses are recognized in the income statement as a part of the cost of sales expenses in the period when they are incurred and are reported on an accrual basis.

#### Advertising Costs

The Company expenses the cost of advertising and promoting the Company's services as incurred. Such amounts are included in sales and marketing expense in the consolidated statements of operations and totaled \$446,600 and \$120,167 for the three months ended March 31, 2024 and 2023, respectively.

#### Research and Development

The Company incurs research and development costs during the process of researching and developing its technologies and future offerings. The Company's research and development costs consist primarily of payments for third party software development that is not capitalizable. The Company expenses these costs as incurred until the resulting product has been completed, tested, and made ready for commercial use.

#### Stock-Based Compensation

The Company accounts for stock awards under ASC 718, Compensation – Stock Compensation. Under ASC 718, stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite vesting period or over the nonemployee's period of providing goods or services. The fair value of each stock option or warrant award is estimated on the date of grant using the Black-Scholes option valuation model.

#### Income Taxes

The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities.

ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax in the United States ("U.S.") and files tax returns in the U.S. Federal jurisdiction and Nevada state jurisdiction. The Company is subject to U.S. Federal, state, and local income tax examinations by tax authorities for all periods since Inception. The Company currently is not under examination by any tax authority.

#### Loss per Common Share

The Company presents basic loss per share ("EPS") and diluted EPS on the face of the consolidated statements of operations. Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. For periods in which the Company incurs a net loss, the effects of potentially dilutive securities would be antidilutive and would be excluded from diluted EPS calculations. For the three months ended March 31, 2024 and 2023, there were 3,659,015 and 3,284,488 options, 25,221,406 and 0 warrants to purchase common stock, 1,807,229 and 0 common shares issuable upon conversion of Series B Preferred Stock (as defined below), 1,500 and 0 respectively, excluded.

#### Concentration of Credit Risk

The Company maintains its cash with several major financial institutions located in the United States of America which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

#### Segment Reporting

The Company identifies operating segments as components of the Company for which discrete financial information is available and is regularly reviewed by the chief operating decision maker, or decision-making group, in making decisions regarding resource allocation and performance assessment. The chief operating decision maker is the chief executive officer. The Company determined that the Company operates in a single operating and reportable segment, private aviation services, as the chief operating decision maker reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenue, for purposes of making operating decisions, allocating resources, and assessing performance. All of the Company's long-lived assets are located in the U.S. and revenue from private aviation services is substantially earned from flights throughout the U.S.

#### NOTE 3 – OTHER ASSETS

Other assets consisted of the following:

|                           | March 31, 2024    | December 31, 2023 |
|---------------------------|-------------------|-------------------|
| Deposits                  | \$ 108,361        | \$ 108,361        |
| Lease Maintenance Reserve | 689,750           | 689,750           |
| <b>Total Other Assets</b> | <b>\$ 798,111</b> | <b>\$ 798,111</b> |

#### NOTE 4 – NOTES PAYABLE

##### Bridge Agreement

On September 11, 2023, the Company entered into a binding term sheet ("Bridge Agreement") with eight investors whereby the investors purchased from the Company senior secured promissory notes in the aggregate principal amount of \$625,000, including \$281,250 from related parties. The Bridge Agreement was entered into with, and funding was provided by, Michael Winston, the Executive Chairman of the Board and Interim Chief Executive

Officer, Wrendon Timothy, a member of the Board and all three Committees of the Board, William Yankus, a member of the Board and two of its Committees, and Oxbridge RE Holdings Limited, a significant stockholder of the Company for which Mr. Timothy serves as a director and officer, as well as the four other investors named in the Bridge Agreement. Given Mr. Winston's dual role as a participant in the negotiations with third parties and his participation in the bridge financing itself, for avoidance of doubt, he agreed to waive any right to receive accrued interest on the principal amount of his note, as well as any redemption premium or any increase in the principal amount of his note in connection with an event of default.

The Company received net proceeds of \$500,000, resulting in an original issue discount of \$112,500. The notes bear interest at five percent (5%) per annum and matured on March 11, 2024 (the "Maturity Date"). The Company recognized a debt discount of \$181,250 from the notes, of which \$90,625 was amortized during the three months ended March 31, 2024. Interest expense was \$79,314 for the three months ended March 31, 2024.

These notes and accrued interest payable were fully repaid during the three months ended March 31, 2024.

#### NOTE 5 – COMMITMENTS AND CONTINGENCIES

##### *Operating Lease*

In November 2021, the Company entered into a leasing arrangement with a third party for an aircraft to be used in the Company's operations. The lease term is for 60 months, expiring November 2026, and requires monthly lease payments. At any time during the lease term, the Company has the option to purchase the aircraft from the lessor at the aircraft's fair market value at that time.

The lease agreement also requires the Company to hold a liquidity reserve of \$ 500,000 in a separate bank account as well as a maintenance reserve of approximately \$690,000 for the duration of the lease term. The liquidity reserve is held in a bank account owned by the Company. As such, this is classified as restricted cash in the accompanying consolidated balance sheets. The maintenance reserve are funds held by the lessor to be used for reasonable maintenance expenses in excess of those covered by the airframe and engine maintenance programs maintained by the Company. These maintenance programs are designed to fully cover the Company's aircraft's maintenance costs, both scheduled and unscheduled, and therefore the Company does not expect these funds will be drawn upon. If funds from the maintenance reserve are expended by the lessor, the Company is required to replenish the maintenance reserve account up to the required reserve amount. Any funds remaining at the end of the Lease term will be returned to the Company. The maintenance reserve is included within deposits and other assets in the accompanying consolidated balance sheet. In connection with this leasing arrangement, the Company agreed to pay an arrangement fee of \$70,500 to a separate third party.

Total lease expense for the three months ended March 31, 2024 and 2023 was \$ 320,775 and \$548,049, respectively, which is included within cost of revenues in the accompanying statements of operations.

Right-of-use lease assets and lease liabilities for our operating lease was recorded in the consolidated balance sheet as follows:

|  | <u>March 31,<br/>2024</u> | <u>December 31,<br/>2023</u> |
|--|---------------------------|------------------------------|
| Operating lease right-of-use asset       | \$ 2,576,036              | \$ 2,576,036                 |
| Accumulated amortization                 | <u>(1,133,152)</u>        | <u>(1,003,547)</u>           |
| <b>Net balance</b>                       | <b>\$ 1,442,884</b>       | <b>\$ 1,572,489</b>          |
|  |                           |                              |
| Lease liability, current portion         | \$ 513,869                | \$ 510,034                   |
| Lease liability, long-term               | 891,415                   | 1,021,330                    |
| <b>Total operating lease liabilities</b> | <b>\$ 1,405,284</b>       | <b>\$ 1,531,364</b>          |

As of March 31, 2024, the weighted average remaining lease term was 2.7 years, and the weighted average discount rate was 3%.

As of March 31, 2024, future minimum required lease payments due under the non-cancellable operating lease are as follows:

|  |                     |
|--|---------------------|
| 2024 (nine months)                         | \$ 411,750          |
| 2025                                       | 549,000             |
| 2026                                       | <u>503,250</u>      |
| <b>Total future minimum lease payments</b> | <b>1,464,000</b>    |
| Less imputed interest                      | (58,716)            |
| <b>Maturities of lease liabilities</b>     | <b>\$ 1,405,284</b> |

#### GEM Share Purchase Agreement

Jet Token executed a Share Purchase Agreement, dated as of August 4, 2022, with GEM Yield LLC SCS and GEM Yield Bahamas Limited (together with GEM Yield LLC SCS, "GEM"), which was automatically assumed by the Company in connection with the Business Combination. In connection with the Business Combination, the Company has the right to periodically issue and sell to GEM, and GEM has agreed to purchase, up to \$40,000,000 aggregate value of shares of the Company's common stock during the 36-month period following the date of listing.

During the three months ended March 31, 2024, the Company issued 1,000,000 shares of common stock pursuant to the agreement for total consideration of \$1.1 million.

In consideration for these services, the Company has agreed to pay GEM a commitment fee equal to \$ 800,000 payable in cash or freely tradable shares of the Company's common stock, payable on or prior to the first anniversary of the date of listing. Pursuant to the Share Purchase Agreement, the Company issued to GEM a warrant granting it the right to purchase up to 2,179,447 shares of common stock of the Company on a fully diluted basis. The warrant was issued with an exercise price of \$8.60 and a term of three years. The exercise price is subject to certain adjustments based on equity issuances by the Company, and as a result of the Series B Preferred Stock financing transaction discussed in Note 6, the warrant exercise price was reduced to \$5.81 per share as of March 31, 2024.

The Company has also entered into a Registration Rights Agreement with GEM, obligating the Company to file a registration statement with respect to resales of the shares of common stock issuable to GEM under the Share Purchase Agreement and upon exercise of the warrant. Because such registration statement was not declared effective by October 23, 2023 (the "Effectiveness Deadline"), the Company must pay to GEM an amount equal to \$10,000 for each day following the Effectiveness Deadline until the registration statement has been declared effective. The fee payable under the GEM

Registration Rights Agreement will not exceed \$300,000 if such delay in the declaration of effectiveness of the registration statement is caused by delays in SEC review of the registration statement or the SEC's refusal to declare the registration statement effective. The registration statement was declared effective on December 21, 2023. The Company has accrued \$300,000 as of March 31, 2024 and December 31, 2023 with respect to this agreement.

On October 23, 2023, the Company entered into a warrant amendment agreement, retroactively effective as of August 10, 2023 (the "GEM Warrant Amendment"). The GEM Warrant Amendment provides that GEM can elect to limit the exercisability of its warrant (the "GEM Warrant") to purchase shares of the Company's common stock, such that it is not exercisable to the extent that, after giving effect to the exercise, GEM and its affiliates, to the Company's actual knowledge, would beneficially own in excess of 4.99% of the Company's common stock outstanding immediately after giving effect to such exercise. On October 23, 2023, GEM provided a notice to the Company electing to have this limit apply to the GEM Warrant effective as of August 10, 2023. GEM may revoke this election notice by providing written notice to the Company of such revocation, which revocation would not be effective until the sixty-first (61st) day after such notice is delivered to the Company.

#### Forward Purchase Agreement

On August 6, 2023, Oxbridge entered into an agreement with (i) Meteora Capital Partners, LP ("MCP"), (ii) Meteora Select Trading Opportunities Master, LP ("MSTO"), and (iii) Meteora Strategic Capital, LLC ("MSC" and, collectively with MCP and MSTO, "Seller") (the "Forward Purchase Agreement") for OTC Equity Prepaid Forward Transactions. For purposes of the Forward Purchase Agreement, Oxbridge is referred to as the "Counterparty" prior to the consummation of the Business Combination, while Jet.AI is referred to as the "Counterparty" after the consummation of the Business Combination. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Forward Purchase Agreement.

Pursuant to the terms of the Forward Purchase Agreement, the Seller intended, but was not obligated, to purchase up to 1,186,952 (the "Purchased Amount") Class A ordinary shares, par value \$0.0001 per share, of Oxbridge ("Oxbridge Shares") concurrently with the Closing pursuant to the Seller's FPA Funding Amount PIPE Subscription Agreement (as defined below), less the number of Oxbridge Shares purchased by the Seller separately from third parties through a broker in the open market ("Recycled Shares"). No Seller was required to purchase an amount of Oxbridge Shares such that following such purchase, that Seller's ownership would exceed 9.9% of the total Oxbridge Shares outstanding immediately after giving effect to such purchase, unless the Seller, at its sole discretion, waived such 9.9% ownership limitation. The number of shares subject to the Forward Purchase Agreement is subject to reduction following a termination of the Forward Purchase Agreement with respect to such shares as described under "Optional Early Termination" in the Forward Purchase Agreement.

The Forward Purchase Agreement provided for a prepayment shortfall in an amount in U.S. dollars equal to \$ 1,250,000 (the "Prepayment Shortfall"); provided that Seller shall pay one half (1/2) of the Prepayment Shortfall to Counterparty on the Prepayment Date (which amount shall be netted from the Prepayment Amount) (the "Initial Shortfall") and, at the request of Counterparty, the other one half (1/2) of the Prepayment Shortfall (the "Future Shortfall") on the date that the SEC declares the Registration Statement effective (the "Registration Statement Effective Date"), provided the VWAP Price is greater than \$6.00 for any 45 trading days during the prior 90 consecutive trading day period and average daily trading value over such period equals at least four times the Future Shortfall. Seller in its sole discretion may sell Recycled Shares at any time following the Trade Date and at any sales price, without payment by Seller of any Early Termination Obligation until such time as the proceeds from such sales equal 100% of the Initial Shortfall and 100% of the Future Shortfall actually paid to Counterparty (as set forth under Shortfall Sales in the Forward Purchase Agreement) (such sales, "Shortfall Sales," and such Shares, "Shortfall Sale Shares"). A sale of Shares is only (a) a "Shortfall Sale," subject to the terms and conditions herein applicable to Shortfall Sale Shares, when a Shortfall Sale Notice is delivered under the Forward Purchase Agreement, and (b) an Optional Early Termination, subject to the terms and conditions of the forward Purchase Agreement applicable to Terminated Shares, when an OET Notice is delivered under the Forward Purchase Agreement, in each case the delivery of such notice in the sole discretion of the Seller (as further described in the "Optional Early Termination" and "Shortfall Sales" sections in the Forward Purchase Agreement).

The Forward Purchase Agreement provided that the Seller would be paid directly an aggregate cash amount (the "Prepayment Amount") equal to (x) the product of (i) the number of shares as set forth in a Pricing Date Notice and (ii) the redemption price per share as defined in Article 49.5 of Oxbridge's Amended and Restated Memorandum and Articles of Association, effective as of August 11, 2021, as amended from time to time (the "Initial Price"), less (y) the Prepayment Shortfall.

The Seller agreed to waive any redemption rights with respect to any Recycled Shares in connection with the Business Combination, as well as any redemption rights under Oxbridge's Amended and Restated Memorandum and Articles of Association that would require redemption by Oxbridge. Such waiver reduced the number of Oxbridge Shares redeemed in connection with the Business Combination, which may have altered the perception of the potential strength of the Business Combination.

The shares initially held by Seller consisted of 663,556 shares it purchased from third parties through a broker in open market transactions or by reversing previously submitted redemption requests and waived its redemption rights with respect to these shares. Furthermore, Seller purchased 247,756 "Additional Shares" directly from the Company for a per share price of \$ 10.00 pursuant to a subscription agreement entered into on August 6, 2023 (the "FPA Funding Amount PIPE Subscription Agreement"). Of the shares it purchased, 50,000 shares represented Share Consideration to Seller under the Forward Purchase Agreement and are not subject to the terms of the Forward Purchase Agreement, meaning that Seller is free to sell such shares and retain all proceeds therefrom. Netting out the Share Consideration, the total "Number of Shares" initially subject to the terms of the Forward Purchase Agreement was 861,312, comprising 613,556 "Recycled Shares" and 247,756 Additional Shares. Following the Closing of the Business Combination, approximately \$7.4 million remained in the trust account pursuant to the Forward Purchase Agreement. The Company paid Seller \$6,805,651, representing amounts payable by us to Seller under the Forward Purchase Agreement, net of the aggregate purchase price of the total number of Additional Shares issued to Seller under the FPA Funding Amount PIPE Subscription Agreement; and Seller paid the Company one-half (1/2) of the Prepayment Shortfall, or \$625,000.

On August 31, 2023 and October 2, 2023, the Company entered into an amendment and a second amendment, respectively (together, the "Amendments") to its Forward Purchase Agreement.

The combined effect of the Amendments was to:

- increase the total number of additional shares Seller purchased from the Company under an FPA Funding Amount PIPE Subscription Agreement to 548,127 shares of the Company's common stock,
- provide payment to the Company of "Future Shortfall" amounts totaling \$550,000 and reducing the Prepayment Shortfall to \$ 1,175,000, all of which has been paid to the Company,
- increase the total share consideration to Seller to 275,000 shares of the Company's common stock,
- reduce the remaining number of Recycled Shares to 296,518,
- increase the number of shares subject to the Forward Purchase Agreement to 994,645, and
- extend the "Valuation Date" to the two year anniversary of the Closing of the Business Combination, or earlier at the discretion of Seller and upon notice to the Company.

The Forward Purchase Agreement, as amended, provides for a cash settlement following the Valuation Date, at which time Seller is obligated to pay the Company an amount equal to the "Number of Shares" subject to the Forward Purchase Agreement (provided such Shares are registered for resale or freely transferrable pursuant to an exemption from registration) multiplied by a per share price reflecting the Company's volume weighted average trading price over a number of days following the Valuation Date, subject to alternate calculations in certain circumstances. At settlement, the Company is obligated to pay Seller a settlement adjustment of \$2.00 per share for the total Number of Shares, which is payable in cash, or in shares of the Company's common stock if the settlement adjustment is greater than the settlement amount payable by Seller and provided that Seller's ownership would not exceed 9.9% of the Company's outstanding common stock. Provided further, that is the settlement amounts less the settlement amount adjustment is a negative number and the Company has elected to pay the settlement amount adjustment in cash, then neither Meterora nor the Company shall be liable to the other party for any payment under the Forward Purchase Agreement. The Forward Purchase Agreement was determined to be a freestanding equity-linked financial instrument under ASC 480. The FPA does not include an obligation to issue warrants. As such, the FPA shares were classified as equity and net payments made to the company were recorded to additional paid in capital as part of the recapitalization.

#### FPA Funding Amount PIPE Subscription Agreements

On August 6, 2023, Oxbridge entered into a subscription agreement (the "FPA Funding Amount PIPE Subscription Agreement") with Seller.

Pursuant to the FPA Funding PIPE Subscription Agreement, Seller agreed to subscribe for and purchase, and Oxbridge agreed to issue and sell to Seller, on the Closing Date, an aggregate of up to 1,186,952 Oxbridge Shares, less the Recycled Shares in connection with the Forward Purchase Agreement.

#### Maxim Settlement Agreement

On August 10, 2023, the Company entered into a settlement agreement ("Maxim Settlement Agreement") with Maxim Group LLC, the underwriter for the Company's initial public offering ("Maxim"). Pursuant to the Maxim Settlement Agreement, the Company issued 270,000 shares of Common Stock to settle the payment obligations of the Company under the underwriting agreement dated on or about August 11, 2021, by and between the Company and Maxim, which shares of Common Stock are subject to a Registration Rights Agreement. The Company also issued 1,127 shares of 8% Series A Cumulative Convertible Preferred Stock in an amount equal in value to \$1,127,000 (the "Series A Preferred Shares"). The shares of Common Stock issuable upon conversion of the Series A Preferred Shares are subject to mandatory redemption on August 10, 2024, which will be automatically extended by an additional three (3) month period if the Company has not as of such date closed upon one or more equity financings that, in total, result in gross proceeds to the Company of \$10.0 million or greater. If the Company raises equity capital, 15% of the net proceeds must be used to redeem the Series A Preferred Shares.

#### Sponsor Settlement Agreement

On August 10, 2023, the Company entered into a settlement agreement ("Sponsor Settlement Agreement") with Sponsor. Pursuant to the Sponsor Settlement Agreement, the Company issued 575 shares of the Company's 5% Series A-1 Cumulative Convertible Preferred Stock (the "Series A-1 Preferred Shares") to settle the payment obligations of the Company under a promissory note in the principal amount of \$575,000 dated November 14, 2022 in favor of Sponsor. The shares of Common Stock issuable upon conversion of the Series A-1 Preferred Shares are subject to mandatory redemption on August 10, 2024, which will be automatically extended by an additional three (3) month period if the Company has not as of such date closed upon one or more equity financings that, in total, result in gross proceeds to the Company of \$10.0 million or greater. If the Company raises equity capital, 15% of the net proceeds must be used to redeem the Series A Preferred Shares. Cumulative preferred stock dividends on Series A-1 preferred shares were \$76,315 at March 31, 2024.

## **NOTE 6 – STOCKHOLDERS' EQUITY**

### *Common Stock and Preferred Stock*

The Amended and Restated Certificate of Incorporation of the Company dated August 10, 2023, authorized the issuance of 59,000,000 shares, consisting of two classes: 55,000,000 shares of common stock, \$0.0001 par value per share, and 4,000,000 shares of preferred stock, \$0.0001 par value per share, including 5,000 shares of Series B Convertible Preferred Stock, par value \$ 0.0001, pursuant to the Certificate of Designations of Series B Convertible Preferred Stock filed with the Secretary of State of the State of Delaware on March 28, 2024. As of March 31, 2024, there are 1,702 issued and outstanding shares of Series A and Series A-1 convertible preferred stock, and 1,500 issued and outstanding shares of Series B convertible preferred stock.

Upon the consummation of the Business Combination, 4,523,167 shares of Common Stock and 7,196,375 Merger Consideration Warrants were issued to the Historical Rollover Shareholders in exchange for all outstanding shares of Jet Token Common Stock (including shares of Jet Token Preferred Stock converted in the Conversion). The Company also reserved for issuance up to 3,284,488 shares of Common Stock in respect of Jet.AI Options issued in exchange for outstanding pre-merger Jet Token Options, and 148,950 shares of Common Stock and 237,030 Merger Consideration Warrants in respect of Jet.AI RSU Awards issued in exchange for outstanding pre-merger Jet Token RSU Awards. Each Merger Consideration Warrant entitles the registered holder to purchase one whole share of the Company's common stock at a price of \$15.00 per share and expire ten years after issuance. The Company also had 5,760,000 warrants outstanding as of March 31, 2024 with an exercise price of \$ 11.50.

In addition, in connection with the Business Combination, the Jet.AI Board adopted the Omnibus Incentive Plan in order to facilitate the grant of equity awards to attract, retain and incentivize employees (including the named executive officers), independent contractors and directors of Jet.AI Inc. and its affiliates, which is essential to Jet.AI Inc.'s long term success. The Omnibus Incentive Plan is a continuation of the 2018 Plan and 2021 Plan, which were assumed from Jet Token and amended, restated and re-named into the form of the Omnibus Incentive Plan effective as of the consummation of the Business Combination.

### *Series B Convertible Preferred Stock Securities Purchase Agreement*

On March 28, 2024 the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with Ionic Ventures, LLC ("Ionic") for a private placement, which closed on March 29, 2024. Pursuant to the Securities Purchase Agreement the Company sold 150 shares of Series B convertible preferred stock ("Series B Preferred Stock"), a warrant to purchase up to 1,500 shares of Series B preferred stock with an exercise price of \$10,000, and 250,000 shares of common stock for gross proceeds of \$ 1,500,025 before deducting offering costs of \$155,000.

Each share of Series B Preferred Stock is convertible into a number of shares of Common Stock, subject to certain limitations, including a beneficial ownership limitation of 4.99% (calculated in accordance with the rules promulgated under Section 13(d) of the Securities Exchange Act of 1934), which can be adjusted to a beneficial ownership limitation of 9.99% upon 61 days prior written notice by Ionic. Prior to the approval by the Company's stockholders of the issuance of shares of common stock issuable upon exercise of the shares of Series B Preferred Stock in accordance with Nasdaq Stock Market Rules, shares of Series B Preferred Stock cannot be converted into shares of common stock if, as a result of such conversion, the number of shares of common stock to be issued would exceed 19.9% of the total number of shares of the Company's outstanding common stock.

Subject to the limitations set forth in the preceding paragraph and provided there is an effective registration statement covering Ionic resale of common stock underlying the Series B Preferred Stock, shares of Series B Preferred Stock will automatically convert into shares of common stock on or prior to the tenth trading day after the issuance date of such shares of Series B Preferred Stock. The number of shares of common stock issuable upon conversion of a share of Series B Preferred Stock is calculated by dividing the conversion amount per share of Series B Preferred Stock by the then conversion price. The conversion amount is equal to the stated value of the shares of Series B Preferred Stock, which is \$10,000, plus any additional amounts and late charges calculated in accordance with the Certificate of Designations. The conversion price is equal to 90% (or, in the case of a delisting, 80%) of the lowest daily volume weighted average price of Common Stock over a period beginning on the trading day after the Company delivers shares of common stock upon such conversion to Ionic and ending on the trading day on which the aggregate dollar trading volume of our common stock exceeds seven times the applicable conversion amount, subject to a five trading day minimum period for such calculation, and subject to certain adjustments.

If certain defined "triggering events" defined in the Certificate of Designations occur, such as a breach of the Ionic Registration Rights Agreement, suspension of trading, or the Company's failure to convert the Series B Preferred Stock into common stock when a conversion right is exercised, then the Company may be required to redeem the Series B Preferred Stock for cash at 110% of the stated value.

In connection with the transactions under the Securities Purchase Agreement, the Company entered into a placement agency agreement (the "Placement Agency Agreement") with Maxim Group LLC ("Maxim"). Pursuant to the terms of the Placement Agency Agreement, the Company must pay Maxim a cash fee equal to 7% of the aggregate gross proceeds raised under the Securities Purchase Agreement and reimburse Maxim, directly upon the initial closing under the Securities Purchase Agreement for all travel and other documented out-of-pocket expenses incurred by Maxim, including the reasonable fees, costs and disbursements of its legal counsel, in an amount not to exceed an aggregate of \$15,000. The Company paid Maxim a total of \$120,000 out of the gross proceeds it received on April 1, 2024. If the Company issues additional securities to Ionic as contemplated by the Securities Purchase Agreement, the Company would be obligated to pay Maxim cash fees of up to \$1,050,000.

The Company also granted Maxim a right of first refusal to act as sole agent or sole managing underwriter and sole book runner for any and all future public and private equity and public debt offerings of the Company, or any successor to or any subsidiary of the Company for a period until the earlier of (i) December 31, 2024 and (ii) redemption and/or conversion in full of all Series A Convertible Preferred Stock of the Company beneficially owned by Maxim. The Company also agreed to indemnify Maxim and its affiliates, directors, officers, employees and controlling persons against all losses, claims, damages, expenses and liabilities, as the same are incurred (including the reasonable fees and expenses of counsel), relating to or arising out of its activities pursuant to the Placement Agency Agreement.

#### Regulation A offerings

In June 2021, the Company undertook another Regulation A, Tier 2 offering for which it is selling up to 902,777 non-voting common stock at \$24 per share for a maximum of \$21,880,000. During the three months ended March 31, 2023, the Company collected on the escrow funds and issued an additional 65,960 shares of non-voting common stock under the Regulation A, Tier 2 campaign for aggregate gross proceeds of \$ 1,598,630.

#### Stock Options

In connection with the Business Combination, the Company adopted the Omnibus Incentive Plan. The Omnibus Incentive Plan provides for the grant of equity awards to employees, outside directors, and consultants, including the direct award or sale of shares, stock options, and restricted stock units to purchase shares. The Omnibus Incentive Plan is a continuation of the 2018 Plan and 2021 Plan, which were assumed from Jet Token and amended, restated and re-named into the form of the Omnibus Incentive Plan effective as of the consummation of the Business Combination. As of March 31, 2024, the total number of shares reserved for issuance under the Omnibus Incentive Plan was 19,802. The Omnibus Incentive Plan is administered by the Company's Board of Directors, and expires ten years after adoption, unless terminated by the Board.

On June 4, 2018, the Company's Board of Directors adopted the Jet.AI, Inc. 2018 Stock Option and Grant Plan (the "2018 Plan"). The 2018 Plan provides for the grant of equity awards to employees, non-employee directors and consultants, to purchase shares of the Company's common stock. As of March 31, 2024 and 2023, the total number of shares reserved for issuance under the 2018 Plan was 2,320,897. The 2018 Plan is administered by the Company's Board of Directors.

In August 2021, the Company's Board of Directors adopted the Jet Token Inc. 2021 Stock Plan (the "2021 Plan"). The 2021 plan provides for the grant of equity awards to employees, outside directors, and consultants, including the direct award or sale of shares, stock options, and restricted stock units to purchase shares. Up to 154,726 shares of common stock may be issued pursuant to awards granted under the 2021 Plan. During the year ended December 31, 2022, the 2021 Plan was amended to increase the number of shares of common stock authorized under the 2021 Plan to 464,179. In the event that shares of common stock subject to outstanding options or other securities under the Company's 2018 Stock Option and Grant Plan expire or become exercisable in accordance with their terms, such shares shall be automatically transferred to the 2021 Plan and added to the number of shares then available for issuance under the 2021 Plan. The 2021 Plan is administered by the Company's Board of Directors, and expires ten years after adoption, unless terminated by the Board.

During the three months ended March 31, 2023, the Company granted a total of 68,080 stock options to purchase common stock to various employees, advisors and consultants. The options have a ten-year life and have exercise prices of \$ 10.42. 6,189 of the options vest over a period of two months, while the remaining options vest in monthly tranches over a three-year period. The options had a grant date fair value of approximately \$1,271,040, which will be recognized over the vesting period.

During the three months ended March 31, 2024 and 2023, stock-based compensation expense of \$ 1,199,318 and \$1,407,044, respectively, was recognized for the vesting of these options. As of March 31, 2024, there was approximately \$3,490,329 in unrecognized stock-based compensation, which will be recognized through September 2026.

A summary of our stock option activity for the three months ended March 31, 2024 and 2023, is as follows:

|                                      | Number of Shares | Weighted Average Exercise Price | Weighted average Remaining Contractual Term |
|--------------------------------------|------------------|---------------------------------|---|
| Outstanding at December 31, 2022     | 3,216,408        | \$ 6.48                         | 8.06  |
| Granted                              | 68,080           | 10.42                           | 10.00                                       |
| Exercised                            | -                | -                               | -   |
| Forfeitures                          | -                | -                               | -   |
| <b>Outstanding at March 31, 2023</b> | <b>3,284,488</b> | <b>\$ 6.56</b>                  | <b>7.85</b>                                 |

|                                  |           |         |      |
|----------------------------------|-----------|---------|------|
| Outstanding at December 31, 2023 | 3,659,015 | \$ 6.19 | 7.40 |
| Granted                          | -         | -       | -    |
| Exercised                        | -         | -       | -    |
| Forfeitures                      | -         | -       | -    |
| Outstanding at March 31, 2024    | 3,659,015 | \$ 6.19 | 7.15 |
| Exercisable at March 31, 2024    | 3,120,585 | \$ 6.29 | 6.87 |

#### Restricted Stock Units

In August 2021, the Company granted Restricted Stock Units (RSUs) to a contractor. The grant allows the contractor to earn up to 148,950 shares of non-voting common stock and contains both service-based vesting requirements and liquidity event requirements. Service-based requirements are such that the contractor needs to continue to provide service through August 2022. In addition to the service-based requirements, in order for the RSUs to vest, the Company will need to undertake an IPO or a sale as defined by the grant notice. The RSUs vested as a result of the Business Combination.

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#### Warrants

Number of outstanding warrants exercisable to acquire our common stock as of March 31, 2024 is as follows:

| Warrant        | Expiration Date | Exercise Price | Number Outstanding |
|----------------|-----------------|----------------|--------------------|
| JTAIW Warrants | 8/11/2028       | \$ 11.50       | 15,608,554         |
| JTAIZ Warrants | 8/11/2033       | \$ 15.00       | 7,433,405          |
| GEM Warrants   | 8/11/2026       | \$ 5.81        | 2,179,447          |
| Total          |                 |                | 25,221,406         |

In addition, as of March 31, 2024 we had outstanding a warrant exercisable to acquire 150 shares of the Company's Series B Preferred Stock (being the Ionic Warrant as further described in this report).

#### NOTE 7 – RELATED PARTY TRANSACTIONS

See Note 4 for discussion of Bridge Agreement entered into with related parties.

See Note 5 for discussion of related party Settlement Agreement with Maxim.

See Note 6 for discussion of related party Placement Agent Agreement with Maxim.

#### NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments, which consist of cash and cash equivalents, accounts receivable, accounts payable, and notes payable approximate fair value due to their short-term nature.

#### NOTE 9 – DEFERRED REVENUE

Changes in deferred revenue for the three months ended March 31, 2024 were as follows:

|  |              |
|--|--------------|
| Deferred revenue as of December 31, 2023   | \$ 1,779,794 |
| Amounts deferred during the period   | 2,324,663    |
| Revenue recognized from amounts included in the deferred revenue beginning balance | (841,375)    |
| Revenue from current period sales  | (1,867,797)  |
| Deferred revenue as of March 31, 2024  | \$ 1,395,285 |

#### NOTE 10 – SUBSEQUENT EVENTS

On April 2, 2024, the Company received gross proceeds of \$ 1,500,025 from Ionic pursuant to the Securities Purchase Agreement described in Note 6 above.

The Company has evaluated subsequent events that occurred after March 31, 2024 through May 15, 2024, the date of these consolidated financial statements were available to be issued, and noted no additional events requiring recognition for disclosure.

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

The following discussion and analysis provides information which Jet.AI's management believes is relevant to an assessment and understanding of its consolidated results of operations and financial condition. You should read the following discussion and analysis of Jet.AI's financial condition and results of operations together with the historical unaudited consolidated financial statements as of March 31, 2024 and December 31, 2023, and the three months ended March 31, 2024 and 2023, and the related notes that are included elsewhere in this report.

Certain of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to plans and strategy for Jet.AI's business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in "Item 1A – Risk Factors" in Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024, Jet.AI's actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Factors that could cause or contribute to such differences include, but are not limited to, capital expenditures, economic and competitive conditions, regulatory changes and other uncertainties, as well as those factors discussed below and elsewhere in this report. We assume no obligation to update any of these forward-looking statements.

Percentage amounts included in this report have not in all cases been calculated on the basis of such rounded figures, but on the basis of such amounts

prior to rounding. For this reason, percentage amounts in this report may vary from those obtained by performing the same calculations using the figures in the consolidated financial statements included elsewhere in this report. Certain other amounts that appear in this report may not sum due to rounding.

## Overview

Jet.AI, a Delaware corporation ("Jet.AI", "Company", "we" or "us"), was founded in 2018 by Michael Winston, its Executive Chairman. The Company, directly and indirectly through its subsidiaries, has been principally involved in (i) the sale of fractional and whole interests in aircraft, (ii) the sale of jet cards, which enable holders to use certain of the Company's and other's aircraft at agreed-upon rates, (iii) the operation of a proprietary booking platform, which functions as a prospecting and quoting platform to arrange private jet travel with third party carriers as well as via the Company's leased and managed aircraft, (iv) direct chartering of its HondaJet aircraft by Cirrus, (v) aircraft brokerage and (vi) service revenue from the monthly management and hourly operation of customer aircraft.

Beginning in December 2023, we launched our Jet.AI Operator Platform to provide a B2B software platform for SaaS products. Currently we offer the following SaaS software to aircraft owners and operators generally:

- Reroute AI: recycles aircraft waiting to embark to their next revenue flight into prospective new charter bookings to destinations within specific operational parameters.
- DynoFlight: enables aircraft operators to estimate aircraft emissions then purchase carbon removal credits via our DynoFlight API

## Business Combination

On August 10, 2023, Oxbridge Acquisition Corp. ("Oxbridge"), consummated a business combination pursuant to a Business Combination Agreement and Plan of Reorganization, as amended by Amendment No. 1 to the Business Combination Agreement, dated as of May 11, 2023 (the "Business Combination Agreement") among Oxbridge, OXAC Merger Sub I, Inc., a Delaware corporation and a direct wholly owned subsidiary of Oxbridge ("First Merger Sub"), Summerlin Aviation LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Oxbridge ("Second Merger Sub"), and Jet Token, Inc., a Delaware corporation ("Jet Token"). Pursuant to the Business Combination Agreement, Oxbridge redomiciled as a Delaware corporation and was immediately renamed Jet.AI, Inc., and promptly thereafter, (a) First Merger Sub merged with and into Jet Token with Jet Token surviving the merger as a wholly owned subsidiary of Jet.AI Inc. and (b) Jet Token merged with and into Second Merger Sub (each merger and all other transactions contemplated by the Business Combination Agreement, the "Business Combination").

As a result of the Business Combination:

- the then issued and outstanding Class A ordinary shares of Oxbridge were converted, on a one-for-one basis, into shares of common stock of Jet.AI, Inc.,
- the then issued and outstanding Class B ordinary share of Oxbridge were converted, on a one-for-one basis, into shares of common stock of Jet.AI, Inc.,
- the then issued and outstanding Oxbridge warrants were converted into an equal number of warrants, each exercisable for one share of common stock ("Jet.AI Warrants"),
- the then issued and outstanding Oxbridge Units were converted into an equal number of Jet.AI Units, each consisting of one share of common stock and one Jet.AI Warrant,
- the outstanding shares of Jet Token common stock, including all shares of Jet Token preferred stock that converted into shares of Jet Token common stock, were cancelled and converted into the right to receive the number of shares of Common Stock and the number of warrants ("Merger Consideration Warrants") based on the respective exchange ratios set forth in the Business Combination Agreement,

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- all outstanding Jet Token options for its common stock, whether or not exercisable and whether or not vested, were converted into options to purchase Common Stock based on the applicable exchange ratio determined in accordance with the Business Combination Agreement,
- all outstanding Jet Token warrants were converted into warrants to acquire the number of shares of common stock and Merger Consideration Warrants based on the applicable exchange ratio set forth in the Business Combination Agreement, and
- the outstanding Jet Token restricted stock unit awards were converted into Jet.AI restricted stock unit awards based on the applicable exchange ratio determined in accordance with the Business Combination Agreement.

As a result of the Business Combination, Jet.AI has one class of common stock, listed on Nasdaq under the ticker symbol "JTAI", and two classes of warrants, the Jet.AI Warrants and the Merger Consideration Warrants, listed on Nasdaq under the ticker symbols "JTAIW" and "JTAIZ," respectively.

The Business Combination was accounted for as a reverse recapitalization in accordance with GAAP, whereby Oxbridge is treated as the acquired company and Jet Token is treated as the acquirer (the "Reverse Recapitalization"). Accordingly, for accounting purposes, the Reverse Recapitalization was treated as the equivalent of Jet Token issuing stock for the net assets of Oxbridge, accompanied by a recapitalization. The net assets of Oxbridge were stated at historical cost, with no goodwill or other intangible assets recorded.

The consolidated assets, liabilities, and results of operations prior to the Reverse Recapitalization are those of Jet Token. The shares and corresponding capital amounts and losses per share, prior to the Reverse Recapitalization, have been retroactively restated based on shares reflecting the exchange ratio established in the Business Combination.

## Results of Operations

The following table sets forth our results of operations for the periods indicated:

|                  | Three Months Ended<br>March 31, |              |
|------------------|---------------------------------|--------------|
|                  | 2024                            | 2023         |
| Revenues         | \$ 3,848,598                    | \$ 1,875,508 |
| Cost of revenues | 3,972,954                       | 1,950,526    |

|  |                       |                       |
|--|-----------------------|-----------------------|
| Gross loss   | <u>(124,356)</u>      | <u>(75,018)</u>       |
| <b>Operating Expenses:</b>   |                       |                       |
| General and administrative (including stock-based compensation of \$1,199,318 and \$1,407,044, respectively) | 2,546,294             | 2,488,018             |
| Sales and marketing  | 446,600               | 120,167               |
| Research and development   | 32,546                | 36,319                |
| Total operating expenses   | <u>3,025,440</u>      | <u>2,644,504</u>      |
| Operating loss   | <u>(3,149,796)</u>    | <u>(2,719,522)</u>    |
| <b>Other expense (income):</b>   |                       |                       |
| Interest expense   | 79,314                | -                     |
| Other income   | (61)                  | -                     |
| Total other expense  | <u>79,253</u>         | <u>-</u>              |
| Loss before provision for income taxes   | <u>(3,229,049)</u>    | <u>(2,719,522)</u>    |
| Provision for income taxes   | <u>-</u>              | <u>-</u>              |
| Net Loss   | \$ (3,229,049)        | \$ (2,719,522)        |
| Less cumulative preferred stock dividends  | 29,728                | -                     |
| Net Loss to common stockholders  | <u>\$ (3,258,777)</u> | <u>\$ (2,719,522)</u> |
| Weighted average shares outstanding - basic and diluted  | <u>11,441,443</u>     | <u>3,902,489</u>      |
| Net loss per share - basic and diluted   | <u>\$ (0.28)</u>      | <u>\$ (0.70)</u>      |

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#### Three Months Ended March 31, 2024 and 2023

##### Revenues

Revenues for the first quarter of 2024 totaled \$3.8 million, a \$1.9 million increase from 2023's first quarter revenues of \$1.9 million, and were comprised of \$1.7 million in software-related revenue, \$684,000 in charter revenue from the chartering of our Citation CJ4 and HondaJets by our operating partner Cirrus, \$677,000 in Jet Card revenue for hours flown and other charges based on hours flown and \$800,000 in management and other service revenue from the management of customers' aircraft.

The primary reason for this increase in revenue was due to primarily to significant increases in Software App and Management and Other Services revenues.

The following table sets forth a breakout of revenue components by subcategory for the three months ended March 31, 2024 and 2023.

|                                  | For the Three Months Ended<br>March 31, |                     |
|----------------------------------|---|---------------------|
|                                  | 2024                                    | 2023                |
| Software App and Cirrus Charter  | \$ 2,371,091                            | \$ 994,253          |
| Jet Card and Fractional Programs | 677,320                                 | 547,545             |
| Management and Other Services    | 800,187                                 | 333,710             |
|                                  | <u>\$ 3,848,598</u>                     | <u>\$ 1,875,508</u> |

Software App revenue is the gross amount of charters booked through our app CharterGPT and Cirrus Charter revenue reflects the gross amount of charters on our aircraft booked by Cirrus. Software App revenue was \$1.7 million in the first quarter of 2024, compared to \$0.5 million in the first quarter of 2023. Cirrus Charter revenue was \$0.7 million in the first quarter of 2024, compared to approximately \$0.5 million in the first quarter of 2023. The increase in Software App and Cirrus Charter revenue reflects primarily increased utilization of the Company's Citation CJ4 aircraft during the first quarter of 2024 compared to 2023 as well as increased booking through the CharterGPT app.

Under our jet card program we charge an hourly rate for flight time. Under our fractional program we charge a monthly fee and hourly fees based on usage. In both cases, prepaid flight hours and usage fees are recognized as revenue as the flight hours are used or forfeited and monthly fees are recognized monthly. Deferred revenue at the end of each period reflects prepaid flight hours for which the related travel had not yet occurred. We also record revenue for additional charges, representing primarily charges for cost reimbursements such as a fuel component adjustment to adjust for changes in fuel prices relative to the jet card and fractional contracts' base fuel price and reimbursement of federal excise taxes. All of these revenues are reflected as Jet Card and Fractional Program revenues. The increase in revenue from Jet Card and Fractional Programs of \$129,775 in the first quarter of 2024 compared to the first quarter of 2023 is due to higher utilization by our Jet Card clients as well as higher average revenues per flight hour.

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The following table details the flight hours sold and flown or forfeited, as well as the associated deferred revenues and recognized revenues, respectively, and additional charges for the first quarter of 2024 and 2023:

|   | For the three months ended March 31, |            |
|---|--------------------------------------|------------|
|   | 2024                                 | 2023       |
| Deferred revenue at the beginning of the period (1) | \$ 1,779,794                         | \$ 933,361 |
| Prepaid flight hours sold                           |                                      |            |
| Amount  | \$ 333,000                           | \$ 742,250 |
| Total Flight Hours                                  | 55                                   | 131        |

|   |              |              |  |
|---|--------------|--------------|--|
| Prepaid flight hours flown                    |              |              |  |
| Amount  | \$ 636,502   | \$ 425,130   |  |
| Total flight hours                            | 95           | 86           |  |
| Additional charges                            | \$ 49,052    | \$ 122,415   |  |
| Total flight hour revenue                     | \$ 677,320   | \$ 547,545   |  |
| Deferred revenue at the end of the period (2) | \$ 1,395,285 | \$ 1,285,762 |  |

(1) Deferred revenue at December 31, 2023 and 2022 also includes \$268,818 and \$11,800, respectively, with respect to customer prepayments associated with software app transactions.

(2) Deferred revenue at March 31, 2024 and 2023 also includes \$187,811 and \$47,081, respectively, with respect to customer prepayments associated with software app transactions.

Management and Other Services revenue reflects monthly fees and other expenses from our management of a customer's CJ4 as well as approximately \$10,000 from aircraft brokerage fees. We began managing the CJ4 in mid-December of 2022.

#### **Cost of revenues**

Our cost of revenue is generally comprised of payments to Cirrus for the maintenance and management of our fleet of aircraft, including the CJ4, commissions to Cirrus for their arranging for charters on our aircraft, aircraft lease expense, federal excise tax relating to jet card and third-party charters, and payments to third-party aircraft operators for their aircraft chartered through our App, as well as the cost of our subcharters for covering jet card flights when our aircraft were unavailable. The management of our aircraft by Cirrus covers all our aircraft regardless of whether the aircraft are used for program flight hours or charter flights and includes expenses such as fuel, pilot wages and training costs, aircraft insurance, maintenance and other flight operational expenses.

As a result of our increased fleet utilization, the increase in jet card hours flown and additional costs resulting from pilot turn over, costs related to the operation of our aircraft and payments to Cirrus for their management increased \$218,000 from \$1.2 million in the first quarter of 2023 to \$1.4 million in the first quarter of 2024 and aircraft lease payments increased \$120,000 from \$201,000 in the first quarter of 2023 to \$321,000 in the first quarter of 2024. The Company also incurred third-party charter costs of approximately \$2.1 million in the first quarter of 2024, a \$1.6 million increase over the first quarter of 2023 reflecting primarily lack of availability of our aircraft due to pilot turnover and increased training time, combined with increased charter activity. Merchant fees and federal excise tax relating to charter flights of \$161,000 in the first quarter of 2024 were a \$94,000 increase over in the first quarter of 2023.

In total, it cost \$4.0 million to operate our aircraft in the first quarter of 2024, compared to \$2.0 million to operate our aircraft in the first quarter of 2023.

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#### **Gross loss**

The resulting gross loss totaled approximately \$124,356 for the first quarter of 2024, compared to a gross loss of \$75,018 for the first quarter of 2023. The gross loss in the first quarter of 2024 was largely driven by increased subcharter costs.

#### **Total Operating Expenses**

In the first quarter of 2024, the Company's operating expenses increased by \$380,936 over the prior year comparable period primarily due to increased sales and marketing expenses. Excluding non-cash stock-based compensation of \$1.2 million and \$1.4 million in the first quarter of 2024 and 2023, respectively, general and administrative expenses rose by \$266,000 primarily due to increases in professional service expense as well as increased insurance costs as a result of our public company directors' and officers' insurance.

The Company's sales and marketing expenses increased by \$326,433 to \$446,600 in the first quarter of 2024 from \$120,167 in the first quarter of 2023, due to increased software marketing from the introduction of CharterGPT and DynoFlight.

Research and development expenses decreased by \$3,773 in the first quarter of 2024 from \$36,319 in the first quarter of 2023, due to the reduced utilization of external software consultants.

#### **Operating Loss**

As a result of all of the above, in the first quarter of 2024 the Company recognized an operating loss of approximately \$3.1 million, which was an increase in loss of approximately \$0.4 million. The increase in operating loss was primarily due to increased subcharters, increased professional services expense and higher D&O insurance costs.

#### **Other Expense (Income)**

During the first quarter of 2024, the Company recognized \$79,253 in other expense due primarily to interest expense related to the Company's Bridge Agreement as defined and discussed below.

#### **Liquidity and Capital Resources**

##### **Overview**

As of March 31, 2024, the Company's cash and equivalents were \$595,555, including \$500,000 of restricted cash under its aircraft leasing arrangements, as described below. As of March 31, 2024, current liabilities exceeded current assets by approximately \$4.0 million, of which \$1.4 million in liabilities represents deferred revenue that would be recorded as revenue once the flight hours are flown or forfeited.

During the period ended March 31, 2024, the Company raised (1) approximately \$1,110,000 in funds from the issuance of 1,000,000 shares of common stock under the Share Purchase Agreement discussed below and (2) approximately \$742,000 from Jet.AI Warrant exercises. Collectively, these actions resulted in our receiving an additional \$1,852,000 of cash subsequent to December 31, 2023. In addition, in March 2024, the Company fully repaid approximately \$683,000 of amounts due under the Bridge Agreement described below.

The Company also incurred negative cash flows from operating activities and significant losses from operations in the past as reflected in its accumulated deficit of approximately \$42.5 million as of March 31, 2024. While we expect to drive revenue and operating profit growth from aircraft acquisitions, higher average hourly pricing of jet cards, increased charter activity through CharterGPT and Reroute AI and SaaS revenues from DynoFlight, we expect to continue to incur operating losses to a greater or lesser extent for at least the next 12 months, depending on the timing and success of these initiatives.

To bridge the gap, we intend to rely on funds available from share issuances under the Share Purchase Agreement and amounts received upon an exercise of the Ionic Warrant (as defined below), if any, to meet our funding obligations. Additional funding under the Share Purchase Agreement may be limited contractually and the Ionic Warrant may not be exercised by the holder. Furthermore, issuances of additional shares of common stock under the Share Purchase Agreement or upon conversion of the Series B Preferred Stock outstanding and underlying the Ionic Warrant may negatively impact the Company's stock price and ability to raise additional funds. We will likely require additional capital resources to grow our business. In the absence of external financing the Company is prepared to cut its cash utilization by ceasing marketing and customer acquisition, suspending software development, streamlining operations, and servicing only existing customers. Such a reduction would allow the Company to continue to operate for a year or more by management's estimate. During that time the Company would plan to arrange new financing and to then resume expansion.

### ***Ionic Transaction***

#### *General*

On March 28, 2024, Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") and a number of other transaction documents described below for a private placement with Ionic Ventures, LLC ("Ionic"), which closed on March 29, 2024 (the "Closing Date"), which we collectively refer to as the "Ionic Transaction."

Pursuant to the Securities Purchase Agreement, the Company agreed to issue to Ionic (a) 150 shares of the Company's Series B Convertible Preferred Stock, par value \$0.0001 per share (the "Series B Preferred Stock"), which are convertible into shares of the Company's common stock, (b) a warrant to purchase up to 1,500 shares of Series B Preferred Stock (the "Ionic Warrant"), at an exercise price of \$10,000 per share, and (c) 250,000 shares of the Company's common stock.

The Company received gross proceeds of approximately \$1.5 million, not including customary placement fees and reimbursement of certain payables to Maxim Group LLC as placement agent and other expenses payable by the Company in connection with the Ionic Transaction. This amount excludes the proceeds, if any, from the exercise of the Ionic Warrant. The Company intends to use the remainder of the net proceeds for working capital, capital expenditures, product development, and other general corporate purposes. The Company has not allocated specific amounts of net proceeds for any of these purposes.

#### *Series B Preferred Stock*

On March 28, 2024, we filed a Certificate of Designation of the Series B Convertible Preferred Stock with the Secretary of State of the State of Delaware, which provides for the issuance of up to 5,000 shares of the Company's Series B Preferred Stock. The Series B Preferred Stock ranks *pari passu* with the shares of Series A Preferred Stock and Series A-1 Preferred Stock and senior to all other capital stock of the Company.

Each share of Series B Preferred Stock converts into a number of shares of our common stock, subject to certain limitations, including a beneficial ownership limitation of 4.99% (calculated in accordance with the rules promulgated under Section 13(d) of the Securities Exchange Act of 1934), which can be adjusted to a beneficial ownership limitation of 9.99% upon 61 days prior written notice by Ionic. Prior to the approval by our stockholders of the issuance of shares of common stock issuable upon exercise of the shares of Series B Preferred Stock in accordance with Nasdaq Stock Market Rules, we may not convert shares of Series B Preferred Stock into shares of common stock if, as a result of such conversion, the number of shares of common stock to be issued exceeds 19.9% of the total number of shares of common stock outstanding.

Subject to the limitations set forth in the preceding paragraph and provided there is an effective registration statement covering Ionic's potential resale of common stock underlying the Series B Preferred Stock, shares of Series B Preferred Stock will automatically convert into shares of common stock on or prior to the tenth trading day after the issuance date of such shares of Series B Preferred Stock. The number of shares of common stock issuable upon conversion of a share of Series B Preferred Stock is calculated by dividing the conversion amount per share of Series B Preferred Stock by the then conversion price. The conversion amount is equal to the stated value of the shares of Series B Preferred Stock, which is \$10,000, plus any additional amounts and late charges calculated in accordance with the Certificate of Designations. The conversion price is equal to 90% (or, in the case of a delisting, 80%) of the lowest daily volume weighted average price of our common stock over a period beginning on the trading day after we deliver shares of common stock upon such conversion to Ionic and ending on the trading day on which the aggregate dollar trading volume of our common stock exceeds seven times the applicable conversion amount, subject to a five trading day minimum period for such calculation, and subject to certain adjustments.

If certain defined "triggering events" defined in the Certificate of Designations occur, such as a breach of the Ionic Registration Rights Agreement, suspension of trading, or our failure to convert the Series B Preferred Stock into common stock when a conversion right is exercised, then we may be required to redeem the Series B Preferred Stock for cash at 110% of the stated value.

#### *Other Transaction Documents*

The Ionic Warrant exercise price is initially set at \$10,000 per share of Series B Preferred Stock, subject to adjustment for certain events, such as a stock split, issuance of additional shares as a dividend or otherwise. If the entirety of the Ionic Warrant was exercised for cash, the Company would receive additional gross proceeds of approximately \$15.0 million. The Company cannot predict when or if the Ionic Warrant will be exercised. It is possible that the Ionic Warrant may never be exercised. At any time when the Ionic Warrant is exercisable for less than 1,000 shares of Series B Preferred Stock, the Company has the right to redeem all or a portion of the Ionic Warrant by paying to Ionic in cash \$100 per share of Series B Preferred Stock that would otherwise be issuable pursuant to the Ionic Warrant.

The Securities Purchase Agreement contains customary representations and warranties of the Company, on the one hand, and Ionic, on the other hand, and customary conditions to closing. Pursuant to the Securities Purchase Agreement, the Company has agreed to submit to its stockholders a proposal to approve the issuance of shares of common stock issuable upon exercise of the shares of Series B Preferred Stock in accordance with Nasdaq Stock Market Rules at a special meeting of stockholders at the earliest practicable date after the date of the Securities Purchase Agreement, but in no event later than ninety (90) days after the Closing Date. The Company entered into a voting agreement (the "Voting Agreement") with Michael Winston, the Company's Interim Chief Executive Officer, and OAC Sponsor Ltd. (the "Sponsor"), who together hold approximately 40% of the voting power of the Company as of the date of this report, agreeing to vote in favor of the proposal.

Additionally, on March 29, 2024, the Company entered into a Registration Rights Agreement (the "Ionic Registration Rights Agreement") with Ionic, which, among other things, provides that the Company will register the resale of the 250,000 shares of common stock and the shares of common stock issuable upon conversion of the Series B Preferred Stock, including the Series B Preferred Stock underlying the Ionic Warrant. As required pursuant to the Ionic Registration Rights Agreement, the Company filed a registration statement with the SEC on May 13, 2024. The Company is required to use its commercially reasonable efforts to have the registration statement and any amendment declared effective no later than the earlier of the (a) 60th calendar day following such filing (or, if such registration statement is subject to a full review by the SEC, the 100th calendar day after such filing) and (b)

2nd business day after the date the Company is notified (orally or in writing, whichever is earlier) by the SEC that such registration statement will not be reviewed or will not be subject to further review.

#### **Share Purchase Agreement**

The Company has access to an aggregate of up to \$40 million from the Share Purchase Agreement, dated as of August 4, 2022, with GEM Yield LLC SCS and GEM Yield Bahamas Limited (together with GEM Yield LLC SCS, "GEM"), less drawdowns of \$1,110,000 to date. In consideration for GEM's services under the Share Purchase Agreement, the Company has agreed to pay GEM a commitment fee equal to \$800,000 payable in cash or freely tradable shares of common stock, at the option of the Company. Upon the Company's issuance of shares in connection with any drawdown purchase made by GEM, the Company is required to pay GEM a portion of such commitment fee in an amount equal to 2% of the amount purchased in such drawdown; provided that the full \$800,000 commitment fee is due on or before the first anniversary of the closing of the Business Combination.

GEM is not obligated to purchase shares under the Share Purchase Agreement if any purchase of shares would result in GEM and its affiliates beneficially owning, directly or indirectly, at the time of the proposed issuance, more than 9.99% of the number of issued and outstanding shares of common stock as of the date of such proposed issuance. GEM may waive the restriction under the Share Purchase Agreement by providing the Company with sixty-one (61) days' notice that the Purchaser would like to waive the restriction with regard to any or all shares issuable pursuant to the Share Purchase Agreement.

On August 10, 2023, the Company issued GEM a warrant (as subsequently amended, the "GEM Warrant") granting it the right to purchase up to 6% of the outstanding common stock of the Company on a fully diluted basis as of the date of listing. The GEM Warrant has a term of three years. The exercise price of the GEM Warrant, as of March 31, 2024, was \$5.81 per share; provided, that, if the average closing price of Jet.Ai's common stock for the 10 trading days following the first anniversary of the date of listing is less than 90% of the then current exercise price of the GEM Warrant, then the exercise price of the GEM Warrant will be adjusted to 110% of our then current trading price. The warrant may be exercised by payment of the per share amount in cash or through a cashless exercise.

The GEM Warrant provides that GEM can elect to limit the exercisability of the GEM Warrant such that it is not exercisable to the extent that, after giving effect to the exercise, GEM and its affiliates, to the Company's actual knowledge, would beneficially own in excess of 4.99% of Jet.Ai's common stock outstanding immediately after giving effect to such exercise. GEM has made this election, which makes funds available under the Share Purchase Agreement in excess of this 4.99% ownership limit up to the 9.99% ownership restriction in the Share Purchase Agreement. GEM may revoke this election by providing written notice, which revocation will not be effective until the sixty-first (61st) day thereafter.

#### **Bridge Agreement**

On September 11, 2023, the Company entered into a binding term sheet ("Bridge Agreement") with eight investors to provide the Company \$500,000 of short-term bridge financing pending its receipt of funds from its other existing financing arrangements. During the month of September, the Company engaged in discussions with numerous third parties to secure short-term bridge funding but was not offered terms it found acceptable. Rather, certain related parties of the Company and other parties agreed to provide the Company with this financing on substantially better material terms than it had received from unaffiliated third parties.

The Bridge Agreement was entered into with, and funding was provided by, Michael Winston, the Executive Chairman of the Board and Interim Chief Executive Officer, Wrendon Timothy, a member of the Board and all three Committees of the Board, William Yankus, a member of the Board and two of its Committees, and Oxbridge RE Holdings Limited, a significant stockholder of the Company for which Mr. Timothy serves as a director and officer, as well as the four other investors named in the Bridge Agreement.

Given Mr. Winston's dual role as a participant in the negotiations with third parties and his participation in the bridge financing itself, for avoidance of doubt, he waived any right to receive accrued interest on the principal amount of his Note, as well as any redemption premium or any increase in the principal amount of his Note in connection with an event of default (the "Waiver"). The Company's Audit Committee separately, and the full Board, including a majority of disinterested directors, unanimously approved the Bridge Agreement, in each case finding that the Bridge Agreement was in the best interests of the Company and its stockholders.

As of December 31, 2023, the Bridge Agreement provided for the issuance of Notes, in an aggregate principal amount of \$625,000, reflecting a 20% original issue discount. The Notes bore interest at 5% per annum and matured on March 11, 2024. The Company was required to redeem the Notes with 100% of the proceeds of any equity or debt financing at a redemption premium of 110% of the principal amount of the Notes. In March 2024, the Company fully repaid the Bridge Agreement in the amount of approximately \$683,000, representing principal, redemption premium and interest.

#### **Other Equity Issuances and Settlement Arrangements**

##### **Maxim Payment and Settlement Agreement**

On August 10, 2023, the Company entered into a settlement agreement ("Maxim Settlement Agreement") with Maxim Group LLC, the underwriter for the Company's initial public offering ("Maxim"). Pursuant to the Maxim Settlement Agreement, the Company issued to Maxim Partners (a) 270,000 shares of common stock to Maxim Partners to settle the payment obligations of the Company under the underwriting agreement dated on or about August 11, 2021, by and between the Company and Maxim and (b) 1,127 Series A Preferred Shares to Maxim Partners in an amount equal in value to \$1,127,000. The Series A Preferred Shares accrue interest at the rate of 8% per annum (which increases to 18% if the Company fails to meet certain obligations under the terms thereof), payable quarterly and, at the Company's option, in shares of common stock. The Series A Preferred Shares are convertible into 112,700 shares of common stock. The Company also issued 115,000 shares of common stock to Maxim Partners on August 16, 2021 to meet a payment obligation under the underwriting agreement in connection with Oxbridge's IPO, representing a value of \$9.00 per share reflecting an allocation of the \$10.00 per Unit IPO price. The above issued and issuable shares of common stock are subject to a registration rights agreement.

The Company may, subject to certain conditions, redeem the outstanding Series A Preferred Shares in cash at the \$1,000 original issue price, subject to adjustment, plus accrued and unpaid dividends. The Company is required to redeem all the outstanding Series A Preferred Shares on August 10, 2024, which will be automatically extended by an additional three (3) month period if the Company has not, as of such date, closed upon one or more equity financings that, in total, result in gross proceeds to the Company of \$10.0 million or greater. If the Company raises equity capital, 15% of the net proceeds will be used to redeem the Series A Preferred Shares if requested by the holder.

##### **Sponsor Settlement Agreement**

On August 10, 2023, the Company entered into settlement agreement ("Sponsor Settlement Agreement") with the Sponsor. Pursuant to the Sponsor Settlement Agreement, the Company issued 575 Series A-1 Preferred Shares to settle the payment obligations of the Company under a promissory note

in the principal amount of \$575,000 dated November 14, 2022 in favor of the Sponsor. The Series A-1 Preferred Shares accrue interest at the rate of 5% per annum (which increases to 18% if the Company fails to meet certain obligations under the terms thereof), payable quarterly in cash. The Series A-1 Preferred Shares are convertible into 57,500 shares of common stock.

The Company may, subject to certain conditions, redeem the outstanding Series A-1 Preferred Shares in cash at the \$1,000 original issue price, subject to adjustment, plus accrued and unpaid dividends. The Company is required to redeem all the outstanding Series A-1 Preferred Shares on August 10, 2024, automatically extended by an additional three (3) month period if the Company has not as of such date closed upon one or more equity financings that, in total, result in gross proceeds to the Company of \$10.0 million or greater. If the Company raises equity capital, 15% of the net proceeds will be used to redeem the Series A-1 Preferred Shares if requested by the holder.

The foregoing description of the Sponsor Settlement Agreement and registration rights agreement is qualified in its entirety by the full text of such agreements. The terms of the Series A-1 Convertible Preferred Stock are set forth in the Designation of the Series A-1 Convertible Preferred Stock.

#### **Warrants**

On various dates at the end of December 2023 and through early 2024, we entered a number of separate warrant exchange agreements with various unaffiliated third-party warrant holders with respect to warrants to purchase an aggregate of 1,486,217 shares of our common stock (the "Exchanged Warrants"). Pursuant to these warrant exchange agreements, the Company issued an aggregate of 1,486,217 shares of common stock to those warrant holders in exchange for the surrender and cancellation of the Exchanged Warrants.

In December 2023 and January 2024, holders of an aggregate of 154,563 JTAIW warrants were exercised for an equal number of shares of our common stock, generating net proceeds to us of \$1,777,475.

#### **Cash Flows for the Three Months Ended March 31, 2024 and 2023**

As of March 31, 2024, the Company's cash and equivalents were \$595,555, including \$500,000 of restricted cash under its aircraft leasing arrangements described below.

The following table summarizes our cash flows for the three months ended March 31, 2024 and 2023:

|   | <b>For the three months ended March 31,</b> |                |
|---|---|----------------|
|   | <b>2024</b>                                 | <b>2023</b>    |
| Net cash used in operating activities     | \$ (2,520,790)                              | \$ (1,192,047) |
| Net cash used in investing activities     | (12,922)                                    | (93,633)       |
| Net cash provided by financing activities | 1,028,724                                   | 1,151,726      |
| Decrease in cash and cash equivalents     | \$ (1,504,988)                              | \$ (133,954)   |

#### **Cash Flow from Operating Activities**

Net cash used in operating activities for the three months ended March 31, 2024 was approximately \$2.5 million compared to approximately \$1.2 million for the three months ended March 31, 2023 and was primarily driven by the increase in operating loss discussed above.

#### **Cash Flow from Investing Activities**

Net cash used in investing activities for the three months ended March 31, 2024 was \$13,000 compared to approximately \$94,000 for the three months ended March 31, 2023, primarily relating to the Company's 2023 investment in 380 Software LLC, a 50/50 joint venture subsidiary with Great Western Air LLC dba Cirrus Aviation Services as well as the purchase of the Jet.AI domain name.

#### **Cash Flow from Financing Activities**

Net cash provided by financing activities for the three months ended March 31, 2024 was approximately \$1.0 million. Cash provided by financing activities was primarily driven by warrant exercises and proceeds from the sale of common stock under the Share Purchase Agreement, partially offset repayments of notes payable.

#### **Aircraft Financing Arrangements**

In November 2021 and April 2022, the Company entered into two separate five-year leasing arrangements for the acquisition of two of its HondaJet Elite aircraft. At any time during their term, the Company has the option to purchase either aircraft from the lessor at the aircraft's fair market value at that time. The leasing arrangements also require the Company to hold a combined liquidity reserve of \$500,000 in a separate bank account pledged as security to the lessor, which the Company records as restricted cash on its balance sheet, as well as a maintenance reserve of approximately \$690,000 for each leased aircraft, which is held by the lessor in the event the lessor determines that the relevant aircraft is not being maintained in accordance with the lease requirements or to prevent deterioration of the aircraft. Events of default under the leasing arrangements include, among other things, failure to make the monthly payments (with a 10-day cure period), default on other indebtedness, breaches of covenants related to insurance and maintenance requirements, change of control or merger, insolvency and a material adverse change in the Company's business, operations or financial condition. Please see Note 5 to the Company's consolidated financial statements for a further description of these leasing arrangements.

In June 2022, the Company received an unsolicited offer for the outright purchase of one of its HondaJet Elite aircraft, which netted the Company approximately \$1.2 million of proceeds over the leased cost. After internal financial and legal review, the Company determined that the sale of the aircraft would offer a net benefit to its stakeholders. The Company considered a number of factors in making this decision, including but not limited to: (1) the availability of replacement aircraft, (2) pilot availability, (3) the time to register the aircraft for commercial use, and (4) the risk-adjusted lifetime return on capital associated with operating the aircraft relative to the purchase price offered.

#### **Critical Accounting Estimates**

#### **Going Concern and Management Plans**

The Company has limited operating history and has incurred losses from operations since its inception. These matters raise concern about the Company's ability to continue as a going concern.

The Company began ramping up its revenue-generating activities during the second half of the year ended December 31, 2021 and continuing into 2024. During the next twelve months, the Company intends to fund its operations with funds from its operations, and drawdowns under the Share Purchase Agreement, as well as proceeds from other financing arrangements. The Company also has the ability to reduce cash burn to preserve capital. There are no assurances, however, that management will be able to raise capital on terms acceptable to the Company. If the Company is unable to obtain sufficient amounts of additional capital, the Company may be required to reduce the near-term scope of its planned development and operations, which could delay implementation of the Company's business plan and harm its business, financial condition and operating results. The consolidated balance sheets do not include any adjustments that might result from these uncertainties.

#### ***Basis of Presentation for the Business Combination***

The Business Combination was accounted for as a reverse recapitalization in accordance with GAAP, whereby Oxbridge is treated as the acquired company and Jet Token is treated as the acquirer (the "Reverse Recapitalization"). Accordingly, for accounting purposes, the Reverse Recapitalization was treated as the equivalent of Jet Token issuing stock for the net assets of Oxbridge, accompanied by a recapitalization. The net assets of Oxbridge were stated at historical cost, with no goodwill or other intangible assets recorded.

Jet Token has been determined to be the accounting acquirer in the Business Combination based on the following predominate factors:

- Jet Token's existing stockholders have the greatest voting interest in the combined entity;
- Jet Token existing stockholders have the ability to nominate a majority of the initial members of the combined entity board;
- Jet Token's senior management is the senior management of the combined entity;
- Jet Token is the larger entity based on historical operating activity and has the larger employee base; and
- The post-combination company has assumed a Jet Token branded name: "Jet.AI Inc."

#### ***Use of Estimates***

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of expenses during the reporting period. Making estimates requires management to exercise significant judgement. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the fair value of options granted. Although considerable variability is likely to be inherent in these estimates, management believes that the amounts provided are reasonable. These estimates are continually reviewed and adjusted if necessary. Such adjustment is reflected in current operations.

#### ***Revenue Recognition***

In applying the guidance of ASC 606, the Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, a performance obligation is satisfied.

Revenue is derived from a variety of sources including, but not limited to, (i) fractional/whole aircraft sales, (ii) fractional ownership and jet card programs, (iii) ad hoc charter through the Jet Token App (replaced by CharterGPT) and (iv) aircraft management.

Under the fractional ownership program, a customer purchases an ownership share in a jet which guarantees the customer access to the jet for a preset number of hours per year. The fractional ownership program consists of a down payment, one or more progress payments, a payment on delivery, a monthly management fee and an occupied hourly fee based on usage. Revenues from the sale of fractional or whole interests in an aircraft are recognized at the time title to the aircraft is transferred to the purchasers, which generally occurs upon delivery or ownership transfer.

The jet card program provides the customer with a preset number of hours of guaranteed private jet access over the agreement term (generally a year) without the larger hourly or capital commitment of purchasing an ownership share. The jet card program consists of a fixed hourly rate for flight hours typically paid 100% up front.

Revenue is recognized upon transfer of control of the Company's promised services, which generally occurs upon the flight hours being used. Any unused hours for the fractional jet and jet card programs are forfeited at the end of the contract term and are thus immediately recognized as revenue at that time.

Deferred revenue is an obligation to transfer services to a customer for which the Company has already received consideration. Upon receipt of a prepayment from a customer for all or a portion of the transaction price, the Company initially recognizes a contract liability. The contract liability is settled, and revenue is recognized when the Company satisfies its performance obligation to the customer at a future date.

The Company also generates revenues from individual ad hoc charter bookings processed through the Company's booking app, whereby the Company will source, negotiate, and arrange travel on a charter basis for a customer based on pre-selected options and pricing provided by the Company to the customer through the app. In addition, Cirrus markets charter on the Company's aircraft for the Company's benefit. Deferred revenue with respect to bookings through the app was \$1,215,710 as of March 31, 2024.

The Company utilizes certificated independent third-party air carriers in the performance of a portion of flights. The Company evaluates whether there is a promise to transfer services to the customer, as the principal, or to arrange for services to be provided by another party, as the agent, using a control model. The nature of the flight services the Company provides to members is similar regardless of which third-party air carrier is involved. The Company directs third-party air carriers to provide an aircraft to a member or customer. Based on evaluation of the control model, it was determined that the Company acts as the principal rather than the agent within all revenue arrangements. Owner charter revenue is recognized for flights where the owner of a managed aircraft sets the price for the trip. The Company records owner charter revenue at the time of flight on a net basis for the margin we receive to operate the aircraft. If the Company has primary responsibility to fulfill the obligation, then the revenue and the associated costs are reported on a gross basis in the consolidated statements of operations.

#### ***Flights***

Flights and flight-related services, along with the related costs of the flights, are earned and recognized as revenue at the point in time in which the

service is provided. For round-trip flights, revenue is recognized upon arrival at the destination for each flight segment.

Fractional and jet card members pay a fixed quoted amount for flights based on a contractual capped hourly rate. Ad hoc charter customers primarily pay a fixed rate for flights. In addition, flight costs are paid by members through the purchase of dollar-denominated prepaid blocks of flight hours ("Prepaid Blocks"), and other incidental costs such as catering and ground transportation are billed monthly as incurred. Prepaid Blocks are deferred and recognized as revenue when the member completes a flight segment.

#### **Aircraft Management**

The Company manages aircraft for owners in exchange for a contractual fee. Revenue associated with the management of aircraft also includes the recovery of owner-incurred expenses including maintenance coordination, cabin crew and pilots, as well as recharging of certain incurred aircraft operating costs and expenses such as maintenance, fuel, landing fees, parking and other related operating costs. The Company passes the recovery and recharge costs back to owners at either cost or a predetermined margin.

Aircraft management-related revenue contains two types of performance obligations. One performance obligation is to provide management services over the contract period. Revenue earned from management services is recognized over the contractual term, on a monthly basis. The second performance obligation is the cost to operate and maintain the aircraft, which is recognized as revenue at the point in time such services are completed.

#### **Aircraft Sales**

The Company acquires aircraft from vendors and various other third-party sellers in the private aviation industry. The Company's classifies the purchase as aircraft inventory on the consolidated balance sheets. Aircraft inventory is valued at the lower of cost or net realizable value. Sales are recorded on a gross basis within revenues and cost of revenue in the consolidated statements of operations.

#### **Pass-Through Costs**

In applying the guidance of ASC 606, the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are distinct performance obligations. The Company then assesses whether it is acting as an agent or a principal for each identified performance obligation and includes revenue within the transaction price for third-party costs when the Company determines that it is acting as the principal.

#### **Cost of Sales**

The cost of sales expenses includes costs incurred in providing air transportation services, such as chartering third-party aircraft, aircraft lease expenses, pilot training and wages, aircraft fuel, aircraft maintenance, and other aircraft operating expenses.

1. Chartering Third-Party Aircraft: The cost of chartering third-party aircraft is recorded as a part of the cost of sales expense. These expenses include the fees paid to third-party operators for providing aircraft services on behalf of the company. Expenses are recognized in the income statement in the period when the service is rendered and are reported on an accrual basis.
2. Aircraft Lease Expenses: Aircraft lease expenses include the cost of leasing aircraft for the company's operations. The lease expenses are recognized as an operating expense in the income statement over the lease term on a straight-line basis.
3. Pilot Training and Wages: Pilot training costs are expensed as incurred and are included in the cost of sales expenses. This encompasses expenses related to initial pilot training, recurrent training, and any additional required training programs. Pilot wages, including salaries, bonuses, and benefits, are also recognized as a part of the cost of sales expenses and are reported on an accrual basis.
4. Aircraft Fuel: The cost of aircraft fuel is recognized as an expense in the cost of sales category based on the actual consumption during flight operations. Fuel costs are recorded in the income statement in the period when the fuel is consumed and are reported on an accrual basis.
5. Aircraft Maintenance: Aircraft maintenance expenses include both routine and non-routine maintenance. Routine maintenance costs are expensed as incurred and are recorded as a part of the cost of sales expense. Non-routine maintenance expenses, such as major repairs and overhauls, are capitalized and amortized over their expected useful life. The amortization expense is included in the cost of sales expense and is recognized in the income statement on a straight-line basis over the asset's useful life.
6. Other Aircraft Operating Expenses: Other aircraft operating expenses include costs such as insurance, landing fees, navigation charges, and catering services. These expenses are recognized in the income statement as a part of the cost of sales expenses in the period when they are incurred and are reported on an accrual basis.

#### **Stock-Based Compensation**

The Company accounts for stock awards under ASC 718, Compensation – Stock Compensation. Under ASC 718, stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite vesting period or over the nonemployee's period of providing goods or services. The fair value of each stock option or warrant award is estimated on the date of grant using the Black-Scholes option valuation model.

#### **Trend Information**

The Company's business and operations are sensitive to general business and economic conditions in the U.S. and worldwide along with local, state, federal and foreign governmental policy decisions. A host of factors beyond Jet.Ai's control could cause fluctuations in these conditions. Adverse conditions may include but are not limited to: changes in the airline industry, fuel and operating costs, changes to corporate governance best practices for executive flying, general demand for private jet travel, regulations on carbon emissions from aviation and market acceptance of the Company's business model. These adverse conditions could affect the Company's financial condition and the results of operations.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined in Rule 12b-2 of the Exchange Act.

### **ITEM 4. CONTROLS AND PROCEDURES**

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

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Interim Chief Executive Officer and Interim Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Interim Chief Executive Officer and Interim Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2024. Based on that evaluation, our Interim Chief Executive Officer and our Interim Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the periods covered by this report.

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

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the quarter ended on March 31, 2024 covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## **PART II OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

None.

### **ITEM 1A. RISK FACTORS.**

As of the date of this Quarterly Report, there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on April 1, 2024. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

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

#### **Unregistered Sales of Equity Securities**

On various dates in the first quarter of 2024, the Company sold an aggregate of 1,500,000 shares of common stock to GEM under the Share Purchase Agreement. The issuance of the securities was made in reliance upon the exemption from the registration requirements under Section 4(a)(2) of the Securities Act.

Otherwise, all unregistered sales of equity securities effected during the quarter ended March 31, 2024 were previously reported in reports the Company has filed with the Securities and Exchange Commission.

#### **Use of Proceeds**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

### **ITEM 5. OTHER INFORMATION.**

None.

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### **ITEM 6. EXHIBITS.**

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report.

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 3.1                   | <a href="#">Certificate of Incorporation of Jet.Ai Inc., dated August 10, 2023 (incorporated by reference to Exhibit 3.1 of Jet.Ai's Current Report on Form 8-K filed with the SEC on August 14, 2023).</a>   |
| 3.2                   | <a href="#">Certificate of Designation of the Series A Convertible Preferred Stock of Jet.Ai Inc., dated August 10, 2023 (incorporated by reference to Exhibit 3.2 of Jet.Ai's Current Report on Form 8-K filed with the SEC on August 14, 2023).</a>   |
| 3.3                   | <a href="#">Certificate of Designation of the Series A-1 Convertible Preferred Stock of Jet.Ai Inc., dated August 10, 2023 (incorporated by reference to Exhibit 3.3 of Jet.Ai's Current Report on Form 8-K filed with the SEC on August 14, 2023).</a> |

|         |   |
|---------|---|
| 3.4     | <a href="#">Certificate of Designations of Series B Convertible Preferred Stock of Jet.AI Inc. (incorporated by reference to Exhibit 3.5 of Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024).</a>   |
| 3.5     | <a href="#">Bylaws of Jet.AI Inc. (incorporated by reference to Exhibit 3.4 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023).</a>  |
| 4.1     | <a href="#">Warrant Agreement, dated August 11, 2021, by and between Oxbridge Acquisition Corp. and Continental Stock Transfer &amp; Trust Company (incorporated by reference to Exhibit 4.1 of Oxbridge Acquisition Corp.'s Current Report on Form 8-K filed with the SEC on August 17, 2021).</a> |
| 4.2     | <a href="#">Merger Consideration Warrant Agreement, dated August 10, 2023, by and between Jet.AI and Continental Stock Transfer &amp; Trust Company (incorporated by reference to Exhibit 4.2 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023).</a>                    |
| 4.3     | <a href="#">Warrant by and between Jet.AI Inc. and GEM Yield Bahamas Limited (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 (File No. 333-274432) of Jet.AI Inc. filed with the SEC on September 8, 2023).</a>   |
| 4.4     | <a href="#">Warrant Agreement Amendment by and between Jet.AI Inc. and GEM Yield Bahamas Limited (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-1/A (File No. 333-274432) of Jet.AI Inc. filed with the SEC on October 27, 2023).</a>                            |
| 4.5     | <a href="#">Warrant by and between Jet.AI Inc. and Ionic Ventures, LLC (incorporated by reference to Exhibit 4.5 of Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024).</a>   |
| 10.1    | <a href="#">Form of Warrant Exchange Agreement dated as of December 28, 2023 (incorporated by reference to Exhibit 10.28 of Jet.AI's Current Report on Form 8-K filed with the SEC on January 3, 2024).</a>   |
| 10.2    | <a href="#">Form of Warrant Exchange Agreement (incorporated by reference to Exhibit 10.29 of Jet.AI's Current Report on Form 8-K filed with the SEC on January 17, 2024).</a>  |
| 10.3    | <a href="#">Securities Purchase Agreement dated as of March 28, 2024 between Jet.AI Inc. and Ionic Ventures, LLC (incorporated by reference to Exhibit 10.30 of Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024).</a>   |
| 10.4    | <a href="#">Voting Agreement dated as of March 29, 2024 between Jet.AI Inc. and certain stockholders (incorporated by reference to Exhibit 10.31 of Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024).</a>   |
| 10.5    | <a href="#">Registration Rights Agreement dated as of March 29, 2024 between Jet.AI Inc. and Ionic Ventures, LLC (incorporated by reference to Exhibit 10.32 of Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024).</a>   |
| 10.6    | <a href="#">Placement Agency Agreement (incorporated by reference to Exhibit 10.33 of Jet.AI's Current Report on Form 8-K filed with the SEC on April 19, 2024).</a>  |
| 31.1*   | <a href="#">Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), 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 Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), 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 (embedded within the Inline XBRL document)   |

\* Filed herewith

\*\* Furnished herewith

#### SIGNATURE

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 hereunto duly authorized.

#### JET.AI INC.

By: /s/ George Murnane

Name: George Murnane

Title: Interim Chief Financial Officer

(Principal Financial Officer and Accounting Officer)

Date: May 15, 2024

**Certification of Chief Executive Officer**

I, Mike Winston, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jet.AI 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: May 15, 2024

/s/ Mike Winston

Mike Winston

Interim Chief Executive Officer (Principal Executive Officer)

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**Certification of Chief Financial Officer**

I, George Murnane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jet.AI 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: May 15, 2024

/s/ George Murnane

George Murnane

Interim Chief Financial Officer (Principal Financial Officer)

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**Certification of Chief Executive Officer  
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002**

I, Mike Winston, Interim Chief Executive Officer of Jet.AI Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (i) The Quarterly Report on Form 10-Q of Jet.AI Inc. for the period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: May 15, 2024

*/s/ Mike Winston*

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Mike Winston  
Interim Chief Executive Officer  
(Principal Executive Officer)

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**Certification of Chief Financial Officer  
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002**

I, George Murnane, Interim Chief Financial Officer of Jet.AI Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (i) The Quarterly Report on Form 10-Q of Jet.AI Inc. for the period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: May 15, 2024

*/s/ George Murnane*

George Murnane  
Interim Chief Financial Officer  
(Principal Financial Officer)

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