

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

FORM 10-K

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

For the fiscal year ended December 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. Suite 200 Las Vegas, NV	89135
(Address of Principal Executive Offices)	(ZIP Code)

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

Securities 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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 registrant 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates was \$1,837,368 as of the last business day of the registrant's most recently completed second fiscal quarter.

As of March 12, 2025, there were 2,187,001 shares of the Company's common stock, par value \$0.0001, issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Report”) contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. We have based these forward-looking statements on our current expectations and projections about future events. All statements, other than statements of present or historical fact included in this Report, regarding our future financial performance and our strategy, expansion plans, market opportunity, future operations, future operating results, estimated revenues, losses, projected costs, prospects, plans and objectives of management are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “could,” “would,” “will,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “continue,” “project” or the negative of such terms or other similar expressions, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Report. We caution you that the forward-looking statements contained herein are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control.

Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors discussed from time to time in this Report, including the risks described under “*Item 1A Risk Factors*,” and “*Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations*” of this Report and in other documents which we file with the Securities and Exchange Commission (“SEC”). In addition, such statements could be affected by risks and uncertainties related to:

- the ability to implement business plans, forecasts, and other expectations and identify and realize additional opportunities;
- our history of operating losses, and our results of operations and financial condition;
- our ability to attain the significant amount of additional financing we need to fund our operations and expansion plans on favorable terms or at all, and the availability of future financing;
- our ability to complete the proposed merger and related transactions described under “*Item 1 Business – Recent Events – Potential Sale of Aviation Business Assets*”, or to identify and execute upon another strategic transaction or alternative to maximize value for our stakeholders;
- our ability to realize the anticipated benefits of the proposed merger and related transactions;
- costs related to being a public company;
- limited liquidity and trading of our securities;
- the outcome of any legal proceedings;
- the ability to maintain the listing of our securities on the Nasdaq Stock Market LLC (“Nasdaq”) or any other national securities exchange;
- that the price of our securities may be volatile due to a variety of factors, including changes in the competitive and highly regulated industry in which we operate, variations in operating performance across competitors, changes in laws and regulations affecting our business and any changes in our capital structure;
- the risks related to our ability to identify and execute on outside sources of funding necessary to fund our operations and business plan, and the potential dilution that our stockholders may be subject to;
- the risk of downturns in the aviation industry;
- a changing regulatory landscape in the highly competitive aviation industry;
- our ability to attract and retain highly qualified personnel, including our officers, directors, and key employees;
- data security breaches, cyber attacks, or other network outages;
- our ability to adequately protect our intellectual property interests;
- our reliance on third parties;
- risks associated with the overall economy, including interest rate volatility and the potential for recession; and
- other risks and uncertainties set forth under the section of this Report entitled “*Item 1A Risk Factors*.”

Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by these forward-looking statements. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and we assume no obligation and do not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

MARKET AND INDUSTRY DATA

Some of the market and industry data contained in this Report are based on independent industry publications or other publicly available information. We believe this information is reliable as of the applicable date of its publication, however, we have not independently verified and cannot assure you as to the accuracy or completeness of this information. As a result, you should be aware that the market and industry data contained herein, and our beliefs and estimates based on such data, may not be reliable.

SUMMARY OF RISK FACTORS

Our business is subject to a number of risks of which you should be aware. These risks are discussed more fully in the “Risk Factors” section of this Report. These risks include, but are not limited to, the following:

- The Company is an early-stage company with a limited operating history.
- The Company may not be able to successfully implement its growth strategies.
- The Company’s operating results are expected to be difficult to predict based on a number of factors that also will affect its long-term performance.
- The Company may not have enough capital as needed and may be required to raise more capital and the terms of subsequent financings may adversely impact your investment.
- The Company’s business and reputation rely on, and will continue to rely on, third parties.
- The Company may be unable to adequately protect its intellectual property interests or may be found infringing on the intellectual property interests of others.
- A delay or failure to identify and devise, invest in and implement certain important technology, business, and other initiatives could have a material impact on the Company’s business, financial condition and results of operations.
- The Company is dependent on its information systems which may be vulnerable to cyber-attacks or other events.
- Because the Company’s software could be used to collect and store personal information, privacy concerns in the territories in which the Company operates could result in additional costs and liabilities to the Company or inhibit sales of its software.
- The Company may not have enough funds to sustain the business until it becomes profitable and may not be able to obtain additional capital when desired, on favorable terms or at all.
- Jet.AI is subject to risks related to taxation in the United States.
- Jet.AI’s sole material asset is its direct and indirect interests in its subsidiaries and, accordingly, Jet.AI is dependent upon distributions from its subsidiaries to pay taxes and cover its corporate and other overhead expenses and pay dividends, if any, on the Jet.AI common stock.
- Demand for the Company’s services may decline due to factors beyond its control.
- The Company faces a high level of competition with numerous market participants with greater financial resources and operating experience.
- Aviation businesses are often affected by factors beyond their control including: air traffic congestion at airports; airport slot restrictions; air traffic control inefficiencies; natural disasters; adverse weather conditions, such as hurricanes or blizzards; increased and changing security measures; changing regulatory and governmental requirements; new or changing travel-related taxes; or the outbreak of disease; any of which could have a material adverse effect on the Company’s business, results of operations and financial condition.
- The operation of aircraft is subject to various risks, and failure to maintain an acceptable safety record may have an adverse impact on our ability to obtain and retain customers.
- The supply of pilots to the airline industry is limited and may negatively affect the Company’s operations and financial condition. Increases in labor costs may adversely affect the Company’s business, results of operations and financial condition.
- The Company is exposed to operational disruptions due to maintenance.
- Significant increases in fuel costs could have a material adverse effect on the Company’s business, financial condition and results of operations.
- If efforts to continue to build a strong brand identity and improve member satisfaction and loyalty are not successful, the Company may not be able to attract or retain members, and its operating results may be adversely affected.
- Any failure to offer high-quality customer support may harm the Company’s relationships with its customers and could adversely affect the Company’s reputation, brand, business, financial condition and results of operations.
- Changes in laws or regulations, or a failure to comply with any laws or regulations, may adversely affect our business, investments and results of operations.
- The Company’s failure to attract and retain highly qualified personnel in the future could harm its business.
- The proposed Transactions with flyExclusive may not be completed on the terms or timeline currently contemplated, or at all.
- In the proposed Transactions with flyExclusive Jet.AI will divest substantially all of its fractional and jet card business and related assets, together with associated working capital and thereafter adopt a business strategy that focuses on expanding its AI operations. Any or all of these decisions if incorrect may have a material adverse effect on the results of Jet.AI’s operations, financial position and cash flows, and pose further risks to the successful operation of Jet.AI’s business over the short and long-term.
- The AI sector in which Jet.AI expects to primarily focus after the Transactions is subject to significant risks, including rapid growth and volatility, capital requirements, dependence on rapidly changing underlying technologies, market and political risks and uncertainties and extreme competition. Jet.AI cannot guarantee that it will be able to anticipate or overcome any or all of these risks and uncertainties, especially as a small company operating in an environment that includes many large, well-capitalized competitors with substantially more resources.
- Particularly after the Transactions Jet.AI’s success will be dependent on its ability to successfully develop new services, platforms and solutions that utilize AI and enhance or compliment its existing services, platforms and solutions, and market acceptance of these offerings.
- The Company’s stock price may be volatile, and you may not be able to sell shares at or above the price at which you purchase shares.
- If we fail to comply with the continued listing requirements of Nasdaq, we would face possible delisting, which would result in a limited public market for our shares, limit our ability to access existing liquidity facilities and make obtaining future financing more difficult for us.
- Stockholders may experience dilution of their ownership interest due to the issuance of additional shares of common stock upon the conversion of the Series B Preferred Stock, especially since the Series B Preferred Stock has fluctuating conversion rates that are set at a discount to market prices of our shares of common stock during the period immediately following conversion.
- The issuances of additional shares of Jet.AI common stock under the Share Purchase Agreement and the GEM Warrant may result in dilution of future Jet.AI stockholders and have a negative impact on the market price of Jet.AI common stock.
- Certain existing stockholders purchased our securities at a price below the current trading price of such securities, and may experience a positive rate of return based on the current trading price.
- Sales of Jet.AI common stock, or the perception of such sales, by us or our significant stockholders in the public market or otherwise could cause the market price for Jet.AI common stock to decline.
- The JOBS Act permits “emerging growth companies” like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

PART I

Item 1 Business

Explanatory Note

On August 10, 2023, we consummated a “Business Combination” pursuant to the Business Combination Agreement and Plan of Reorganization, dated February 24, 2023, as amended by Amendment No. 1 to the Business Combination Agreement, dated as of May 11, 2023. In connection with the Business Combination, we changed our name from “Oxbridge Acquisition Corp.” to “Jet.AI Inc.”

Unless otherwise noted in this Report, “Jet.AI,” “the Company,” “we,” “us,” “our” and similar terms refer to (a) Oxbridge Acquisition Corp. prior to the closing of the Business Combination and (b) Jet.AI Inc. after giving effect to the closing of the Business Combination. See “*Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations – Business Combination.*”

Overview

Our business strategy combines concepts from fractional jet and charter jet programs with innovations in artificial intelligence, also referred to herein as “AI.”

We formed our company on June 4, 2018. We developed and, in September 2019, launched our booking platform represented by our iOS app JetToken (the “App”), which originally functioned as a prospecting and quoting platform to arrange private jet travel with third party carriers. Following our acquisition of HondaJet HA-420 aircraft (the “HondaJet Elites”), we began selling jet cards and fractional ownership interests in our aircraft. In 2023 and 2024, we launched two AI-enhanced booking apps called CharterGPT and Ava, respectively, as more fully discussed under “*Our Software Platforms*” and “*Strategy – Artificial Intelligence*” below.

Beginning in 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 return to base into prospective new charter bookings to destinations within specific distances.
- DynoFlight: enables aircraft operators to estimate aircraft emissions then purchase carbon removal credits via our DynoFlight API.

We have also established a specific version of a private jet by-the-seat booking tool for the Las Vegas Golden Knights and Great Western Air, LLC (DBA Cirrus Aviation Services, LLC) (“Cirrus”) via 380 Software LLC. 380 Software LLC is a by-the-seat charter joint venture between us and Cirrus.

Our strategy historically has involved expanding our fleet of aircraft with larger aircraft capable of traveling longer distances, developing a national jet card program based on third party aircraft, further enhancing the AI functionality of CharterGPT, and expanding upon our B2B software offerings. Our strategy currently involves further enhancing the AI functionality of Ava and CharterGPT, and expanding upon Reroute AI and DynoFlight.

Recent Events

Nasdaq Compliance

Our common stock is currently listed on The Nasdaq Capital Market under the symbol “JTAI”. On December 1, 2023, the Company received a notification letter (the “Initial Notice Letter”) from the Listing Qualifications Staff of Nasdaq notifying the Company that its amount of stockholders’ equity had fallen below the \$10 million required minimum for continued listing on The Nasdaq Global Market set forth in Nasdaq Listing Rule 5450(b)(1)(A) (the “Minimum Stockholders’ Equity Requirement”). The Company’s stockholders’ deficit as of December 31, 2023 was \$(3,963,039). The Initial Notice Letter also noted that as of September 30, 2023, the Company did not meet The Nasdaq Global Market alternative listing criteria for the “Market Value” standard or the “Total Assets / Total Revenues” standard.

On April 14, 2024, the Company received an additional notification letter from Nasdaq (the “Second Notice Letter”) stating that the Company was not in compliance with Nasdaq Listing Rule 5450(a)(1), as the minimum bid price of the Company’s common stock had been below \$1.00 per share for 30 consecutive business days (the “Minimum Bid Price Requirement”). The Company had 180 calendar days, or until October 14, 2024, to regain compliance with the Minimum Bid Price Requirement. Although the Company did not regain compliance with the Minimum Bid Price Requirement by October 14, 2024, it was eligible for an additional 180-calendar day compliance period because it elected to transfer to The Nasdaq Capital Market.

On May 30, 2024, the Company received an additional notification letter from Nasdaq (the “Third Notice Letter”) stating that the Company had not regained compliance with the Minimum Stockholders’ Equity Requirement for continued listing discussed in the Initial Notice Letter, which it was required to meet by May 29, 2024 pursuant to its compliance plan. As directed in the Third Notice Letter, the Company timely requested a hearing before the Nasdaq Hearings Panel to appeal the delisting notice. The Company’s hearing request stayed the suspension of trading on the Company’s securities, and the Company’s securities continued to trade on Nasdaq. On August 14, 2024, in connection with the implementation of the Company’s compliance plan, the Nasdaq Hearings Panel granted the Company’s request to transfer the Company’s securities from The Nasdaq Global Market to The Nasdaq Capital Market effective as of August 16, 2024. Further the Nasdaq Hearings Panel granted the Company’s request to have until November 26, 2024 to demonstrate compliance with its previously submitted plan.

The Company effected a reverse stock split of its issued and outstanding shares of common stock at a ratio of 225-for-1 on November 12, 2024 to, in part, cause the Company to regain compliance with the Minimum Bid Price Requirement. As a result of that reverse stock split and other transactions that occurred during 2024, on November 26, 2024, the Company received a letter from Nasdaq stating that the Company regained compliance with both the Minimum Stockholders’ Equity Requirement and the Minimum Bid Price Requirement. However, pursuant to Nasdaq Listing Rule 5815(d)(4)(B), the Company is subject to a Mandatory Panel Monitor for a period of one year from November 26, 2024. If, within that one-year monitoring period, Nasdaq finds the Company again out of compliance with the Minimum Stockholders’ Equity Requirement, which was the subject of the exception, notwithstanding Nasdaq Listing Rule 5810(c)(2), the Company would not be permitted to provide Nasdaq with a plan of compliance with respect to that deficiency and Nasdaq would not be permitted to grant additional time for the Company to regain compliance with respect to that deficiency, nor would the Company be afforded an applicable cure or compliance period pursuant to Nasdaq Listing Rule 5810(c)(3). Instead, Nasdaq would issue a Delist Determination Letter and the Company would have an opportunity to request a new hearing with the initial Nasdaq Hearings Panel or a newly convened panel if the initial panel were unavailable. The Company would have the opportunity to respond/present to the Nasdaq Hearings Panel as provided by Nasdaq Listing Rule 5815(d)(4)(C). The Company’s securities could at that time be delisted from Nasdaq.

Although the Company believes it will be able to maintain compliance with Nasdaq’s continued listing requirements, there can be no assurance that the Company will be able to maintain compliance with all such requirements.

Reverse Stock Split

On November 12, 2024, the Company effected a reverse stock split of the Company’s issued and outstanding shares of common stock at a ratio of 225-for-1. On the effective date, every 225 shares of common stock issued and outstanding were combined into one issued share of common stock. In addition, the aggregate number of equity-based awards that remain available to be granted under the Company’s equity compensation plans was decreased proportionately and proportionate adjustments were made to the per share exercise price and the number of shares issuable upon the exercise of outstanding stock options, as applicable, as well as to the number of shares that would be owned upon vesting and settlement of restricted stock units and other equity-based awards, as applicable. Similar proportionate adjustments were also made to the outstanding GEM Warrant. No fractional shares were issued as a result of the reverse stock split and any fractional shares resulting from the reverse stock split were rounded down to the nearest number of whole shares so that we issued cash in lieu of any fractional shares that such stockholder would have received as a result of the reverse stock split. In accordance with ASC 260-10-55-12, the Company has adjusted the number of shares, per-share computations and the computations of basic and diluted EPS retroactively for all periods presented in the consolidated financial statements and related notes.

Potential Sale of Aviation Business Assets

On February 13, 2025, the Company, entered into an Agreement and Plan of Merger and Reorganization (the “Merger Agreement”) with flyExclusive, Inc. (“flyExclusive”), FlyX Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of flyExclusive (“Merger Sub”), and Jet.AI SpinCo, Inc., a Delaware corporation and wholly owned subsidiary of the Company (“SpinCo”). Pursuant to the Merger Agreement, (i) as a condition to closing on the Merger Agreement, the Company will distribute all of the shares of SpinCo, on a pro rata basis, to the Company’s stockholders (the “Distribution”), (ii) Merger Sub will merge with and into SpinCo (the “Merger”) and, together with the Distribution and all other transactions contemplated under the Merger Agreement, the “Transactions”) with SpinCo surviving the Merger as a wholly owned subsidiary of flyExclusive and (iii) as consideration for the Merger, the Company’s existing stockholders will have the right to receive shares of Class A common stock of flyExclusive. Additionally, the Company’s stockholders will continue to own and hold their existing shares of the Company’s common stock as of closing of the Merger.

In connection with executing the Merger Agreement, the Company, SpinCo, and flyExclusive entered into a Separation and Distribution Agreement (the "Separation and Distribution Agreement") pursuant to which the Company will transfer the business, operations, services and activities of the Company's fractional and jet card business to SpinCo and will no longer operate a fractional and jet card business (the "Separation"). Upon the terms and subject to the conditions set forth in the Separation and Distribution Agreement, the Company will consummate the Distribution. As such, the Company will no longer operate a fractional or jet card business as of consummation of the Distribution. There will be no change expected to the Company's board of directors or executive officers as a result of the Merger, Separation, Distribution, or other Transactions.

After the Transactions Jet.AI will continue to operate and retain its software and intellectual property assets, but will cease to hold its aircraft fractional, jet card and management assets and expects to pursue additional business opportunities in the artificial intelligence (AI) sector utilizing its remaining assets to enhance those business operations and model. The Transactions are subject to shareholder approval and are expected to close during the second quarter of 2025.

Our Aircraft Operations

In July 2021, we leased a HondaJet aircraft under a short-term lease arrangement, which terminated in February 2022, to accelerate our aircraft operations and sales of jet card memberships. We previously acquired four HondaJet Elite aircraft under our 2020 purchase agreement with Honda Aircraft Company, LLC ("Honda Aircraft Company"), discussed under "Our Aircraft" below, all four of which have been sold, but three of which remain part of our fleet, as discussed below, with three of the four aircraft having been delivered in 2022. Cirrus is managing, operating, and maintaining our aircraft and has a growing team of pilots that have been specially trained on the HondaJet at the Flight Safety facility on the Honda Aircraft Company campus in Greensboro, NC. Cirrus has additionally developed a safety co-pilot training program in coordination with the FAA and a local flight training academy for licensed pilots already skilled with the Garmin 1000 avionics suite.

We offer the following programs for our HondaJet Elite aircraft:

- Fractional ownership program: This program provides potential owners the ability to purchase a share in a jet at a fraction of the cost of acquiring an entire aircraft. Each 1/5 share guarantees 75 occupied hours of usage per year with 24 hours of notice. The fractional ownership program consists of a down payment, one or more progress payments, a payment on delivery, a monthly management fee and an hourly usage fee. As part of the aircraft purchase agreement, the buyer enters into an aircraft management agreement which lasts three years and, at the end of the contract period, the aircraft is typically sold, and the owners are given their pro-rata share of the sale proceeds. The three-year term is not renewable. Our current contracts do not contemplate the re-fractioning of the aircraft to other buyers at the end of the term, but rather a whole aircraft sale to a single buyer. Monthly management fees are in general subject to an annual CPI-W based step-up. CPI-W is a measure of cost inflation commonly used in long term aviation service contracts with OEMs and engine manufacturers.
- Jet card program: A membership in our jet card program generally includes 10, 25 or 50 occupied hours of usage per year with 24 hours of notice. Members generally pay 100% upfront and then fly for a fixed hourly rate over the next twelve months. Those who require guaranteed availability may pay a membership fee for an additional charge. Jet card program members may interchange as a set ratio per aircraft onto any one of twenty jets operated by our partner, Cirrus.

In addition to servicing members, fractional owners and third-party charter clients, our HondaJet Elites are available to address unexpected cancellations or delays on brokered charters. Unlike most of our brokerage competitors, as well as many business jet management companies which require owner approval before their aircraft can be used for third party charter, we believe maintaining a fleet of readily available aircraft to back fill third party charter services provides more reliability and is an attractive selling point for potential clients.

In 2022, we entered into agreements with Cirrus under which we will sell jet cards for Cirrus's aircraft, for a commission for sales and client management services, and we make Cirrus's aircraft available to our customers for charter bookings at preferred rates and with certain service guarantees. As a result, our jet card members and charter customers have access to twenty of Cirrus's aircraft in the light, mid, super-mid, heavy, and ultra-long-range categories, comprising the following aircraft: CJ3+, CJ4, Lear 45XR, Citation XLS+, Lear 60, Hawker 900XP, Challenger 300, Challenger 604, Falcon 900EX, Challenger 850, Gulfstream V and Gulfstream G550.

In the fourth quarter of 2022, we launched the Onboard Program to allow aircraft owners to contribute their aircraft to the Company's charter and jet card inventory. The Onboard Program requires one month FAA conformity of aircraft onto the Cirrus Part 135 certificate, a one-week pilot recertification course for charter operation and execution of a limited management agreement. We currently have one Cessna Citation Jet CJ4 aircraft ("Citation CJ4 Gen 2") and one Beechcraft Super King Air B300 (350I) aircraft ("King Air 350i") managed pursuant to our OnBoard Program.

The above description of our aircraft operations assumes that the Company's current operations will remain the same. However, if the Company consummates the proposed Transactions pursuant to the Merger Agreement with flyExclusive, the Company will transfer the business, operations, services and activities of the Company's fractional and jet card business to SpinCo and will no longer operate a fractional and jet card business.

Our Software Platforms

Our Booking Platform – CharterGPT

Our booking platform displays a variety of options across private aircraft types in addition to the pricing of our own aircraft, with a range of prices drawn from a list of thousands of aircraft for hire. We offer users the ability to request a jet and to simultaneously task us with seeking a lower-cost otherwise superior alternative. Our App (or CharterGPT) is directly connected via our application programming interface (API) to Avinode, the major centralized database in private aviation. Through Avinode we can electronically and automatically correspond with operators of private jets who have posted their aircraft for hire. We envision a time when CharterGPT draws upon resources other than Avinode for private aircraft inventory, in particular we contemplate a connection between the inventory found in Reroute AI and CharterGPT.

The CharterGPT app, which we released in the iOS and Android stores in 2023 to replace the charter booking function of our Jet Token App, automates certain of these manual steps involved in charter bookings, and we believe this automation will enable us to scale charter activity with fewer persons than would be normally required. In particular, CharterGPT is designed to do the following: (1) intake travel requirements in natural language and then interact with customers to provide substantive replies and actionable suggestions with quality indistinguishable from an experienced charter professional; (2) power the content behind outbound calls to smaller charter operators to confirm electronic indications of interest communicated via the Avinode centralized booking database of private aircraft; (3) reconcile the natural language terms in a third party jet operator contract with the terms and conditions in the contract the customer signs with us (4) verify that payment for the charter has cleared.

Our Booking Platform –Ava

In late 2024 we announced the launch of our cutting-edge agentic AI model, "Ava," that books private jets. Through Ava, customers can now conveniently book private jets by calling or texting a toll-free number where the AI provides real-time aircraft availability, transparent pricing, and expert guidance to help users select the perfect jet for their intended journey. For those who prefer texting, Ava enables full conversational experience via SMS, responding to inquiries, sharing details, and providing a direct link to the CharterGPT app for seamless trip management. The AI is intended to ensure every customer receives a personalized and efficient experience, whether they're seasoned flyers or first-time travelers.

Jet.AI Operator Platform

Jet.AI provides and continues to develop a B2B software platform for a suite of SaaS products termed "Jet.AI Operator Platform" which currently consists of:

Reroute AI

In 2024 we launched Reroute AI. Reroute AI software is web based and enables FAA Part 135 operators to earn revenue on otherwise empty flight legs. When prompted with basic travel itinerary information such as city pair and date of travel, Reroute AI searches its database of empty flight legs and proposes novel combinations of those legs that meet these constraints it has been given. Its database of empty flight legs comes from API integrations with certain other databases and a ChatGPT enhanced scrape of publicly available empty leg lists published by Part 135 operators. An operator may upload its own aircraft tail numbers and empty leg list if for any reason one or both have not already been uploaded into the system. Jet.AI generates revenue from Reroute AI when an operator wishes to book an itinerary proposed by the software that involves the use of aircraft outside that operator's fleet. In that instance, Jet.AI acts as broker to the operator using Reroute AI's proposed itinerary and a human in the loop to negotiate the new pricing and new routing of the third party operator's aircraft.

DynoFlight

DynoFlight is a software API that we launched at the end of 2023. It enables aircraft operators to track and estimate emissions and then purchase carbon offset credits. DynoFlight offers small to medium sized operators a way to begin tracking and offsetting their carbon credits with advanced estimation techniques, compliant practices, and quality credits at prices usually only accessible to operators working at a much larger scale that are buying in bulk. In February, 2024, the Company announced a collaboration with FL3XX, a web and app-based aviation management platform, to introduce the DynoFlight carbon offset platform to FL3XX customers. We believe the DynoFlight API may offer an advantage even to large organizations that wish to manage working capital more efficiently (i.e. pay as they fly instead of buying in bulk). We are currently in the process of integrating the DynoFlight API with the FL3XX systems. We believe that, once the DynoFlight API has been integrated with FL3XX and future customers, it will generate monthly and usage-based revenues with modest operating costs limited to server administration and maintenance of the code base.

FlightClub – Cirrus Specific

The Flight Club API is designed to enable FAA Part 135 operators to function simultaneously under FAA Part 380 which permits sale of private jet service by the seat instead of by whole aircraft. The Flight Club software integrates front end ticketing and payment collection with the flight management systems of an FAA Part 135 operator. It automates the process of filing forms for each flight with DOT and conforms with DOT escrow requirements around ticketing and movement of customer funds. Our initial use case of the Flight Club is through 380 Software LLC, a 50% owned subsidiary founded in co-operation with our operating partner and 50% owner of 380 Software LLC, Cirrus. The Company retains all rights to the technology powering 380 Software LLC and has granted 380 Software LLC a perpetual non-transferrable license. This initial implementation of the Flight Club permits the owners of Cirrus-managed aircraft to fly on one another's planes at a significantly reduced cost when those planes are otherwise flying empty. The operating costs of these flights are typically borne by the previous charter customer who is typically obliged to pay not only the cost of an outbound leg but also the cost of the return leg. The charter customer is typically obliged to pay the cost of the return because the sale of the empty return is an inherently low probability event based on historical industry experience.

We are currently focused on our partnership with the Las Vegas Golden Knights and on integrating with their systems to generate seat sales. Once we learn more from the Cirrus and Las Vegas Golden Knight partnerships we will decide whether to expand the availability of Flight Club.

AI Data Centers

With our announcement of the potential sale of aviation business assets, we also announced our entry into the AI infrastructure space and have signed a letter of intent for our first 50-megawatt project as part of a new one-hundred-and-twenty-acre campus that will allow room for the phased construction of a full gigawatt of capacity in the years ahead. In addition, for the first project we've retained a dynamic company founded by professional data center builders, with experience in our market, to assist with planning and execution while we deepen our own internal capabilities.

Strategy

Aircraft Operations

Having successfully executed the HondaJet Elite four aircraft fleet deal and further having sold through all four aircraft, three of which remain part of our fleet, as discussed below, we plan to gradually expand our fleet with larger light jet and super-mid-size aircraft and the help of our operating partner, Cirrus. Cirrus manages a fleet of 30 jets in Las Vegas, where we are headquartered. In October 2024, the Company entered into an aircraft purchase agreement with Textron Aviation Inc. ("Textron"), for the purchase of three Citation CJ4 Gen 2 aircraft. The aircraft are expected to be delivered in the second, third and fourth quarters of 2026, respectively. Upon delivery, the jets would, in turn, be managed by Cirrus and listed on their Part 135 certificate. Customers would be expected to make a down payment and progress payments, consistent with fractional industry norms.

Given the timeframe prior to delivery the company may consider independent development of Part 135 operations, subject to management's internal return on capital targets and, depending on the level of scale, the prospective benefits of enhanced operational control on customer service.

Because all major manufacturers of larger cabin aircraft such as Gulfstream, Falcon, Bombardier, Embraer, and Textron each have one to three year waiting lists, many of our fractional competitors can only pre-sell, and remain otherwise unable to offer the related service. Our strategy is to allow customers, in advance of delivery, to fly on Cirrus's managed aircraft. In return the customer would pay a monthly management fee (MMF) and an occupied hourly fee (OHF) at rates substantially similar to those for their Citation CJ4 Gen 2. We believe this "buy and fly" approach may resonate with market participants who may appreciate the convenience of a fractional program without the extraordinarily long wait.

Conventional wisdom in private aviation has been that a very light jet FAA Part 135 operation presents financial challenges because the lower hourly rate of a very light jet leaves little margin to pay a second pilot and remain profitable. Thanks to our partnership with Cirrus, we have sought to address this concern by having a type rated pilot in command with at least 1,500 hours in jets, 1,000 of which must have been in the HondaJet specifically, fly alongside a co-pilot who has been through an FAA approved ground school developed by Cirrus and Chennault Flying Service. This "safety co-pilot" is permitted to operate the aircraft in the unlikely event the pilot in command is incapacitated or otherwise unable to act. The HondaJet, which has been designated by the FAA for single pilot operation, integrates the Garmin 3000 flight system and by law does not require a second pilot to fly. This safety co-pilot program brings trained pilots who are already schooled in either the Garmin 1000 or Garmin 3000 flight system, gives them additional training on the HondaJet and Garmin 300 system, and then allows them to develop their skills alongside a mentor. Importantly, the presence of this safety co-pilot is regarded by our insurer as sufficient to maintain our present level of premium. The safety pilot does not require a full wage because of their status as a trainee and the professional value they gain from accruing jet flight hours. This lower cost of labor helps the company overcome the traditional costs of paying a second pilot and helps bring a stream of prospective pilot in command candidates. Some safety pilots are newer to aviation while others have had many years of flight training and thousands of hours of flight time on civilian (or military) jet or turboprop aircraft. We believe that the comparatively low cost of entry of the HondaJet and the proven capabilities of the Challenger 3500 are attractive to new and seasoned traveler alike, particularly given our ability to offer interchange between the two aircraft and onto any one of twenty of the thirty aircraft managed by Cirrus. In addition, while some customers have shorter mission profiles and lower passenger loads better suited to the HondaJet others have longer mission profiles with higher passenger loads – and so the HondaJet and the Citation CJ4 Gen 2 (plus Cirrus's fleet) again make an excellent combination in our view. We have taken a gradual approach to fleet expansion given the capital-intensive nature of aviation and our view that customers should bear the risk (and related tax reward) of owning and maintaining airplanes.

The above description of our aircraft operations strategy assumes that the Company's current operations will remain the same. However, if the Company consummates the proposed Transactions pursuant to the Merger Agreement with flyExclusive, the Company will transfer the business, operations, services and activities of the Company's fractional and jet card business to SpinCo and will no longer operate a fractional and jet card business.

Artificial Intelligence

We operate an app in the iOS and Android stores. The app functions as a prospecting and quoting tool for those interested in chartering a private jet. In 2023, we released an enhanced booking app called CharterGPT to automate much of the manual labor in charter bookings for all of the steps between a customer's firm indication of interest and their arrival at ultimate destination. In late 2024 we followed up with our agentic AI model, Ava. We believe this automation will enable us to scale charter activity with fewer persons than would be normally required. In particular, CharterGPT is designed to do the following: (1) intake travel requirements in natural language and then interact with customers to provide substantive replies and actionable suggestions with quality indistinguishable from an experienced charter professional; (2) power the content behind outbound calls to smaller charter operators to confirm electronic indications of interest communicated via the Avinode centralized booking database of private aircraft; (3) reconcile the natural language terms in a third party jet operator contract with the terms and conditions in the contract the customer signs with us; and (4) verify that payment for the charter has cleared.

In addition, in 2024, we incorporated the following AI-powered features to offer a continually improving unique and personalized experience to customers:

Aircraft Recommendation Engine: This feature provides customers greater transparency and understanding of the characteristics of charter relevant to their trips, making it easier for them to make an informed decision. The recommendation engine analyzes a list of available jets based on the travelers request, and considers factors such as budget, preferred aircraft size, age of aircraft, distance of the trip compared with non-stop/range capability, number of passengers, ages and weights of passengers and their respective bags compared with cargo capacity, basic take-off weight limitations, operator safety audit (Argus/Wyvern), cabin amenities such as a fully enclosed lavatory, WiFi availability and years since last interior refurbishment.

Customer service: This feature provides intelligent customer service by using natural language processing and machine learning algorithms to understand and respond to initial booking requests. Untrained call center staff and brittle chat bots characterize much of the customer facing experience today in the US. With the advent of AI, we believe that even for high ticket items, consumers will come to expect a natural language interface trained on terabytes of data that relate specifically to their respective purchases.

Charter brokerage is labor intensive, and most customers are highly price sensitive. We believe these two factors explain why no charter broker has acquired more than 3-5% of the 500,000 brokered flights that land each year in North America. The back end of the App is expected to provide three features that may address the labor intensity (and hence scalability) of our charter brokerage business. First, each charter operator has its own form of legal contract for carriage and that contract must be reconciled with the terms found in the charter brokers' agreement with the passenger. Our AI is expected to perform this reconciliation automatically, improving the speed to close with the client and reducing labor costs. Second, many charter operators do not initially respond to electronic requests delivered through the Avinode charter database that powers our app. Our generative chat AI is expected to perform outbound voice calls to prompt aircraft operators to respond to quotes we have requested via the web interface to their Avinode account. Third, we expect to develop our AI to integrate with Schedero (an Avinode based scheduling application) to generate a trip sheet for a given charter and then to further integrate with Stripe to invoice and confirm payment via credit card, wire, or ACH.

In addition, we are developing the following AI-powered features to incorporate into the AI functionality of CharterGPT:

Predictive Destination Optimization: CharterGPT uses historical traffic patterns and traveler preferences, and is expected to make use of information such as airport closures, fuel prices, and landing fees to then recommend which private airport to select when a traveler's destination address is serviced by multiple airstrips. For example, Los Angeles is serviced by Los Angeles International Airport (LAX), Van Nuys Airport (KVNY), Burbank Bob Hope Airport (KBUR), and John Wayne Airport (KSNA). Landing at an airport farther from one's ultimate destination may save time if doing so enables faster ground transportation.

Predictive Departure Date: CharterGPT analyzes historical pricing data and forward-looking event data related to a given itinerary to predict the best date to book a flight to obtain the lowest price for their desired charter itinerary. Although approximately thirty-five blackout days a year are widely understood to absorb most domestic private aviation capacity, a variety of lesser appreciated grey-out days centered around key sporting events or entirely new happenings can affect both regional and national pricing.

Predictive Departure Time: CharterGPT recommends optimal departure times based on both historical and live weather conditions, air traffic, and other factors, to help customers more reliably arrive at their destination on time.

Predictive Ground Transportation: CharterGPT recommends ground transportation. For example, some airports run out of rental cars at certain times each year because of an annual conference or other recurring special event. Some of our competitors have taken steps to remedy the shortage at some airports by positioning in their own vehicles for customer use.

Sales and Marketing

Our marketing and advertising efforts are focused on high-net-worth individuals. We have observed that many first-time private flyers came to market beginning in 2020 in an effort to avoid commercial travel and thereby curtail their prospective exposure to COVID-19. We intend to continue to expand our marketing and advertising through the following channels: online marketing, television advertising and event marketing. Paid social media and search engine advertising drive our online marketing. In the past we have launched 15 and 30 second advertising spots that are targeted at high-net-worth individuals and corporate executives through several channels, including CNBC, Fox Business, and The Golf Channel, as well as online through Facebook and Linked-In. We intend to expand social media and event marketing in particular, provided those meet our internal return targets. With respect to event marketing, we intend to have a presence at sporting events, business jet industry gatherings and company hosted aircraft static displays.

Market Opportunity

Over the past 30 years, the market for private jet travel has transformed significantly. First the model of full aircraft ownership transformed into fractional ownership with companies such as NetJets and FlexJet. This was followed by operators offering jet cards and on-demand service through their fleet of aircraft. The latest iteration of private jet travel provides even more flexibility by providing an on-demand service to travelers while leveraging the flight availability of one or more third party carriers. The result of this transformation is a highly segmented industry with numerous market participants offering varying levels of ownership.

We believe that by combining the private jet on-demand model with commercial airline flight availability and prospectively the underutilized flight hours of private jet operators, our company will be positioned to provide optimum flexibility and cost efficiency for our clients.

Our Aircraft

The Company's aircraft fleet consists of five aircraft – three HondaJet Elites, one Citation CJ4 Gen 2 aircraft and one King Air 350i aircraft. The Company acquired the three HondaJet Elites pursuant to a purchase agreement with Honda Aircraft Company for a multi-aircraft deal for four HondaJet Elites. One of the HondaJet Elites in our current fleet was sold and is now leased by the Company from Western Finance Company. The other two HondaJet Elites in our current fleet were purchased and subsequently financed through the sale of all fractional interests in each of these aircraft. Both of those HondaJet Elites are now operated by the Company. We also acquired a fourth HondaJet Elite pursuant to the purchase agreement with Honda Aircraft Company, but we sold this aircraft in June 2022, after we determined, based on our internal financial and legal review, that the sale of the aircraft would offer a net benefit to our stakeholders. That fourth HondaJet Elite is not operated by the Company. The fourth and fifth aircraft in our current fleet - the Citation CJ4 Gen 2 aircraft and King Air 350i aircraft - are wholly owned by one of our customers who committed his aircraft to us via our Onboard Program for management and charter pursuant to our limited management agreement. Under the terms of our management agreement, which has a term of one year that automatically renews unless otherwise terminated by either party upon 30 days prior notice, the customer pays us a monthly management fee for services, including aircraft management services, flight crew services, such as pilot hiring, flight operations services, aircraft maintenance management and other administrative services.

Many believe that the HondaJet Elite aircraft are ideally suited for trips under 3 hours carrying 2-4 passengers plus two pilots. We believe the HondaJet Elite aircraft is one of the most spacious and cost-efficient light jets on the market with ample baggage and interior room (including an enclosed lavatory). The wing mounted engines allow for a tranquil, spacious interior. Engines on the wings mean less weight on the tail and more room in the cabin.

As discussed in "*Business – Strategy – Aircraft Operations*" above we have executed a fleet purchase agreement to acquire three Citation CJ4 Gen 2 aircraft from Textron Aviation, consisting of three firm orders. We are now actively pre-selling fractional interests in these aircraft. Upon delivery, the jets would in turn be managed by Cirrus and listed on their Part 135 certificate. Customers would be expected to make a down payment and progress payments, consistent with fractional industry norms.

We currently base our fleet at Harry Reid International airport in Las Vegas, NV, a top ten private jet destination and may relocate the fleet based on seasonal travel patterns and the travel patterns of our membership.

Based on our experience, and in light of many of our competitors restricting charters on certain "blackout dates," we estimate that thirty calendar days per year (due to holidays, major sporting events, etc.) it is extremely difficult to fly private without the guaranteed access provided by a jet membership program such as ours. The ability to safely offer guaranteed capacity, on demand, is one of the most important features one can deliver in private aviation. Also, our aircraft give us the ability to attract online visitors with dynamically priced offers.

We have entered into several Executive Aircraft Management and Charter Services Agreements with Cirrus. Under these agreements, Cirrus provides management services to us with respect to the marketing, operation, maintenance and administration of our aircraft. Specifically, following the initial set-up services, Cirrus provides Flight Crew Services, including selection, training, employment and management of the pilots necessary for operating the Company's Aircraft; Flight Operation Services, including flight scheduling, following and support services; Aircraft Maintenance Services, including maintenance of the Aircraft and/or management of maintenance of the Aircraft performed by third parties, related maintenance support functions and the administration of the Aircraft's log books, manuals, data, records, reports and subscriptions; Administrative Services, including budgeting, accounting and reporting services; Facility Services, including providing and/or arranging for aircraft hangar and support facilities at the Aircraft's Operating Base and other locations at which the Aircraft may be situated from time to time; and Insurance Services, including providing insurance policies for the Aircraft.

Cirrus is the largest private jet charter company based in Las Vegas. The Cirrus team has been managing and operating aircraft – commercially and privately – for more than 40 years. In addition, Cirrus is:

- FAA Eligible On-Demand Approved
- ARG/US Platinum Rated
- Wyvern Recommended

Cirrus maintains, services and operates our aircraft on our behalf and in compliance with all applicable FAA regulations and certification requirements. Cirrus has the capability to provide substitute aircraft at competitive rates in periods of excess demand for our aircraft.

The above description of our aircraft assumes that the Company's current operations will remain the same. However, if the Company consummates the proposed Transactions pursuant to the Merger Agreement with flyExclusive, the Company will transfer the business, operations, services and activities of the Company's fractional and jet card business to SpinCo and will no longer operate a fractional and jet card business.

Competition

The private air travel industry is extraordinarily competitive. We will compete against private jet charter and fractional jet companies. Established private jet brokerage and fractional companies include but are not limited to, NetJets, FlexJet, VistaGlobal (including JetSmarter powered by XO), SentientJet, WheelsUp, JetSuite, Flight Options, Nicholas Air, Jet Alliance, Executive Air Share, Plane Sense, One Sky Jets, StarJets, Jet Aviation, Volato and Luxury Aircraft Solutions. All compete for passengers with a variety of pricing plans, aircraft types, blackout periods, booking terms, flyer programs and other products and services, including seating, food, entertainment and other on-board amenities.

Both the private jet charter companies and the legacy airlines and low-cost carriers have numerous competitive advantages that enable them to attract both business and leisure travelers. Our competitors may have corporate travel contracts that direct large numbers of employees to fly with a preferred carrier. The enormous route networks operated by our competitors, combined with their marketing and partnership relationships with regional airlines and international alliance partner carriers, allow them to generate increased passenger traffic from domestic and international cities. Our access to smaller aircraft fleet networks and lack of connecting traffic and marketing alliances puts us at a competitive disadvantage, particularly with respect to our appeal to higher-fare business travelers.

The fractional private jet companies and the legacy airlines and low-cost carriers each operate larger fleets of aircraft and have greater financial resources, which would permit them to add service in response to our entry into new markets. Due to our relatively small size, we are more susceptible to fare wars or other competitive activities, which could prevent us from attaining the level of traffic or maintaining the level of sales required to sustain profitable operations.

In 2018 and 2019, respectively, VistaJet acquired XOJET and JetSmarter, combining its heavy jet subscription-based service targeting multinational corporations and ultra-high net worth individuals with XOJET's super-midsize jet on demand service and JetSmarter's digital booking platform for business aviation. In addition, during 2020, Wheels Up acquired Delta Private Jets as well as Gama Aviation, a business jet services company and in 2021 Vista Jet acquired a number of smaller players as well as Apollo Jets. Increased consolidation in our industry could further intensify the competitive environment we face.

The above description of our competition assumes that the Company's current operations will remain the same. However, if the Company consummates the proposed Transactions pursuant to the Merger Agreement with flyExclusive, the Company will transfer the business, operations, services and activities of the Company's fractional and jet card business to SpinCo and will no longer operate a fractional and jet card business.

Intellectual Property

We registered a trademark on our brand name, Jet Token, and our logo, with the United States Patent and Trademark Office. We have also purchased the domain names, jettoken.com and jet.ai, operating our website under those domains. We have an application pending with the United States Patent and Trademark Office for Jet.AI. We are the sole owner of the intellectual property rights in and to the software code underlying our App, CharterGPT and the software code underlying our Jet.AI Operator Platform offerings.

Employees

As of March 15, 2025 we have 8 full-time employees, including our Executive Chairman and Interim Chief Executive Officer, our Interim Chief Financial Officer, our Chief Operating Officer, our Chief Technology Officer and our Chief Marketing Officer.

Regulation

Regulations Applicable to the Ownership and Operation of Our Aircraft

Once we have leased our aircraft, Cirrus, which maintains and manages our aircraft, is subject to a high degree of regulation that affects our business, including regulations governing aviation activity, safety standards and environmental standards.

U.S. Department of Transportation (“DOT”)

The DOT primarily regulates economic issues affecting air transportation such as the air carrier’s financial and management fitness, insurance, consumer protection and competitive practices. The DOT has the authority to investigate and bring proceedings to enforce its regulations and may assess civil penalties, revoke operating authority, and seek criminal sanctions. Our operating as an air charter carrier is regulated and certificated by the DOT. The DOT authorizes the carrier to engage in on-demand air transportation within the United States, its territories, and possessions. The DOT can suspend or revoke that authority for cause, essentially stopping all operations.

Federal Aviation Administration (“FAA”)

The FAA primarily regulates flight operations, in particular matters affecting air safety, such as airworthiness requirements for aircraft and pilot, mechanic, dispatcher and flight attendant certification. The FAA regulates:

- aircraft and associated equipment (and all aircraft are subject to ongoing airworthiness standards),
- maintenance and repair facility certification,
- certification and regulation of pilots and cabin crew, and
- management of airspace.

In order to engage in air transportation for hire, each air carrier is required to obtain an FAA operating certificate authorizing the airline to operate using specified equipment in specified types of air service. In the case of our leased aircraft, it is a Part 135 license. The FAA has the authority to modify, suspend temporarily or revoke permanently the authority to provide air transportation for failure to comply with FAA regulations. The FAA can assess civil penalties for such failures or institute proceedings for the imposition and collection of monetary fines for the violation of certain FAA regulations. The FAA can revoke authority to provide air transportation on an emergency basis, without notice and hearing, where significant safety issues are involved. The FAA monitors compliance with maintenance, flight operations and safety regulations, maintains onsite representatives and performs inspections of a carrier’s aircraft, employees and records.

The FAA also has the authority to issue maintenance/airworthiness directives and other mandatory orders relating to aircraft and engines, fire retardant and smoke detection devices, collision and windshear avoidance systems, navigational equipment, noise abatement and the mandatory removal and replacement of aircraft parts that have failed or may fail in the future. FAA enforcement authority over aircraft includes the power to ground aircraft or limit their usage.

Transportation Security Administration (“TSA”)

The TSA is responsible for oversight of passenger and baggage screening, cargo security measures, airport security, assessment and distribution of intelligence and security research and development. Air carriers are subject to TSA mandates and oversight in connection with screening passenger identities and screening baggage. TSA regulations governing passenger identification, which we will apply at the time of the Company purchase as well as at the time of travel, requires all passengers to provide identification using a valid verifying identity document. In addition, all passengers must provide their full name, date of birth, and gender, which is screened against the travel ban watch list in effect at the time of initial screening and at the time of travel.

All air carriers are also subject to certain provisions of the Communications Act of 1934 because of their extensive use of radio and other communication facilities and are required to obtain an aeronautical radio license from the Federal Communications Commission, or the FCC.

Available Information

We file annual reports, quarterly reports, current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public through the “Investor Relations” portion of our website as soon as practicable after we have electronically filed such material with, or furnished it to, the SEC. In addition, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Our internet address is www.jet.ai. The information on our website is not, and shall not be deemed to be, part of this Report or incorporated into any other filings we make with the SEC, except as shall be expressly set forth by specific reference in any such filings. All website addresses in this report are intended to be inactive textual references only.

Item 1A Risk Factors

Investing in our securities involves a high degree of risk. Our business, financial condition or results of operations could be harmed by any of these risks. The risks and uncertainties described below are not the only ones we face. Additional risks not currently known to us or other factors not perceived by us to present significant risks to our business at this time also may impair our business operations.

Risks Related to the Company’s Business

The Company is an early-stage company with a limited operating history.

The Company’s predecessor operating company Jet Token, Inc. was formed on June 4, 2018. Accordingly, the Company has a limited history upon which an investor can evaluate its performance and future prospects. The Company has a short history and a limited number of aircraft and related customers. The Company’s current and proposed operations are subject to all business risks associated with newer enterprises. These include likely fluctuations in operating results as the Company reacts to developments in its markets, difficulty in managing its growth and the entry of competitors into the market. The Company has incurred net losses to date and anticipates continuing net losses for the foreseeable future. The Company cannot assure you that it will be profitable in the foreseeable future or generate sufficient profits to pay dividends. If the Company does achieve profitability, the Company cannot be certain that it will be able to sustain or increase such profitability. The Company has not consistently generated positive cash flow from operations, and it cannot be certain that it will be able to generate positive cash flow from operations in the future. To achieve and sustain profitability, the Company must accomplish numerous objectives, including broadening and stabilizing its sources of revenue and increasing the number of paying members to its service. Accomplishing these objectives may require significant capital investments. The Company cannot be assured that it will be able to achieve these objectives.

The Company may not be able to successfully implement its growth strategies.

The Company’s growth strategies include, among other things, expanding its addressable market by opening up private aviation to non-members through our marketplace, expanding into new domestic markets, pursuing new opportunities in the AI sector, and developing adjacent (or complimentary) businesses. The Company faces numerous challenges in implementing its growth strategies, including its ability to execute on market, business, product/service and geographic expansions. The Company’s strategies for growth are dependent on, among other things, its ability to expand existing products and service offerings and launch new products and service offerings. Although the Company devotes significant financial and other resources to the expansion of its products and service offerings, its efforts may not be commercially successful or achieve the desired results. The Company’s financial results and its ability to maintain or improve its competitive position will depend on its ability to effectively gauge the direction of its key marketplaces and successfully identify, develop, market and sell new or improved products and services in these changing marketplaces. The Company’s inability to successfully implement its growth strategies could have a material adverse effect on its business, financial condition and results of operations and any assumptions underlying estimates of expected cost savings or expected revenues may be inaccurate.

The Company's operating results are expected to be difficult to predict based on a number of factors that also will affect its long-term performance.

The Company expects its operating results to fluctuate significantly in the future based on a variety of factors, many of which are outside its control and difficult to predict. As a result, period-to-period comparisons of the Company's operating results may not be a good indicator of its future or long-term performance. The following factors may affect the Company from period-to-period and may affect its long-term performance:

- the Company may fail to successfully execute its business, marketing and other strategies;
- the Company's ability to grow complementary products and service offerings may be limited, which could negatively impact its growth rate and financial performance;
- the Company may be unable to attract new customers and/or retain existing customers;
- the Company will require additional capital to finance strategic investments and operations, pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances, and the Company cannot be sure that additional financing will be available;
- the Company's historical growth rates may not be reflective of its future growth;
- the Company's business and operating results may be significantly impacted by general economic conditions, the health of the U.S. aviation industry and risks associated with its aviation assets;
- litigation or investigations involving the Company could result in material settlements, fines or penalties and may adversely affect the Company's business, financial condition and results of operations;
- existing or new adverse regulations or interpretations thereof applicable to the Company's industry may restrict its ability to expand or to operate its business as intended and may expose the Company to fines and other penalties;
- the occurrence of geopolitical events such as war, terrorism, civil unrest, political instability, environmental or climatic factors, natural disaster, pandemic or epidemic outbreak, public health crisis and general economic conditions may have an adverse effect on the Company's business;
- some of the Company's potential losses may not be covered by insurance, and the Company may be unable to obtain or maintain adequate insurance coverage; and
- the Company is potentially subject to taxation-related risks in multiple jurisdictions, and changes in tax laws could have a material adverse effect on its business, cash flow, results of operations or financial condition.

The Company's business is primarily focused on certain targeted geographic regions, making it vulnerable to risks associated with having geographically concentrated operations.

Jet.AI's customer base is primarily concentrated in certain geographic regions of the United States. As a result, Jet.AI's business, financial condition and results of operations are susceptible to regional economic downturns and other regional factors, including state regulations and budget constraints and severe weather conditions, catastrophic events or other disruptions. As Jet.AI seeks to expand in its existing markets, opportunities for growth within these regions will become more limited and the geographic concentration of the Company's business may increase.

The Company may not have enough capital as needed and may be required to raise more capital and the terms of subsequent financings may adversely impact your investment.

The Company anticipates needing access to credit in order to support its working capital requirements as it grows. Interest rates are rising, and it is a difficult environment for obtaining credit on favorable terms. If the Company cannot obtain credit when needed, the Company may issue debt or equity securities to raise funds, modify its growth plans, or take some other action. Interest on debt securities could increase costs and negatively impact operating results and convertible debt securities could result in diluting your interest in the Company. If the Company is unable to find additional capital on favorable terms, then it is possible that it will choose to cease its sales activity. In that case, the only asset remaining to generate a return on your investment could be the Company's intellectual property. Even if the Company is not forced to cease its sales activity, the unavailability of capital could result in the Company performing below expectations, which could adversely impact the value of your investment.

The Company's business and reputation rely on, and will continue to rely on, third parties.

The Company has relied on a third-party app developer to develop the initial versions of its App and the Company may continue to rely on third parties for future development of portions of any new or revised App. In place of a third-party app developer, the Company relies both on internal development and freelance contractors supervised by the Company's Chief Technology Officer. The Company intends to continue to build its internal development team and to gradually decrease its reliance on external contractors for app development. If there were delays or complications in the further development of the App, this might result in difficulties that include but are not limited to the following:

- **Increased Development Costs:** Extended development timelines can result in higher costs associated with personnel, software licenses, hardware, and other development resources. Delays may require additional investments to address technical issues, hire more personnel, or acquire additional technology or expertise to expedite the development process. These increased costs may negatively impact our financial performance and profitability.
- **Missed Time-to-Market Opportunities:** Delays in app development may cause us to miss strategic market windows, limiting our ability to capture early adopters and gain a competitive advantage. Competitors may seize the opportunity to launch similar apps, potentially eroding our market share and diminishing our growth prospects. Our ability to generate revenue and establish a strong market presence may be compromised as a result.
- **Customer Dissatisfaction and Loss of Trust:** If delays or complications prolong the release of new versions of our App, it may lead to customer frustration and disappointment. Use of the App may diminish, and users may turn to alternative solutions or competitors. Customer dissatisfaction can harm our reputation and brand image, resulting in a loss of trust and reducing customer loyalty and engagement with our products and services.
- **Negative Impact on Revenue and Financial Performance:** A delay in launching revisions of our App or other software products may impact our revenue projections, financial forecasts, and investment plans. The inability to generate expected revenue streams can adversely affect our cash flow, profitability, and ability to meet financial obligations or raise additional capital. Our valuation and attractiveness to investors may also be negatively impacted.
- **Opportunity Costs and Competitive Disadvantage:** Time spent on addressing delays and complications diverts management's attention and resources away from other strategic initiatives or product developments. We may miss out on potential partnership opportunities, market expansions, or product enhancements, resulting in missed revenue and growth opportunities. Competitors may gain a competitive advantage over us.
- **Loss of Investor Confidence:** Extended delays or ongoing complications may erode investor confidence in our ability to execute our business plan successfully. Investors may question our management's capability, resulting in reduced investor interest, difficulty in raising funds, and a potential decline in our stock price. The loss of investor confidence can have broader implications for our overall financial stability and long-term viability.

The Company also relies heavily on its existing operating partner, Cirrus, to maintain and operate the Company's leased aircraft for charter services and the Company will rely on third party operators when its clients book flights through its platform with those operators. Both the Company and Cirrus actively book charter onto the Company aircraft. Cirrus books charter via its 24-hour charter department and the Company books charter via its App. The failure of these third parties to perform these roles properly may result in damage to the Company's reputation, loss of clients, potential litigation and other costs. The Company may also experience delays, defects, errors, or other problems with their work that could have an adverse effect on its results and its ability to achieve profitability.

The Company relies on third-party Internet, mobile, and other products and services to deliver its mobile and web applications and flight management system offerings to customers, and any disruption of, or interference with, the Company's use of those services could adversely affect its business, financial condition, results of operations, and customers.

The Company's platform's continuing and uninterrupted performance is critical to its success. That platform is dependent on the performance and reliability of Internet, mobile, and other infrastructure services that are not under the Company's control. While the Company has engaged reputable vendors to provide these products or services, the Company does not have control over the operations of the facilities or systems used by its third-party providers. These facilities and systems may be vulnerable to damage or interruption from natural disasters, cybersecurity attacks, human error, terrorist attacks, power outages, pandemics, and similar events or acts of misconduct. In addition, any changes in one of the Company's third-party service provider's service levels may adversely affect the Company's ability to meet the requirements of its customers. While the Company believes it has implemented reasonable backup and disaster recovery plans, the Company has experienced, and expects that in the future it will experience, interruptions, delays and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions, capacity constraints, or external factors beyond the Company's control. Sustained or repeated system failures would reduce the attractiveness of the Company's offerings and could disrupt the Company's customers' businesses. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times, as the Company expands its products and service offerings. Any negative publicity or user dissatisfaction arising from these disruptions could harm the Company's reputation and brand, may adversely affect the usage of the Company's offerings, and could harm the Company's business, financial condition and results of operation.

The Company relies on third parties maintaining open marketplaces to distribute its mobile and web applications.

The success of the Company's App relies in part on third parties maintaining open marketplaces, including the Apple App Store and Google Play, which make our App available for download. The Company cannot be assured that the marketplaces through which it distributes its App will maintain their current structures or that such marketplaces will not charge the Company fees to list its App for download.

The Company may be unable to adequately protect its intellectual property interests or may be found infringing on the intellectual property interests of others.

The Company's intellectual property may include trademarks, domain names, website, mobile and web applications, software (including our proprietary algorithms and data analytics engines), copyrights, trade secrets, and inventions (whether or not patentable). The Company believes that its intellectual property plays an important role in protecting its brand and the competitiveness of its business. If the Company does not adequately protect its intellectual property, its brand and reputation may be adversely affected and its ability to compete effectively may be impaired.

The Company protects its intellectual property through a combination of trademarks, domain names and other measures. The Company has registered its trademarks and domain names that it currently uses in the United States. The Company's efforts may not be sufficient or effective. Further, the Company may be unable to prevent competitors from acquiring trademarks or domain names that are similar to or diminish the value of its intellectual property. In addition, it may be possible for other parties to copy or reverse engineer the Company's applications or other technology offerings. Moreover, the Company's proprietary algorithms, data analytics engines, or other software or trade secrets may be compromised by third parties or the Company's employees, which could cause the Company to lose any competitive advantage it may have from them.

In addition, the Company's business is subject to the risk of third parties infringing its intellectual property. The Company may not always be successful in securing protection for, or identifying or stopping infringements of, its intellectual property and it may need to resort to litigation in the future to enforce its rights in this regard. Any such litigation could result in significant costs and a diversion of resources. Further, such enforcement efforts may result in a ruling that the Company's intellectual property rights are unenforceable.

Moreover, companies in the aviation and technology industries are frequently subject to litigation based on allegations of intellectual property infringement, misappropriation, or other violations. As the Company expands and raises its profile, the likelihood of intellectual property claims being asserted against it grows. Further, the Company may acquire or introduce new technology offerings, which may increase the Company's exposure to patent and other intellectual property claims. Any intellectual property claims asserted against the Company, whether or not having any merit, could be time-consuming and expensive to settle or litigate. If the Company is unsuccessful in defending such a claim, it may be required to pay substantial damages or could be subject to an injunction or agree to a settlement that may prevent it from using its intellectual property or making its offerings available to customers. Some intellectual property claims may require the Company to seek a license to continue its operations, and those licenses may not be available on commercially reasonable terms or may significantly increase the Company's operating expenses. If the Company is unable to procure a license, it may be required to develop non-infringing technological alternatives, which could require significant time and expense. Any of these events could adversely affect the Company's business, financial condition, or operations.

A delay or failure to identify and devise, invest in and implement certain important technology, business, and other initiatives could have a material impact on the Company's business, financial condition and results of operations.

In order to operate its business, achieve its goals, and remain competitive, the Company continuously seeks to identify and devise, invest in, implement and pursue technology, business and other important initiatives, such as those relating to aircraft fleet structuring, business processes, information technology, initiatives seeking to ensure high quality service experience, and others.

The Company's business and the aircraft the Company operates are characterized by changing technology, introductions and enhancements of models of aircraft and services and shifting customer demands, including technology preferences. The Company's future growth and financial performance will depend in part upon its ability to develop, market and integrate new services and to accommodate the latest technological advances and customer preferences. In addition, the introduction of new technologies or services that compete with the Company's product and services could result in its revenues decreasing over time. If the Company is unable to upgrade its operations or fleet with the latest technological advances in a timely manner, or at all, its business, financial condition and results of operations could suffer.

The Company is dependent on its information systems which may be vulnerable to cyber-attacks or other events.

The Company's operations are dependent on its information systems and the information collected, processed, stored, and handled by these systems. The Company relies heavily on its computer systems to manage its client account balances, booking, pricing, processing and other processes. The Company receives, retains and transmits certain confidential information, including personally identifiable information that its clients provide. In addition, for these operations, the Company depends in part on the secure transmission of confidential information over public networks to charter operators. The Company's information systems are subject to damage or interruption from power outages, facility damage, computer and telecommunications failures, computer viruses, security breaches, including credit card or personally identifiable information breaches, coordinated cyber-attacks, vandalism, catastrophic events and human error. If the Company's platform is hacked, these funds could be at risk of being stolen which would damage the Company's reputation and likely its business. Any significant disruption or cyber-attacks on the Company's information systems, particularly those involving confidential information being accessed, obtained, damaged, or used by unauthorized or improper persons, could harm the Company's reputation and expose it to regulatory or legal actions and adversely affect its business and its financial results.

Because the Company's software could be used to collect and store personal information, privacy concerns in the territories in which the Company operates could result in additional costs and liabilities to the Company or inhibit sales of its software.

The regulatory framework for privacy issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Many government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use, storage and disclosure of personal information and breach notification procedures. The Company is also required to comply with laws, rules and regulations relating to data security. Interpretation of these laws, rules and regulations and their application to the Company's software and services in applicable jurisdictions is ongoing and cannot be fully determined at this time.

In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the California Consumer Privacy Act of 2018 (the "CCPA") and other state and federal laws relating to privacy and data security. By way of example, the CCPA requires covered businesses to provide new disclosures to California residents, provide them new ways to opt-out of certain disclosures of personal information, and allows for a new cause of action for data breaches. It includes a framework that includes potential statutory damages and private rights of action. There is some uncertainty as to how the CCPA, and similar privacy laws emerging in other states, could impact the Company's business as it depends on how such laws will be interpreted. As the Company expands its operations, compliance with privacy laws may increase its operating costs.

The Company may not have enough funds to sustain the business until it becomes profitable and may not be able to obtain additional capital when desired, on favorable terms or at all.

The Company may not accurately anticipate how quickly it may use its funds and whether these funds are sufficient to bring the business to profitability.

The industry, products and markets in which Jet.AI focuses are markets that make Jet.AI's prospects difficult to evaluate and enter these industry sectors and thereafter remain competitive, Jet.AI expects to be required to make continued investments in equipment, facilities and technology. Jet.AI expects that substantial capital will be required to pursue certain business opportunities in sectors that are complimentary to AI focused business operations, and to also continue technology and product development, and to fund working capital for anticipated growth. If Jet.AI does not generate sufficient cash flow from operations or otherwise have the capital resources to meet its future capital needs, we may need additional financing to implement our business strategy.

Jet.AI expects that it will need to raise additional capital in the future to fund more rapid expansion, respond to competitive pressures, potentially acquire complementary assets, businesses or technologies or take advantage of unanticipated opportunities, and it may seek to do so through public or private financing, strategic relationships or other arrangements. The ability of Jet.AI to secure any required financing will depend in part upon prevailing capital market conditions and business success. There can be no assurance that Jet.AI will be successful in its efforts to secure any additional financing on terms satisfactory to management or at all. Even if such funding is available, Jet.AI cannot predict the size of future issues of common shares or securities convertible into common shares or the effect, if any, that future issues and sales of common shares will have on the price of Jet.AI's common shares.

If Jet.AI raises additional capital through the issuance of equity securities, the percentage ownership of Jet.AI's existing shareholders may be reduced, and such existing shareholders may experience additional dilution in net book value per share. Any such newly-issued equity securities may also have rights, preferences or privileges senior to those of the holders of the common shares. If additional funds are raised through the incurrence of indebtedness, such indebtedness may involve restrictive covenants that impair the ability of Jet.AI to pursue its growth strategy and other aspects of its business plan, expose Jet.AI to greater interest rate risk and volatility, require Jet.AI to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital and capital expenditures, increase Jet.AI's vulnerability to general adverse economic and industry conditions, place Jet.AI at a competitive disadvantage compared to its competitors that have less debt, and limit Jet.AI's ability to borrow additional funds. In connection with any such future capital raising transactions, whether involving the issuance of equity securities or the incurrence of indebtedness, Jet.AI may be required to accept terms that restrict its ability to raise additional capital for a period of time, which may limit or prevent Jet.AI from raising capital at times when it would otherwise be opportunistic to do so.

Jet.AI is subject to risks related to taxation in the United States.

Significant judgments based on interpretations of existing tax laws or regulations are required in determining Jet.AI's provision for income taxes. Jet.AI's effective income tax rate could be adversely affected by various factors, including, but not limited to, changes in the mix of earnings in tax jurisdictions with different statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in existing tax policies, laws, regulations or rates, changes in the level of non-deductible expenses (including share-based compensation), changes in the location of Jet.AI's operations, changes in Jet.AI's future levels of research and development spending, mergers and acquisitions or the results of examinations by various tax authorities. Although Jet.AI believes its tax estimates are reasonable, if the IRS or any other taxing authority disagrees with the positions taken on its tax returns, Jet.AI could have additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could have a material impact on our results of operations and financial position.

Changes to applicable tax laws and regulations or exposure to additional income tax liabilities could affect Jet.AI's business and future profitability.

Jet.AI is a U.S. corporation and thus subject to U.S. corporate income tax on its worldwide income. Further, since Jet.AI's operations and customers are located throughout the United States, Jet.AI is subject to various U.S. state and local taxes. U.S. federal, state, local and non-U.S. tax laws, policies, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to Jet.AI and may have an adverse effect on its business and future profitability.

For example, several tax proposals have been set forth that would, if enacted, make significant changes to U.S. tax laws. Such proposals include an increase in the U.S. income tax rate applicable to corporations (such as Jet.AI) from 21% to 28%. Congress may consider, and could include, some or all of these proposals in connection with tax reform that may be undertaken. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could take effect. The passage of any legislation as a result of these proposals and other similar changes in U.S. federal income tax laws could adversely affect Jet.AI's business and future profitability.

In the event that Jet.AI's business expands domestically or internationally, including to jurisdictions in which tax laws may not be favorable, its obligations may change or fluctuate, become significantly more complex or become subject to greater risk of examination by taxing authorities, any of which could adversely affect Jet.AI's after-tax profitability and financial results.

In the event that Jet.AI's business expands domestically or internationally, its effective tax rates may fluctuate widely in the future. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under U.S. GAAP, changes in deferred tax assets and liabilities, or changes in tax laws. Factors that could materially affect Jet.AI's future effective tax rates include, but are not limited to: (a) changes in tax laws or the regulatory environment, (b) changes in accounting and tax standards or practices, (c) changes in the composition of operating income by tax jurisdiction and (d) pre-tax operating results of Jet.AI's business.

Additionally, Jet.AI may be subject to significant income, withholding, and other tax obligations in the United States and may become subject to taxation in numerous additional U.S. state and local and non-U.S. jurisdictions with respect to income, operations and subsidiaries related to those jurisdictions. Jet.AI's after-tax profitability and financial results could be subject to volatility or be affected by numerous factors, including (a) the availability of tax deductions, credits, exemptions, refunds and other benefits to reduce tax liabilities, (b) changes in the valuation of deferred tax assets and liabilities, if any, (c) the expected timing and amount of the release of any tax valuation allowances, (d) the tax treatment of stock-based compensation, (e) changes in the relative amount of earnings subject to tax in the various jurisdictions, (f) the potential business expansion into, or otherwise becoming subject to tax in, additional jurisdictions, (g) changes to existing intercompany structure (and any costs related thereto) and business operations, (h) the extent of intercompany transactions and the extent to which taxing authorities in relevant jurisdictions respect those intercompany transactions, and (i) the ability to structure business operations in an efficient and competitive manner. Outcomes from audits or examinations by taxing authorities could have an adverse effect on Jet.AI's after-tax profitability and financial condition. Additionally, the IRS and several foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with Jet.AI's intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If Jet.AI does not prevail in any such disagreements, Jet.AI's profitability may be affected.

Jet.AI's after-tax profitability and financial results may also be adversely affected by changes in relevant tax laws and tax rates, treaties, regulations, administrative practices and principles, judicial decisions and interpretations thereof, in each case, possibly with retroactive effect.

Jet.AI's ability to utilize its net operating loss and tax credit carryforwards to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to use its pre-change net operating loss carryforwards ("NOLs") to offset future taxable income. The limitations apply if a corporation undergoes an "ownership change," which is generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three year period. If the Company has experienced an ownership change at any time since its incorporation, Jet.AI may be subject to limitations on its ability to utilize its existing NOLs and other tax attributes to offset taxable income or tax liability. In addition, future changes in Jet.AI's stock ownership, which may be outside of Jet.AI's control, may trigger an ownership change. Similar provisions of state tax law may also apply to limit Jet.AI's use of accumulated state tax attributes. As a result, even if Jet.AI earns net taxable income in the future, its ability to use its pre-change NOL carryforwards and other tax attributes to offset such taxable income or tax liability may be subject to limitations, which could potentially result in increased future income tax liability to Jet.AI.

Jet.AI's sole material asset is its direct and indirect interests in its subsidiaries and, accordingly, Jet.AI is dependent upon distributions from its subsidiaries to pay taxes and cover its corporate and other overhead expenses and pay dividends, if any, on the Jet.AI common stock.

Jet.AI is a holding company and it has no material assets other than its direct and indirect equity interests in its subsidiaries. Jet.AI has no independent means of generating revenue. To the extent Jet.AI's subsidiaries have available cash, Jet.AI will cause its subsidiaries to make distributions of cash to pay taxes, cover Jet.AI's corporate and other overhead expenses and pay dividends, if any, on the common stock. To the extent that Jet.AI needs funds and its subsidiaries fail to generate sufficient cash flow to distribute funds to Jet.AI or are restricted from making such distributions or payments under applicable law or regulation or under the terms of their financing arrangements, or are otherwise unable to provide such funds, Jet.AI's liquidity and financial condition could be materially adversely affected.

Risks Related to the Company's Charter Business Operating Environment

Demand for the Company's services may decline due to factors beyond its control.

Demand for private jet charters may be negatively impacted by factors affecting air travel generally, such as adverse weather conditions, an outbreak of a contagious disease and other natural events, terrorism and increased security screening requirements.

In particular, the recurrence of a pandemic, whether COVID-19 or otherwise, may result in a decline in air travel. Additionally, the reimposition of travel restrictions and other measures intended to contain the spread of any such virus may contribute to a decline in demand for air travel. If travel remains in a general decline for a significant period of time, the Company may be unable to compete with more established operators and may not be able to achieve profitability in the medium term or at all.

More broadly, business jet travel is highly correlated to the performance of the economy, and an economic downturn, such as the current economic environment, which has been adversely affected by high rates of inflation, increasing interest rates, and low consumer sentiment, is likely to have a direct impact on the use of business jets. The Company's customers may consider private air travel through its products and services to be a luxury item, especially when compared to commercial air travel. As a result, any economic downturn which has an adverse effect on the Company's customers' spending habits could cause them to travel less frequently and, to the extent they travel, to travel using commercial air carriers or other means considered to be more economical than the Company's products and services. For example, beginning in 2008 and in connection with weakened macroeconomic conditions, the corporate and executive jet aviation industry, and companies that utilize corporate jets, experienced intensified political and media scrutiny.

Any of these factors that cause the demand for private jet travel to decline may also result in delays that could reduce the attractiveness of private air charter travel versus other means of transportation, particularly for shorter distance travel, which represents our primary market currently. Delays also frustrate passengers, affecting the Company's reputation and potentially reducing fleet utilization and charter bookings as a result of flight cancellations and increase costs. The Company may experience decreased demand, as well as a loss of reputation, in the event of an accident involving one of its aircraft or an aircraft booked through our platform or any actual or alleged misuse of its platform or aircraft by customers in violation of law. Demand for the Company's product and services may also decline due to actions that increase the cost of private air charter travel versus other forms of transportation, particularly efforts aimed at addressing climate change such as carbon tax initiatives or other actions. Any of the foregoing circumstances or events which reduced the demand for private jet charters could negatively impact the Company's ability to establish its business and achieve profitability.

The Company faces a high level of competition with numerous market participants with greater financial resources and operating experience.

The private air travel industry is extraordinarily competitive. Factors that affect competition in this industry include price, reliability, safety, regulations, professional reputation, aircraft availability, equipment and quality, consistency and ease of service, willingness and ability to serve specific airports or regions, and investment requirements. The Company competes against private jet charter and fractional jet companies as well as business jet charter companies. Both the private jet charter companies and the business jet charter companies have numerous competitive advantages that enable them to attract customers. Jet.AI's access to a smaller aircraft fleet and regional focus puts it at a competitive disadvantage, particularly with respect to its appeal to business travelers who want to travel overseas.

The fractional private jet companies and many of the business jet charter companies have access to larger fleets of aircraft and have greater financial resources, which would permit them to more effectively service customers. Due to the Company's relatively small size, it is more susceptible to their competitive activities, which could prevent the Company from attaining the level of sales required to sustain profitable operations.

Recent consolidation in the industry, such as VistaJet's acquisitions of XOJET and JetSmarter and Wheels Up's acquisition of Delta Private Jets as well as Gama Aviation, a business jet services company, and increased consolidation in the future could further intensify the competitive environment the Company faces.

There can be no assurance that the Company's competitors will not be successful in capturing a share of our present or potential customer base. The materialization of any of these risks could adversely affect the Company's business, financial condition and results of operations.

Aviation businesses are often affected by factors beyond their control including: air traffic congestion at airports; airport slot restrictions; air traffic control inefficiencies; natural disasters; adverse weather conditions, such as hurricanes or blizzards; increased and changing security measures; changing regulatory and governmental requirements; new or changing travel-related taxes; or the outbreak of disease; any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Like other aviation companies, the Company's business is affected by factors beyond its control, including air traffic congestion at airports, airport slot restrictions, air traffic control inefficiencies, natural disasters, adverse weather conditions, increased and changing security measures, changing regulatory and governmental requirements, new or changing travel-related taxes, or the outbreak of disease. Factors that cause flight delays frustrate passengers and increase operating costs and decrease revenues, which in turn could adversely affect profitability. In the United States, the federal government singularly controls all U.S. airspace, and aviation operators are completely dependent on the FAA to operate that airspace in a safe, efficient and affordable manner. The air traffic control system, which is operated by the FAA, faces challenges in managing the growing demand for U.S. air travel. U.S. air-traffic controllers often rely on outdated technologies that routinely overwhelm the system and compel aviation operators to fly inefficient, indirect routes resulting in delays and increased operational cost. In addition, there are currently proposals before Congress that could potentially lead to the privatization of the United States' air traffic control system, which could adversely affect the Company's business.

Adverse weather conditions and natural disasters, such as hurricanes, winter snowstorms or earthquakes, can cause flight cancellations or significant delays. Cancellations or delays due to adverse weather conditions or natural disasters, air traffic control problems or inefficiencies, breaches in security or other factors may affect the Company to a greater degree than its competitors who may be able to recover more quickly from these events, and therefore could have a material adverse effect on the Company's business, results of operations and financial condition to a greater degree than other air carriers. Any general reduction in passenger traffic could have a material adverse effect on the Company's business, results of operations and financial condition.

The operation of aircraft is subject to various risks, and failure to maintain an acceptable safety record may have an adverse impact on our ability to obtain and retain customers.

The operation of aircraft is subject to various risks, including catastrophic disasters, crashes, mechanical failures and collisions, which may result in loss of life, personal injury and/or damage to property and equipment. The Company may experience accidents in the future. These risks could endanger the safety of its customers, personnel, third parties, equipment, cargo and other property (both the Company's and that of third parties), as well as the environment. If any of these events were to occur, the Company could experience loss of revenue, termination of customer contracts, higher insurance rates, litigation, regulatory investigations and enforcement actions (including potential grounding of the Company's fleet and suspension or revocation of its operating authorities) and damage to its reputation and customer relationships. In addition, to the extent an accident occurs with an aircraft the Company operates or charters, the Company could be held liable for resulting damages, which may involve claims from injured passengers and survivors of deceased passengers. There can be no assurance that the amount of the Company's insurance coverage available in the event of such losses would be adequate to cover such losses, or that the Company would not be forced to bear substantial losses from such events, regardless of its insurance coverage.

Moreover, any aircraft accident or incident, even if fully insured, and whether involving the Company or other private aircraft operators, could create a public perception that the Company is less safe or reliable than other private aircraft operators, which could cause customers to lose confidence and switch to other private aircraft operators or other means of transportation. In addition, any aircraft accident or incident, whether involving the Company or other private aircraft operators, could also affect the public's view of industry safety, which may reduce the amount of trust by customers.

The Company incurs considerable costs through the monthly management fee paid to Cirrus to maintain the quality of its (i) safety program, (ii) training programs and (iii) fleet of aircraft. The Company cannot guarantee that these costs will not increase. Likewise, the Company cannot guarantee that its efforts will provide an adequate level of safety or an acceptable safety record. If the Company is unable to maintain an acceptable safety record, the Company may not be able to retain existing customers or attract new customers, which could have a material adverse effect on its business, financial condition and results of operations.

The supply of pilots to the airline industry is limited and may negatively affect the Company's operations and financial condition. Increases in labor costs may adversely affect the Company's business, results of operations and financial condition.

The pilots that fly aircraft on behalf of the Company are subject to stringent pilot qualification and crew member flight training standards, which among other things require minimum flight time for pilots and mandate strict rules to minimize pilot fatigue. The existence of such requirements effectively limits the supply of qualified pilot candidates and increases pilot salaries and related labor costs. A shortage of pilots would require the Company to further increase its labor costs, which would result in a material reduction in its earnings. Such requirements also impact pilot scheduling, work hours and the number of pilots required for the Company's operations.

In addition, the Company's operations and financial condition may be negatively impacted if pilots are not able to be trained in a timely manner. Due to an industry-wide shortage of qualified pilots, driven by the flight hours requirements under the FAA qualification standards and attrition resulting from the hiring needs of other industry participants, pilot training timelines have significantly increased and stressed the availability of flight simulators, instructors and related training equipment. As a result, the training of pilots may not be accomplished in a cost-efficient manner or in a manner timely enough to support the Company's operational needs.

Pilot attrition may negatively affect the Company's operations and financial condition.

In recent years, the Company has observed significant volatility in pilot attrition as a result of pilot wage and bonus increases at other industry participants and the growth of cargo, low-cost and ultra-low-cost airlines. If attrition rates are higher than the availability of replacement pilots, the Company's operations and financial results could be materially and adversely affected.

The Company is exposed to operational disruptions due to maintenance.

The Company's fleet requires regular maintenance work, which may cause operational disruption. The inability to perform timely maintenance and repairs can result in the Company's aircraft being underutilized which could have an adverse impact on its business, financial condition and results of operations. On occasion, airframe manufacturers and/or regulatory authorities require mandatory or recommended modifications to be made across a particular fleet which may mean having to ground a particular type of aircraft. This may cause operational disruption to and impose significant costs on the Company. Moreover, as the Company's aircraft base increases, maintenance costs could potentially increase.

Significant increases in fuel costs could have a material adverse effect on the Company's business, financial condition and results of operations.

Fuel is essential to the operation of the Company's aircraft and to the Company's ability to carry out its transport services. Fuel costs are a key component of the Company's operating expenses. A significant increase in fuel costs may negatively impact the Company's revenue, margins, operating expenses and results of operations. While the Company may be able to pass increases in fuel costs on to its customers, increased fuel surcharges may affect the Company's revenue and retention if a prolonged period of high fuel costs occurs. To the extent there is a significant increase in fuel costs that affects the amount the Company's customers choose to fly, it may have a material adverse effect on the Company's business, financial condition and results of operations.

If efforts to continue to build a strong brand identity and improve member satisfaction and loyalty are not successful, the Company may not be able to attract or retain members, and its operating results may be adversely affected.

The Company must continue to build and maintain strong brand identity for its products and services, which have expanded over time. The Company believes that strong brand identity will continue to be important in attracting members. If the Company's efforts to promote and maintain its brand are not successful, the Company's operating results and our ability to attract members and other customers may be adversely affected. From time to time, the Company's members and other customers may express dissatisfaction with its products and service offerings, in part due to factors that could be outside of the Company's control, such as the timing and availability of aircraft and service interruptions driven by prevailing political, regulatory, or natural conditions. To the extent dissatisfaction with the Company's products and services is widespread or not adequately addressed, the Company's brand may be adversely impacted and its ability to attract and retain members may be adversely affected. With respect to the Company's planned expansion into additional markets, the Company will also need to establish its brand and to the extent it is not successful, the Company's business in new markets would be adversely impacted.

Any failure to offer high-quality customer support may harm the Company's relationships with its customers and could adversely affect the Company's reputation, brand, business, financial condition and results of operations.

Through the Company's marketing, advertising, and communications with its customers, the Company sets the tone for its brand as aspirational but also within reach. The Company's strives to create high levels of customer satisfaction through the experience provided by its team and representatives. The ease and reliability of its offerings, including its ability to provide high-quality customer support, helps the Company attract and retain customers. The Company's ability to provide effective and timely support is largely dependent on its ability to attract and retain skilled employees who can support the Company's customers and are sufficiently knowledgeable about the Company's product and services. As the Company continues to grow its business and improve its platform, it will face challenges related to providing quality support at an increased scale. Any failure to provide efficient customer support, or a market perception that the Company does not maintain high-quality support, could adversely affect the Company's reputation, brand, business, financial condition and results of operations.

The demand for the Company's services is subject to seasonal fluctuations.

Demand for the Company's services will fluctuate over the course of the year and is higher in the summer season and during holiday periods. During periods of higher demand, the Company's ability to provide agreed upon levels of service to its customers may deteriorate, which could have a negative impact on the Company's reputation and its ability to succeed.

Changes in laws or regulations, or a failure to comply with any laws or regulations, may adversely affect our business, investments and results of operations.

We are subject to laws and regulations enacted by national, regional and local governments. The Company's business is subject to significant regulation by the FAA, the TSA as well as "know your customer" obligations and other laws and regulations. The laws and regulations concerning the selling of the Company's product or services may change and if they do then the selling of the Company's product or service may no longer be possible or profitable. In addition, we are required to comply with certain SEC and other legal requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could have a material adverse effect on our business and our results of operations.

The Company's failure to attract and retain highly qualified personnel in the future could harm its business.

The Company believes that its future success will depend in large part on its ability to retain or attract highly qualified management, technical and other personnel. The Company may not be successful in retaining key personnel or in attracting other highly qualified personnel. If the Company is unable to retain or attract significant numbers of qualified management and other personnel, the Company may not be able to grow and expand its business.

Risks Relating to the flyExclusive Transactions and Jet.AI after the Closing of the Transactions

The proposed Transactions with flyExclusive may not be completed on the terms or timeline currently contemplated, or at all.

The consummation of the Transactions is subject to numerous conditions, including (1) the effectiveness of the registration statement on Form S-4 filed by flyExclusive with the SEC in connection with the Transactions, (2) the approval by Jet.AI's stockholders of the Transactions, and (3) other customary closing conditions and there can be no assurance that the Transactions will be consummated. If the Transactions are not completed for any reason, the price of Jet.AI's common stock may decline to the extent that the market price of Jet.AI's common stock reflects or previously reflected positive market assumptions that the Transactions would be completed, and the related benefits would be realized. In addition, Jet.AI has expended and will continue to expend significant management time and resources and have incurred and will continue to incur significant expenses due to legal, advisory, printing and financial services fees related to the Transactions. These expenses must be paid regardless of whether the Transactions are consummated.

In the proposed Transactions with flyExclusive Jet.AI will divest substantially all of its fractional and jet card business and related assets, together with associated working capital and thereafter adopt a business strategy that focuses on expanding its AI operations. Any or all of these decisions if incorrect may have a material adverse effect on the results of Jet.AI's operations, financial position and cash flows, and pose further risks to the successful operation of Jet.AI's business over the short and long-term.

There are substantial risks associated with divesting a portion of our legacy assets and operations in the proposed Transactions with flyExclusive and thereafter focusing primarily upon on opportunities in the AI sector, including the loss of working capital and the loss of revenue associated with divesting our aviation centric assets. After the Transactions, Jet.AI management expects the company to focus on opportunities in the AI sector, or that are complimentary to that sector, and leverage Jet.AI's remaining assets in that process. While Jet.AI management has experience in the software development and artificial intelligence sectors (including from its existing booking platform and iOS Apps (such as CharterGPT)) there is no guarantee that Jet.AI's chosen strategy will be successful. Further, Jet.AI's business operations after the Transactions will be significantly dependent on its ability to further penetrate the AI sector and identify and execute upon business opportunities that are complimentary to that sector, and the future market acceptance and sale of its existing or new AI focused applications, and implementing its business model, which, in some cases are neither fully developed nor in qualification stages. There can be no assurance that Jet.AI will be successful in addressing these or any other significant risks it may encounter after the divestment of certain assets to flyExclusive or the expansion of its AI focused strategy.

The AI sector in which Jet.AI expects to primarily focus after the Transactions is subject to significant risks, including rapid growth and volatility, capital requirements, dependence on rapidly changing underlying technologies, market and political risks and uncertainties and extreme competition. Jet.AI cannot guarantee that it will be able to anticipate or overcome any or all of these risks and uncertainties, especially as a small company operating in an environment that includes many large, well-capitalized competitors with substantially more resources.

Developing and then commercializing AI focused technologies, services and products is subject to significant barriers to entry and operational fluctuations. In order to become and then remain competitive, Jet.AI will incur substantial costs associated with research and development, qualification, prototype production capacity and sales and marketing activities in connection with its products and services. Jet.AI may also need to acquire new assets, or enter new agreements, to facilitate its entry into certain opportunities in the greater AI sector. In addition, the rapidly changing industry, the length of time between developing and introducing a product to market, frequent changing customer (or market driven) specifications for apps and products, customer cancellations of products and general down cycles in the industry, among other things, make our future prospects difficult to evaluate. As a result of these factors, it is possible that we may not (i) generate sufficient positive cash flow from operations; (ii) raise funds through the issuance of equity, equity-linked or convertible debt securities; or (iii) otherwise have sufficient capital resources to meet our future capital or liquidity needs. There are no guarantees Jet.AI will be able to generate additional financial resources beyond its existing balances.

Jet.AI may not achieve some or all of the expected benefits of the Transactions, and the Transactions may adversely impact Jet.AI's business.

Jet.AI may not realize the strategic, financial, operational or other benefits from the Transactions it hopes to achieve. Jet.AI is seeking to divest certain assets and operations that have historically operated at a net loss, and thereafter primarily focus on the AI sector while leveraging its remaining intellectual property and software assets and expertise. Jet.AI cannot predict with certainty if or when anticipated benefits from the Transactions will occur or the extent to which they will be achieved. Following the completion of the Transactions Jet.AI's operational and financial profile will change, and it will face new risks. Following the completion of the Transactions, Jet.AI will initially be a smaller and less-diversified company compared to Jet.AI prior to the Transactions, and, may be more vulnerable to changing market conditions. The business opportunities that Jet.AI expects to pursue will likely require it to identify and execute on additional sources of liquidity and are in industries or business sectors where Jet.AI faces barriers to entry and competition. While Jet.AI believes that the Transactions will allow Jet.AI to focus on business opportunities that it can more readily scale and capitalize on, and, will help position Jet.AI to capitalize on its remaining assets and pursue other business opportunities in high growth industries, Jet.AI cannot assure you that following the Transactions it will be able to successfully identify any such opportunities or effect and capitalize on those business opportunities.

Particularly after the Transactions Jet.AI's success will be dependent on its ability to successfully develop new services, platforms and solutions that utilize AI and enhance or compliment its existing services, platforms and solutions, and market acceptance of these offerings.

Although Jet.AI will retain various of its software and intellectual property assets after the Transactions and continue to offer its existing apps that utilize AI, the software and AI industries are characterized by rapid technological change, evolving industry standards, changing customer preferences, new product and service introductions and the emergence of new developers and vendors with lean cost and flexible cost models. Jet.AI's future success will depend on its ability to successfully develop services, platforms and solutions that utilize AI that build upon or differ from its legacy aircraft fractional, jet card and management operations and keep pace with changes in Jet.AI's addressable markets, and the acceptance of these services, platforms and solutions by existing and target customers. Jet.AI cannot guarantee that it will be successful in developing new applications, services, platforms and solutions, addressing evolving technologies on a timely or cost-effective basis or, if these services, platforms and solutions are developed, that Jet.AI will be successful in the marketplace. Jet.AI also cannot guarantee that it will be able to compete effectively with new developers or vendors offering lean cost and flexible cost models, or that products, services or technologies developed by others will not render our services, platforms and solutions non-competitive or obsolete. Jet.AI's failure to address these developments could have a material adverse effect on our business, results of operations and financial condition.

The Transactions could give rise to disputes or other unfavorable effects, which could materially and adversely affect Jet.AI's business, financial position or results of operations.

After the Transactions Jet.AI will have decreased working capital and will have divested certain of its revenue producing assets and operations. However, Jet.AI will continue to own and operate certain other of its legacy assets and continue to have operational expenses and overhead (including the costs and expenses associated with being a publicly reporting company with a class of securities listed on Nasdaq), of both a nonrecurring and a recurring nature, and certain of these expenses and costs are related to arrangements made between Jet.AI and certain of its existing vendors and strategic partners. Disputes with third parties could also arise out of these transactions, and Jet.AI could experience unfavorable reactions to any separation from employees, financing partners or other interested parties. These increased expenses, changes to operations, disputes with third parties or other effects could materially and adversely affect Jet.AI's business, financial position or results of operations.

Risks Relating to Ownership of Jet.AI Securities

The Company has never paid cash dividends on its capital stock, and Jet.AI does not anticipate paying dividends in the foreseeable future.

The Company has never paid cash dividends on its capital stock and currently intends to retain any future earnings to fund the growth of its business, other than mandatory dividend payments on its preferred stock, subject to Delaware law. Any determination to pay dividends in the future will be at the discretion of the board of directors and will depend on Jet.AI's financial condition, operating results, capital requirements, general business conditions and other factors that the board of directors may deem relevant. As a result, capital appreciation, if any, of Jet.AI's common stock will be the sole source of gain for the foreseeable future.

The Company's stock price may be volatile, and you may not be able to sell shares at or above the price at which you purchase shares.

Fluctuations in the price of the common stock could contribute to the loss of all or part of your investment. If an active market for our securities develops and continues, the trading price of common stock could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control.

Factors affecting the trading price of our common stock may include:

- the realization of any of the risk factors presented in this Report;
- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to Jet.AI;
- failure to meet or exceed financial estimates and projections of the investment community or that Jet.AI provides to the public;
- issuance of new or updated research or reports by securities analysts or changed recommendations for the industry in general;
- announcements of significant acquisitions, strategic partnerships, joint ventures, collaborations, financings, or capital commitments;
- the volume of shares of common stock available for public sale;
- operating and stock price performance of other companies that investors deem comparable to Jet.AI;
- Jet.AI's ability to market new and enhanced products and technologies on a timely basis;
- changes in laws and regulations affecting Jet.AI's business;
- Jet.AI's ability to meet compliance requirements;
- commencement of, or involvement in, litigation involving Jet.AI;
- changes in financial estimates and recommendations by securities analysts concerning Jet.AI or the market in general;
- the timing and magnitude of investments in the growth of the business;
- actual or anticipated changes in laws and regulations;
- additions or departures of key management or other personnel;
- increased labor costs;
- disputes or other developments related to intellectual property or other proprietary rights, including litigation;
- the ability to market new and enhanced solutions on a timely basis;
- sales of substantial amounts of the Jet.AI common stock by Jet.AI's directors, executive officers, significant stockholders or the perception that such sales could occur, including as a result of transactions under the Share Purchase Agreement and the Forward Purchase Agreement;
- trading volume of our common stock, including as a result of transactions under the Share Purchase Agreement and the Forward Purchase Agreement;
- changes in capital structure, including future issuances of securities or the incurrence of debt and the terms thereof; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general and Nasdaq have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to Jet.AI could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of Jet.AI's securities also could adversely affect its ability to issue additional securities and its ability to obtain additional financing in the future.

Anti-takeover provisions contained in the Company's Certificate of Incorporation and applicable laws could impair a takeover attempt.

The Company's Certificate of Incorporation afford certain rights and powers to the board of directors that could contribute to the delay or prevention of an acquisition that it deems undesirable. Any of the foregoing provisions and terms that have the effect of delaying or deterring a change in control could limit the opportunity for stockholders to receive a premium for their shares of our securities, and could also affect the price that some investors are willing to pay for our securities.

If we fail to comply with the continued listing requirements of Nasdaq, we would face possible delisting, which would result in a limited public market for our shares, limit our ability to access existing liquidity facilities and make obtaining future financing more difficult for us.

Our common stock is currently listed on The Nasdaq Capital Market under the symbol "JTAI". On December 1, 2023, the Company received a notification letter (the "Letter") from the Nasdaq Listing Qualifications Staff of Nasdaq notifying the Company that its amount of stockholders' equity has fallen below the \$10 million required minimum for continued listing on The Nasdaq Global Market set forth in Nasdaq Listing Rule 5450(b)(1)(A). The Company's stockholders' equity as of December 31, 2024 was \$6,512,460. The Letter also noted that as of September 30, 2023, the Company does not meet The Nasdaq Global Market alternative listing criteria for the Market Value standard or the Total Assets / Total Revenues standard. The Letter further noted that the Company may consider applying to transfer the Company's securities to The Nasdaq Capital Market (the "Capital Market"), which would require the Company to, among other things, meet the Capital Market's continued listing requirements, and later in 2024 the Company received various notices from Nasdaq that the Company was in not in compliance with certain listing standards, including Nasdaq's minimum stockholders' equity requirement and its minimum bid price requirement. As a result of a reverse-stock split effected in November 2024 and other financing transactions that occurred during fiscal 2024, on November 26, 2024, the Company received a letter from Nasdaq stating that the Company regained compliance with both the Minimum Stockholders' Equity Requirement and the Minimum Bid Price Requirement. However, pursuant to Nasdaq Listing Rule 5815(d)(4)(B), the Company is subject to a Mandatory Panel Monitor until November 26, 2025. If, within that time period Nasdaq finds the Company again out of compliance with the Nasdaq listing rules related to stockholders' equity the Company would not be permitted to provide Nasdaq with a plan of compliance with respect to that deficiency and Nasdaq would not be permitted to grant additional time for the Company to regain compliance with respect to that deficiency, nor would the Company be afforded an applicable cure or compliance period pursuant to Nasdaq Listing Rule 5810(c)(3). Instead, Nasdaq would issue a Delist Determination Letter and the Company would have an opportunity to request a new hearing with the initial Panel or a newly convened Hearings Panel if the initial Panel were unavailable. The Company would have the opportunity to respond/present to the Hearings Panel as provided by Nasdaq listing rules. The Company's securities could at that time be delisted from Nasdaq.

In order to continue listing its securities on Nasdaq, the Company is required to maintain certain financial, distribution and stock price levels. We cannot assure you that the Company will be able to continue to meet those listing requirements. If Nasdaq were to delist the Company's Common Stock from trading on its exchange and the Company is not able to list its securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that the Common Stock is a "penny stock" which will require brokers trading in Common Stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as “covered securities.” Since the Company’s Common Stock is listed on Nasdaq, it is a covered security. Although the states are preempted from regulating the sale of its securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Further, if the Company was no longer listed on a securities exchange, its securities would not be covered securities and it would be subject to regulation in each state in which it offers its securities.

Stockholders may experience dilution of their ownership interest due to the issuance of additional shares of common stock upon the conversion of the Series B Preferred Stock, especially since the Series B Preferred Stock has fluctuating conversion rates that are set at a discount to market prices of our shares of common stock during the period immediately following conversion.

Starting in October 2024, and through the date of this Report, 400 shares of Series B preferred Stock have been converted in full. Those conversions, in total, resulted in the issuance of 835,261 shares of common stock (as adjusted to give effect to the reverse stock split). Additional conversions of Series B Preferred Stock could result in material dilution to existing stockholders of the Company. Because the conversion price is based upon the trading prices of our shares at the time of conversion, the number of shares into which the Series B Preferred Stock may be converted may increase without an upper bound. If the trading prices of our shares are low when the conversion price of the convertible debt is determined, we would be required to issue a greater number of shares to the converting holder, which could cause substantial dilution to our stockholders. In addition, if any or all of the holders Series B Preferred Stock convert and then sell our common stock, this could result in an imbalance of supply and demand for our common stock and reduce our stock price significantly. The further our stock price declines, the further the adjustment of the conversion price will fall and the greater the number of shares we will have to issue upon conversion, resulting in further dilution to our stockholders. Because a market price-based conversion formula can lead to dramatic stock price reductions and corresponding negative effects on both a company and its stockholders, convertible security financings with market price-based conversion ratios have colloquially been called “floorless,” “toxic,” and “death spiral,” convertibles.

The issuances of additional shares of Jet.AI common stock under the Share Purchase Agreement and the GEM Warrant may result in dilution of future Jet.AI stockholders and have a negative impact on the market price of Jet.AI common stock.

The proceeds from the Business Combination, Forward Purchase Agreement and our existing cash and cash equivalents may not be sufficient to meet our working capital needs and we may draw on the Share Purchase Agreement to meet our cash needs. Further, our estimates may prove to be inaccurate, and we could spend our capital resources faster than we currently expect. Changing circumstances, some of which may be beyond our control, could also cause us to spend capital significantly faster than we currently anticipate, and we may need to seek additional funding sooner than planned. To the extent this occurs, it could impose significant dilution on the Company’s stockholders.

In addition to shares to be sold to GEM upon a drawdown, the Share Purchase Agreement entitled GEM to receive (i) payment of a commitment fee of \$800,000, which the Company elected to pay in shares of common stock and (ii) the GEM Warrant. The shares issuable pursuant to the GEM Warrant were calculated on a fully diluted basis as of the closing of the Business Combination. The GEM Warrant grants it the right to purchase up to 9,686 shares of common stock of the Company on a fully diluted basis.

Because the average closing price of Jet.AI’s common stock for the 10 trading days following the first anniversary of the date of listing was less than 90% of the then current exercise price of the GEM Warrant, the exercise price of the GEM Warrant was adjusted to 110% of our then current trading price. Accordingly, the warrant exercise price was reduced to \$14.12 per share as of December 31, 2024.

The issuances of common stock pursuant to the GEM Warrant and the Share Purchase Agreement would result in dilution of future Jet.AI stockholders and could have a negative impact on the market price of common stock and Jet.AI's ability to obtain additional financing. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Overview – Share Purchase Agreement" for a description of the GEM Warrant.

Certain existing stockholders purchased our securities at a price below the current trading price of such securities, and may experience a positive rate of return based on the current trading price.

Given the relatively lower purchase prices that some of our stockholders paid to acquire some of their securities compared to the current trading price of our shares of common stock, these stockholders in some instances may earn a positive rate of return on their investment, which may be a significant positive rate of return, depending on the market price of our shares of common stock at the time that such stockholders choose to sell their shares of common stock.

Such stockholders may be incentivized to sell their securities at prices below the prevailing trading price because the prices at which they acquired their shares may be lower than prevailing market prices and/or the prices at which public investors purchased our securities in the open market, and therefore such stockholders may generate positive rates of return on their investment that would not be available to public stockholders that acquired their securities at higher prices.

Public stockholders may not be able to experience the same positive rates of return on securities they purchase due to the low price at which some of our stockholders acquired shares of our common stock or the prices at which GEM may receive shares at the time of a drawdown under the Share Purchase Agreement.

Sales of Jet.AI common stock, or the perception of such sales, by us or our significant stockholders in the public market or otherwise could cause the market price for Jet.AI common stock to decline.

The sale of shares of common stock in the public market or otherwise, particularly sales by our officers or directors, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that is deemed appropriate. Resales of common stock may cause the market price of our securities to drop significantly, even if our business is doing well.

We have an effective registration statement covering the resale of up to 1,270,000 shares of common stock held by, or available upon exercise of warrants or other convertible securities by, certain of our stockholders, as well as the issuance by us of shares of common stock upon exercise of our outstanding warrants. Given the substantial number of shares of common stock registered for potential resale by these stockholders, the sale of shares by them, or the perception in the market that they intend to sell shares, could increase the volatility of the market price of our common stock or result in a significant decline in the public trading price of our common stock. Many of these stockholders have or may acquire their shares at a significant discount to the market price of our common stock. This will create an incentive for such stockholders to sell shares of our common stock because they purchased the shares at prices lower than the then-current trading price.

The JOBS Act permits "emerging growth companies" like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

We qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. As such, we take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies, including (a) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, (b) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (c) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, our shareholders may not have access to certain information they deem important. We will remain an emerging growth company until the earliest of (a) the last day of the fiscal year (i) following August 16, 2026, the fifth anniversary of the date of the first sale of common equity securities of the Company in a registered offering under the Securities Act, (ii) in which we have total annual gross revenue of at least \$1.235 billion (as adjusted for inflation pursuant to SEC rules from time to time) or (iii) in which we are deemed to be a large accelerated filer, which means the market value of our the shares of common stock that are held by non-affiliates exceeds \$700 million as of the last business day of our prior second fiscal quarter, and (b) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three year period.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our share price may be more volatile.

Item 1B Unresolved Staff Comments

None.

Item 1C Cybersecurity

We have developed and implemented cybersecurity risk management processes intended to protect the confidentiality, integrity, and availability of our critical systems and information. While everyone at our company plays a part in managing cybersecurity risks, primary cybersecurity oversight responsibility is shared by our board of directors and senior management.

Our cybersecurity risk management program includes the following strategies for managing cybersecurity risks effectively:

- **Risk Assessment Processes:** We conduct regular risk assessments to proactively identify potential cybersecurity threats and vulnerabilities. These assessments involve thorough evaluations of our IT infrastructure, data systems, and processes to pinpoint areas of weakness;
- **Proactive Security Measures:** In addition to risk assessments, we employ proactive security measures to enhance our cyber defenses. These measures include the continuous monitoring of network activity, the implementation of access controls and encryption protocols, and the deployment of intrusion detection systems to swiftly detect and respond to any suspicious activities.
- **Framework for Identifying and Mitigating Threats:** We follow a structured framework for identifying and mitigating cybersecurity threats, which outlines procedures for threat detection, incident response, and risk mitigation.
- **Employee Training and Awareness Programs:** We provide training to our management and employees designed to equip employees with the knowledge and skills necessary to identify and respond to cybersecurity risks, tailored based on the persons' roles within our organization.
- **Technology and External Consultants:** We use external consultants or other third-party experts and service providers, where considered appropriate, to assess, test, or otherwise assist with aspects of our cybersecurity controls.

Over the past fiscal year, we have not identified risks from known cybersecurity threats that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, operating results, or financial condition. We will continue to monitor and assess our cybersecurity risk management program as well as invest in and seek to improve such systems and processes as appropriate. If we were to experience a material cybersecurity incident in the future, such incident may have a material adverse effect on our reputation, as well as our operations, business strategy, operating results, and financial condition.

Board Governance

Our board of directors oversees our risk management, including our information technology and cybersecurity policies, procedures, and risk assessments. Our management reports to our board of directors on information security matters as necessary, regarding any significant cybersecurity incidents, as well as any incidents with lesser impact potential.

One of the key functions of our board of directors is informed oversight of our various processes for managing risk. An overall review of risk is inherent in our board of directors ongoing consideration of our long-term strategies, transactions and other matters presented to and discussed by the board of directors. This includes a discussion of the likelihood and potential magnitude of various risks, including cybersecurity risks, and any actions management has taken to limit, monitor or control those risks.

Item 2 Properties

We lease space for our corporate headquarters in Las Vegas, Nevada and a satellite office in San Francisco, consisting of office space and the use of shared conference facilities. We believe these leased offices are in satisfactory condition and are suitable for the conduct of our business.

Item 3 Legal Proceedings

The Company is not party to any material legal proceedings, although from time to time it may become involved in ordinary routine litigation incidental to its business. There were no such proceedings pending during the period covered by this Report.

Item 4 Mine Safety Disclosures

Not applicable.

PART II

Item 5 Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

We have one class of common stock, listed on the Nasdaq Capital Market under the ticker symbol “JTAI”. The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company.

Shareholders

As of March 12, 2025, we had 3,760 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees.

Dividend Policy

The Company has never paid cash dividends on its capital stock and currently intends to retain any future earnings to fund the growth of its business. Any determination to pay dividends in the future will be at the discretion of the board of directors and will depend on Jet.AI’s financial condition, operating results, capital requirements, general business conditions and other factors that the board of directors may deem relevant.

Recent Sales of Unregistered Securities

Set forth below is information regarding securities issued by the registrant since January 1, 2024 that were not registered under the Securities Act of 1933, as amended (the “Securities Act”). Also included is the consideration received by the registrant for such securities and information relating to the section of the Securities Act, or rule of the SEC, under which exemption from registration was claimed that were not previously disclosed or reported in our Annual Report on Form-K for the year ended December 31, 2023 or a subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K. Adjustments to stock issuance accounts for the reverse split of 225-for-1 common shares effective November 12, 2024, all fractional share amounts after split down upwardly to next whole share; price per share adjusted based on the 225-for-1 reverse split of common shares effected in November 2024.

- From October 2024 through the date of this Report, the Company issued 1,500 shares of Series B Preferred Stock from the full exercise of the Ionic Warrant for gross proceeds of \$15.0 million before deducting offering costs of \$280,000. During the year ended December 31, 2024, the Company issued 293,137 shares of common stock for the conversion of 350 shares of Series B Preferred Stock. The securities were offered and sold in reliance on the exemptions from registration contained in Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated thereunder.

In each transaction in which we relied on Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D promulgated thereunder, we did not engage in any general solicitation or advertising, and we offered the securities to a limited number of persons with whom we had pre-existing relationships. We exercised reasonable care to ensure that the purchasers of securities were not underwriters within the meaning of the Securities Act, including making reasonable inquiry prior to accepting any subscription, making written disclosure regarding the restricted nature of the securities, and placing a legend on the certificates representing the shares. Further, stop-transfer restrictions were placed with our transfer agent and a restrictive legend was placed on the certificate in connection with these offerings. In addition, sales in the transactions exempt under Rule 506(b) were made exclusively to what the Company reasonably believed were accredited investors as defined in Rule 501 of the Securities Act. The recipients of securities in each of these transactions acquired the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information, as of December 31, 2024, regarding awards issued under our Omnibus Incentive Plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders			
Omnibus Incentive Plans	22,668	\$ 998.26	144
Equity compensation plans not approved by security holders	—	—	—
Total	22,668	\$ 998.26	144

Item 6 [Reserved]

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provide 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 audited annual consolidated financial statements as of and for the years ended December 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," 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.

Unless otherwise indicated, all information in this Annual on Form 10-K gives effect to a 225-for-1 reverse stock split of our common stock that became effective on November 12, 2024, and all references to shares of common stock outstanding and per share amounts give effect to the reverse stock split.

Overview

Jet.AI Inc., 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 Elite aircraft by Cirrus, (v) aircraft brokerage and (vi) service revenue from the monthly management and hourly operation of customer aircraft.

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 application programming interface 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 direct, wholly owned subsidiary of Oxbridge (“First Merger Sub”), Summerlin Aviation LLC, 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, (i) 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,
- 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.

Following the Business Combination, Jet.AI's common stock was listed on Nasdaq under the ticker symbol "JTAI".

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:

	For the Year Ended December 31,	
	2024	2023
Revenues	\$ 14,022,628	\$ 12,214,556
Cost of revenues	14,987,245	12,393,089
Gross loss	(964,617)	(178,533)
Operating Expenses:		
General and administrative (including stock-based compensation of \$4,287,236 and \$6,645,891, respectively)	10,752,048	11,597,173
Sales and marketing	687,785	573,881
Research and development	162,152	160,858
Total operating expenses	11,601,985	12,331,912
Operating loss	(12,566,602)	(12,510,445)
Other expense (income):		
Interest expense	167,054	103,615
Other income	(221)	(116)
Total other expense	166,833	103,499
Loss before provision for income taxes	(12,733,435)	(12,613,944)
Provision for income taxes	—	2,464
Net Loss	\$ (12,733,435)	\$ (12,616,408)
Less deemed dividend from warrant exchange offer	(540,255)	—
Less cumulative preferred stock dividends	(109,303)	(46,587)
Net Loss to common stockholders	\$ (13,382,993)	\$ (12,662,995)
Weighted average shares outstanding - basic and diluted	279,201	28,119
Net loss per share - basic and diluted	\$ (47.93)	\$ (450.34)

Revenues

Revenues for 2024 totaled \$14.0 million, a \$1.8 million increase from revenues of \$12.2 during the comparable period for 2023. Revenues in 2024 were comprised of approximately \$8.1 of revenues related to our software App and Cirrus charter services (comprised of approximately \$4.2 million in software-related revenue and \$3.9 million in revenue from the chartering of our HondaJet Elites by our operating partner Cirrus), \$3.6 million in services revenue from the management of customers' aircraft, and \$2.3 million in Jet Card revenue for hours flown and other charges based on hours flown.

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

	Year Ended December 31,	
	2024	2023
Software App and Cirrus Charter	\$ 8,128,997	\$ 7,125,230
Jet Card and Fractional Programs	2,288,036	2,847,533
Management and Other Services	3,605,595	2,241,793
	<u>\$ 14,022,628</u>	<u>\$ 12,214,556</u>

The Company began recording revenue in September 2020 reflecting services and software revenues related to charter bookings made through its App and in 2023, the Company recognized \$3.9 million in revenue related to App-generated charter bookings. During 2024 these revenues totaled \$4.2 million, a \$247,000 or 6.3% increase from 2023 reflecting increased marketing, including the introduction to the agentic model Ava, and greater awareness of the Company.

The Company recognized \$3.6 million in service revenue in 2024, an increase of \$1.4 million compared to 2023, relating to an agreement entered into during the fourth quarter of 2023 to manage a customer's aircraft, as well as a second managed aircraft beginning in April 2024. There was \$2.2 million in service revenues in 2023.

During 2024, the Company sold 285 prepaid flight hours under its jet card and fractional programs, amounting to \$1.7 million, and recognized \$2.1 of revenue for 348 flight hours flown or forfeited, as well as additional charges. These additional charges represent 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. Prepaid flight hours are recognized as revenue as the flight hours are used or forfeited. At December 31, 2024, the Company recorded deferred revenue of \$1.1 million on its consolidated balance sheet, which represents prepaid flight hours for which the related travel had not yet occurred.

In 2023, we sold 534 prepaid flight hours amounting to approximately \$3.0 million and recognized approximately \$2.8 million of revenue for 436 flight hours flown or forfeited, as well as additional charges. At December 31, 2023, the Company recorded deferred revenue of \$1.5 million on its consolidated balance sheet.

The decrease in flight hours flown is a direct result of the Company's efforts to increase Jet Card pricing which resulted in a 6.1% increase in flight hour revenue per flight hour during the 2024 period versus the 2023 period.

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 year ended December 31, 2024 and 2023:

	For the year ended December 31,	
	2024	2023
Deferred revenue at the beginning of the year (1)	\$ 1,779,794	\$ 933,361
Prepaid flight hours sold		
Amount	\$ 1,662,250	\$ 3,045,769
Total Flight Hours	285	534
Prepaid flight hours flown		
Amount	\$ 2,080,371	\$ 2,456,354
Total flight hours	348	436
Additional charges	\$ 207,665	\$ 391,179
Total flight hour revenue	\$ 2,288,036	\$ 2,847,533
Deferred revenue at the end of the year (2)	\$ 1,319,746	\$ 1,779,794

(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 December 31, 2024 and 2023 also includes \$212,278 and \$268,818, respectively, with respect to customer prepayments associated with software app transactions and \$16,233 and \$0, respectively, with respect to the management of aircraft.

During 2024 revenue generated through the direct chartering of the Company's HondaJet Elite aircraft by Cirrus amounted to approximately \$3.9 million, an increase of \$0.8 million, or 23.8% from the prior year. The increased revenue was a direct result of increased charter activity, both ad hoc and by Cirrus, as well as the addition of the managed Citation CJ4 Gen 2.

Cost of revenues

Our cost of revenue is comprised of payments to Cirrus for the maintenance and management of our fleet aircraft, 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 both charter flights booked through our App, as well as the cost of subcharters for covering jet card flights when our HondaJet Elites 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 charters and includes expenses such as fuel, pilot wages and training costs, aircraft insurance, maintenance and other flight operational expenses.

As a result of the increased fleet and the increase in jet card and Cirrus charter flight activity, as well as the startup expenses relating to the introduction of the King Air 350i managed aircraft to its fleet, operating expenses related to the operation of the Company's aircraft and payments to Cirrus for their management increased \$2.2 million from \$7.1 million in 2023 to \$9.3 million in the 2024 year period and aircraft lease payments increased \$162,000 from \$1.2 million in 2023 to \$1.4 million in 2024. The Company also incurred third-party charter costs of approximately \$3.7 million in 2024, a \$91,000 decrease over 2023, as a result of a reduced need for subcharters used for covering jet card flights when our HondaJet Elites were unavailable. Federal excise tax and merchant fees relating to charter flights increased \$333,000 in 2024 to \$637,000 from \$304,000 in 2023 reflecting increased software revenue.

In total as disclosed above, it cost \$10.7 million to operate the Company's five aircraft in 2024, compared to \$8.3 million in 2023 for four aircraft.

Gross loss

The resulting gross loss totaled \$965,000 for 2024, compared to \$178,000 for the 2023 fiscal year period. The increased gross loss in these operations was a result of increased maintenance costs, together with lower utilization on our HondaJet Elites.

Total Operating Expenses

In 2024, the Company's operating expenses decreased \$730,000 due to a \$845,000 decrease in general and administrative expenses, offset by \$114,000 in higher sales and marketing expenses. Excluding non-cash stock-based compensation of \$4.3 million and \$6.6 million in 2024 and 2023, respectively, general and administrative expenses rose by approximately \$1.5 million primarily due to (1) increased wages of \$749,000, primarily due to increased commissions compensation payable on charter sales, as well as a greater number of software developers in 2024, (2) increased directors' and officers' insurance of \$181,000 and (3) increased professional services expenses resulting from higher legal expenses and a full year of board of directors expenses.

The Company's sales and marketing expenses increased by about \$114,000 to \$688,000 in 2024 from \$574,000 in 2023, as it reaccelerated its sales and marketing spending upon aircraft delivery and the associated increase in marketable jet card inventory. These expenses are mainly linked to promoting the Company and its programs.

Research and development expenses increased \$1,000 to \$162,000 in 2024 from \$161,000 in 2023.

Operating Loss

As a result of all of the above, in 2024 the Company recognized an operating loss of approximately \$12.6 million, which was an increase in operating loss of \$56,000 compared to the 2023 fiscal year period. The increase was primarily due to an increase in the Company's gross operating loss of \$965,000, offset by reduced general and administrative expenses of \$845,000.

Other Expense (Income)

During 2024, the Company recognized approximately \$167,000 in other expense due primarily to interest expense related to the Bridge Agreement (defined below), compared to \$103,000 recorded for 2023.

Net Loss to Common Stockholders

After deducting cumulative preferred stock dividends of approximately \$109,000 in 2024, which have been accruing since the August 2023 issuance date of the Company's Series A Convertible Preferred Stock (the "Series A Preferred Shares") and Series A-1 Convertible Preferred Stock (the "Series A-1 Preferred Shares"), and a \$540,000 deemed dividend from the Company's warrant exchange offer, net loss to common stockholders increased by \$720,000.

Liquidity and Capital Resources

Overview

As of December 31, 2024, the Company's cash and equivalents were \$5.9 million. As of December 31, 2024, current assets exceeded current liabilities by approximately \$2.7 million, of which \$1.3 million in liabilities represents deferred revenue that would be recorded as revenue once the flight hours are flown or forfeited.

During the year ended December 31, 2024, the Company raised (1) approximately \$11,850,000 in funds from the issuance of 976,378 shares of common stock under the Share Purchase Agreement discussed below, as well as under certain of the Company's registration statements, including (a) approximately \$5,400,000 from the Company's completed at-the-market offering, (b) approximately \$2,400,000 from the Company's registered direct offering that was completed on October 11, 2024, and (c) approximately \$1,500,000 from the Company's registered direct offering that was completed on October 21, 2024, (2) \$1,500,000 related to the sale of 150 shares of Series B Preferred Stock, (3) approximately \$4,000,000 related to the exercise of the Ionic Warrant for the issuance of 400 shares of Series B Preferred Stock, and (3) approximately \$742,000 from Jet.AI Warrant exercises.

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 \$52.5 million as of December 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, Ava 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, amounts received upon an exercise of the Ionic Warrant (as defined below), if any, and other potential sales of our equity and debt securities 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 in full or substantial part. Furthermore, issuances of additional shares of common stock under the Share Purchase Agreement, upon conversion of the Series B Preferred Stock outstanding and underlying the Ionic Warrant and other sales of equity securities we made after December 31, 2024 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." Under the Securities Purchase Agreement, the Company issued 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) 1,111 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 as placement agent and other expenses payable by the Company in connection with the Ionic Transaction. This amount excludes the proceeds from the exercise of the Ionic Warrant.

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 "Certificate of Designations"). The Series B Preferred Stock ranks *pari passu* with the Series A Preferred Shares and Series A-1 Preferred Shares 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, as amended ("Exchange Act")), which can be adjusted to a beneficial ownership limitation of 9.99% upon 61 days prior written notice by Ionic. From time to time Ionic may convert Series B Preferred Stock into Common Stock which it may liquidate and thereafter receive additional shares of Common Stock pursuant to subsequent conversions of its Series B Preferred Stock. Although the beneficial ownership limitation imposes a legally binding limitation on the Selling Stockholder's beneficial ownership at any point in time, it does not prohibit the Selling Stockholder from, over time, receiving shares of Common Stock upon separate conversions of its shares of Series B Preferred Stock that, in the aggregate and over a period of time, exceed the beneficial ownership limitation.

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 the lower of (i) \$2.50, or (ii) 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 registration rights agreement entered into with Ionic on March 29, 2024 (the "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 and Subsequent Agreements

The Ionic Warrant exercise price was 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. As of the date of this Report, Ionic has fully exercised the Ionic Warrant for a total of 1,500 shares of Series B Preferred Stock, resulting in gross proceeds to the Company of \$15.0 million.

Pursuant to the Securities Purchase Agreement, the Company 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. At its annual meeting of stockholders, which took place on September 24, 2024, the Company sought stockholder approval for the potential issuance of shares of Common Stock pursuant to Ionic Transaction in an amount that, upon issuance, could result in the issuance of shares of Common Stock in an amount in excess of 19.99% of the Company's outstanding shares of Common Stock at a price less than the "minimum price" as defined by and in accordance with Nasdaq Listing Rule 5635(d). The Company's stockholders approved such potential issuance at the annual meeting. The Securities Purchase Agreement obligates the Company to reserve no less than 200% of the maximum number of shares of Common Stock issuable upon conversion of the Series B Preferred Stock outstanding, using an alternate conversion method (the "Required Reserve Amount"). The Company and Ionic initially agreed that the Required Reserve Amount is 200,000 shares of Common Stock. In order to meet that obligation, the Company sought stockholder approval to amend its certificate of incorporation to increase the number of authorized shares of Common Stock to 200,000,000 at its annual meeting of stockholders. The Company received such approval on September 24, 2024.

Additionally, on March 29, 2024, the Company entered into the Registration Rights Agreement with Ionic, which, among other things, provides that the Company would register the resale of the 1,111 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 issuable upon exercise of the Warrant. The Company was required to prepare and file a registration statement with the SEC no later than 30 days following the filing of the Company's Annual Report on Form 10-K (the "Form 10-K"), but in no event later than May 15, 2024 (the "Filing Deadline"), and 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 the filing of the Form 10-K (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 (the "Effectiveness Deadline"). The Company timely filed a registration statement on Form S-1 by the prescribed Deadline, however, because this registration statement was not declared effective by the SEC by the Effectiveness Deadline, the Company was obligated pay to Ionic a \$100,000 Effectiveness Fee. On September 3, 2024 the Company issued to Ionic 444 Effectiveness Shares in lieu of paying the Effectiveness Fee in cash.

On September 24, 2024, the Company and Ionic entered into a letter agreement (the "Letter Agreement") that set forth certain understandings and agreements among the Company and Ionic. Pursuant to the Letter Agreement, Ionic agreed to refrain from taking action to protect its legal rights under the transaction documents, related to certain actions and transactions identified in the Letter Agreement that the Company has undertaken or effected prior to the date of the Letter Agreement. As consideration for the waiver, the Company agreed to a release of Ionic and its affiliates and issued an additional 50 shares of Series B Preferred Stock to Ionic.

On October 10, 2024, the Company and Ionic entered into a second letter agreement (the "Second Letter Agreement") that set forth certain understandings and agreements among the Company and Ionic. Pursuant to the Second Letter Agreement, Ionic agreed to refrain from taking action to protect its legal rights under the transaction documents, related to certain actions and transactions identified in the Second Letter Agreement. Such actions include the Company's filing of an amendment to a registration statement on Form S-1 (File No. 333-281911) with the SEC and a registered direct offering. As consideration for the waiver, the Company agreed to change the Conversion Measurement Period (as defined in the Certificate of Designations) for the previously issued 200 shares of Series B Preferred Stock to begin on March 28, 2024, and to end in accordance with the Certificate of Designations.

Registration Statements

Pursuant to the Registration Rights Agreement, we filed a Registration Statement on Form S-1 (File No. 333-279385), which was originally filed with the SEC on May 13, 2024, and as amended (the "First Registration Statement"), that registered the offer and resale of 133,778 shares of Common Stock (as adjusted to reflect the subsequent reverse stock split) by Ionic and was declared effective by the SEC on July 24, 2024. On November 13, 2024, Ionic notified the Company that it had sold all shares of Common Stock that were registered under the First Registration Statement.

Since the number of shares of Common Stock available under the First Registration Statement was insufficient to cover all of the shares of Common Stock issuable to Ionic, we were required to file at least one additional registration statement. Accordingly, on November 13, 2024, we filed a Registration Statement on Form S-3 (File No. 333-283207) with the SEC (as amended, the "Second Registration Statement"), which registered the offer and resale of 600,000 shares of Common Stock by Ionic and was declared effective by the SEC on December 27, 2024. On February 20, 2025, Ionic notified the Company that it had sold all shares of Common Stock that were registered under the Second Registration Statement.

Since the number of shares of Common Stock available under the First Registration Statement and the Second Registration Statement were, in the aggregate, insufficient to cover all of the shares of Common Stock issuable to Ionic, we were required to file at least one additional registration statement. Accordingly, on January 24, 2025, we filed another Registration Statement on Form S-3 (File No. 333-284504) with the SEC (as amended, the "Third Registration Statement"), to register an additional 1,270,000 shares of Common Stock for offer and resale by Ionic.

Conversions of Series B Preferred Stock; Warrant Exercises

Starting in October 2024, and through the date of this Report, Ionic has converted in full the 150 shares of Series B Preferred Stock issued to it at the initial closing, the 50 additional shares of Series B Preferred Stock issued to it in connection with the Letter Agreement, and 200 shares of Series B Preferred Stock issued to it pursuant to partial exercises of the Ionic Warrant. Those conversions, in total, resulted in the issuance of 835,261 shares of Common Stock (as adjusted to give effect to the reverse stock split).

On October 28, 2024 Ionic partially exercised the Ionic Warrant, for 150 additional shares of Series B Preferred Stock, resulting in total proceeds to the Company of \$1.5 million. Additionally, on November 14, 2024 Ionic partially exercised the Ionic Warrant, for 250 additional shares of Series B Preferred Stock, resulting in total proceeds to the Company of \$2.5 million and on January 23, 2025 Ionic partially exercised the Ionic Warrant, for 250 additional shares of Series B Preferred Stock, resulting in total proceeds to the Company of \$2.5 million. Finally, on February 27, 2025, Ionic exercised the remainder of the Ionic Warrant, for 850 additional shares of Series B Preferred Stock, resulting in total proceeds to the Company of \$8.5 million.

As of the date of this Report: (i) Ionic has sold 93,067 shares of Common Stock pursuant to Rule 144 under the Securities Act, 133,778 shares of common stock under the First Registration Statement, and 600,000 shares of Common Stock under the Second Registration Statement; and (ii) Ionic holds 1,300 shares of Series B Preferred Stock.

Adjustment to Beneficial Ownership Limitation

On February 14, 2025, Ionic delivered a notice to the Company that it has elected to increase the beneficial ownership limitation to 9.99%. The adjusted beneficial ownership limitation will not take effect until April 16, 2025. All prior issuances were, and all issuances until April 16, 2025 will continue to be, subject to the 4.99% beneficial ownership limitation.

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 \$2,550,024 to date. In consideration for GEM's services under the Share Purchase Agreement, the Company paid GEM a commitment fee equal to \$800,000 in shares of common stock. Upon the Company's issuance of shares in connection with any drawdown purchase made by GEM, the Company was 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 was due on or before the first anniversary of the closing of the Business Combination. In October 2024, the Company issued 58,447 shares of common stock to satisfy in full the outstanding commitment fee payable discussed in Note 5 and 44,225 shares of common stock under the Share Purchase Agreement with GEM for total consideration of \$2.5 million.

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 GEM Warrant included an adjustment mechanism, whereby the exercise price is subject to adjustment from time to time. Pursuant to the Warrant, on the first anniversary following the Public Listing Date as defined in the GEM Warrant (the "Adjustment Date"), if all or any portion of the GEM Warrant remains unexercised and the average closing price of the Company's common stock for the 10 trading days following the Adjustment Date is less than 90% of the then current exercise price of the warrant (the "Baseline Price"), then the exercise price of the unexercised Warrant Shares that remain exercisable pursuant to the Warrant shall be adjusted to 110% of the Baseline Price. Accordingly, the warrant exercise price was reduced to \$14.12 per share as of December 31, 2024. 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 the Company'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.

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) 1,200 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 and (b) 1,127 Series A Preferred Shares in an amount equal in value to \$1,127,000. The Series A Preferred Shares accrue a dividend 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 501 shares of common stock. The Company also issued 511 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 \$2,025 per share reflecting an allocation of the \$2,250 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 was required to redeem all the outstanding Series A Preferred Shares on August 10, 2024, which was automatically extended by an additional three (3) month period because the Company has not 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.

In July 2024, the Company and Maxim entered into an amendment to the Maxim Settlement Agreement and agreed to, among other things, amend the definition of the “Series A Conversion Price” for the Series A Preferred Shares and certain restrictions with respect to shares of Company common stock Maxim may acquire upon the conversion of its shares of Series A Preferred Shares.

During the year ended December 31, 2024, the Company issued 10,167 shares of Common Stock upon the conversion of 551 Series A Preferred Shares. In November 2024, the Company redeemed in full all of the remaining 576 Series A Preferred Shares for an aggregate redemption price of \$663,740, which included cumulative unpaid preferred stock dividends totaling \$87,740. As a result of this redemption there are no Series A Preferred Shares issued and outstanding as of December 31, 2024.

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 second-party warrant holders with respect to warrants to purchase an aggregate of 6,605 shares of our common stock (the “Exchanged Warrants”). Pursuant to these warrant exchange agreements, the Company issued an aggregate of 6,605 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 400 and 287 public warrants, respectively, were exercised for an equal number of shares of our common stock, generating net proceeds to us of \$1,777,475.

Cash Flows

As of December 31, 2024, the Company’s cash and equivalents were approximately \$5.9 million, including approximately \$500,000 of restricted cash under its aircraft leasing arrangements described below.

The following table summarizes our cash flows for the years ended December 31, 2024 and 2023:

	For the year ended December 31,	
	2024	2023
Net cash used in operating activities	\$ (8,225,594)	\$ (3,783,473)
Net cash used in by investing activities	(2,409,372)	(190,998)
Net cash provided by financing activities	14,407,050	\$ 4,547,623
Increase in cash and cash equivalents	\$ 3,772,084	\$ 573,152

Cash Flow from Operating Activities

Net cash used in operating activities for the year ended December 31, 2024 was \$8.2 million compared to \$3.8 million for the year ended December 31, 2023. The cash outflow from operating activities in the 2024 period primarily consisted of our net loss, net of non-cash charges of \$4.9 million, a \$0.5 million reduction in lease liability and a \$295,000 increase in accounts receivables and other current assets, which were offset by a \$183,000 decrease in operating liabilities. The decrease in operating liabilities was primarily driven by a \$0.5 million decrease in deferred jet card revenue relating to the sale of jet card hours not yet flown and a \$0.5 million decrease in the Company's operating lease liability, offset by an \$0.8 million increase in the Company's accounts payable and accrued liabilities relating to the operation of the Company's aircraft. The increase in net cash used in operating activities for the 2024 period was primarily driven by a \$116,000 increase in our net loss, net of non-cash charges resulting from the Company's higher level of operations during 2024 as a result of operating a greater number of operational aircraft and startup expenses incurred during 2024 as well as the \$0.4 million change in operating assets and liabilities.

Cash Flow from Investing Activities

Net cash used in investing activities for the year ended December 31, 2024 was \$2.4 million as compared to \$191,000 in the 2023 year period, primarily relating to \$2.4 million in aircraft deposits made to Textron in 2024 and the Company's 2023 investment in 380 Software LLC, a 50/50 joint venture subsidiary with Cirrus.

Cash Flow from Financing Activities

Net cash provided by financing activities for the year ended December 31, 2024 was \$14.4 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, sale of preferred stock, partially offset repayments of notes payable of \$0.7 million, redemption costs of \$1.2 million for the Company's Series A Preferred Shares and Series A-1 Preferred Shares and offering costs of \$1.9 million.

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 financial statements for the year ended December 31, 2024 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, 2022 and those activities continued 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.

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.

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 second-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 second-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 second-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 second-party aircraft is recorded as a part of the cost of sales expense. These expenses include the fees paid to second-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 7A 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 229.10(f)(1).

Item 8 Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements on Page 73.

Item 9 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A 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 December 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.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, under the supervision of our Audit Committee. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting as of December 31, 2024 based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, management believes that we maintained effective internal control over financial reporting as of December 31, 2024.

As a non-accelerated filer, our independent registered public accounting firm is not required to issue an attestation report on our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended on December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B Other Information

In connection with the Company entering into the Merger Agreement with flyExclusive, and an accommodation made by Ionic related to the Company's entry into such agreement, for conversions of the Series B Preferred Stock effected on a go-forward basis the parties agreed to an update to the Conversion Price (as defined in the Certificate of Designations) so that it will be the lower of (i) \$2.50 or (ii) 90% (or, in the case of a delisting, 80%) of the lowest daily volume weighted average price of the Company's Common Stock, subject to certain adjustments, as further described above under "*Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Overview – Ionic Transaction*". Accordingly, the Company filed an amendment to the Certificate of Designations with the Delaware Secretary of State in February 2025, the terms of which the parties intend to be effective upon delivery by Ionic of the first conversion notice it delivers to the Company pursuant to the terms of the Certificate of Designations after the filing date of the amendment. As of the date of this Report Ionic has not delivered a conversion notice to the Company since the filing of the amendment with the Delaware Secretary of State.

Item 9C Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10 Directors, Executive Officers and Corporate Governance

The following is a list of our directors and executive officers.

Name	Age	Position
Michael D. Winston, CFA	48	Executive Chairman and Interim Chief Executive Officer, Director
George Murnane	67	Interim Chief Financial Officer, Director
William Yankus ⁽¹⁾⁽³⁾	64	Director
Wrendon Timothy ⁽¹⁾⁽²⁾⁽³⁾	44	Director
Patrick McNulty	41	Chief Operating Officer
Lt. Col. Ran David ⁽²⁾	49	Director
Donald Jeffrey Woods ⁽³⁾	48	Director
Ehud Talmor ⁽¹⁾⁽²⁾	49	Director

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and corporate governance committee.

Effective upon the closing of the Business Combination, Michael D. Winston was appointed to serve as Jet.AI's Executive Chairman and as Jet.AI's interim Chief Executive Officer ("CEO") and George Murnane was appointed to serve as Jet.AI's interim Chief Financial Officer ("CFO") until Jet.AI completes its ongoing search for a long-term CFO, at which point Mr. Winston will step down from his role as interim CEO and Mr. Murnane will transition from Jet.AI's interim CFO to its CEO.

Executive Officers

Michael D. Winston, CFA founded Jet.AI in 2018 and has served as its Executive Chairman since its founding. Upon completion of the Business Combination, he began serving as Interim Chief Executive Officer until such time as the Company hires a permanent Chief Financial Officer. Mr. Winston began his career in 1999 with Credit Suisse First Boston Corporation and later worked as a portfolio manager at Millennium Partners LP. In 2012, Mr. Winston formed the Sutton View group of companies, an alternative asset management platform where he advised one of the largest academic endowments in the world. Mr. Winston received an MBA in Finance and Real Estate from Columbia Business School in 2005, and a BA in Economics from Cornell University in 1999. While at Cornell he studied for a year at the London School of Economics and at age 18 won a \$1 million prize from IBM for his first startup company. Mr. Winston is a CFA Charterholder, and a member of the Economic Club of New York.

George Murnane has served as Jet.AI's Chief Executive Officer since September 2019. Upon completion of the Business Combination, he was named Interim Chief Financial Officer until such time as the Company hires a permanent Chief Financial Officer, at which time he will again assume the role of Chief Executive Officer. Mr. Murnane has over 20 years of senior executive experience, including 14 years as a Chief Operating Officer and/or Chief Financial Officer in the air transportation and aircraft industry, including as Chief Executive Officer for ImperialJet S.a.l from 2013 to 2019, Chief Operating Officer and Acting Chief Financial Officer of VistaJet Holdings, S.A. in 2008, Chief Financial Officer of Mesa Air Group from 2002 to 2007, Chief Operating Officer and Chief Financial Officer of North-South Airways from 2000 to 2002, Executive Vice President, Chief Operating Officer and Chief Financial Officer of International Airline Support Group from 1996 to 2002 and Executive Vice President and Chief Operating Officer of Atlas Air, Inc. from 1995 to 1996. From 2009 until he joined Jet Token, Mr. Murnane was a managing partner of Barlow Partners, a consulting services firm providing operational and financial management, merger and acquisition, financing and restructuring expertise to industrial and financial companies. Mr. Murnane received an MBA from The Wharton School of the University of Pennsylvania and a BA in Economics from the University of Pennsylvania in 1980.

Patrick McNulty has served as Jet.AI's Chief Operating Officer since June 2021. Prior to joining Jet Token, Mr. McNulty was employed by Honda Aircraft Company starting in 2013 and served in various roles, including as a manager of Sales Operations and Business Development with Honda Aircraft Company. While with Honda Aircraft Company, Mr. McNulty led the development of a robust sales engineering team and was instrumental in product development and market analysis for the manufacturer. Prior to Honda Aircraft Company, Mr. McNulty worked in the aircraft engine division of Rolls-Royce North America and at light jet manufacturer Eclipse Aviation. Mr. McNulty is a graduate of the Embry-Riddle Aeronautical University (BS Aerospace Engineering, MBA Aviation).

Non-Employee Directors

Wrendon Timothy served as Oxbridge's Chief Financial Officer, Treasurer, Secretary and director since April 2021 until the completion of the Business Combination. He has served as a director, chief financial officer and corporate secretary of Oxbridge Re Holdings Limited (NASDAQ: OXBR), a Cayman Islands based NASDAQ-listed reinsurance holding company. He has served in the positions of chief financial officer and corporate secretary since August 2013 and as a director since November 2021. In his role, he has provided financial and accounting consulting services with a focus on technical and SEC reporting, compliance, internal auditing, corporate governance, mergers & acquisitions analysis, risk management, and CFO and controller services. Mr. Timothy also serves as an executive and director of Oxbridge Reinsurance Limited and Oxbridge Re NS, the wholly-owned licensed reinsurance subsidiaries of Oxbridge Re Holdings Limited. Mr. Timothy also serves as a director of Oxbridge's Sponsor, OAC Sponsor Ltd, and as a director of SurancePlus Inc., a British Virgin Islands wholly-owned Web3 subsidiary of Oxbridge Re Holdings Limited.

Mr. Timothy started his financial career at PricewaterhouseCoopers (Trinidad) in 2004 as an Associate in their assurance division, performing external and internal audit work, and tax-related services. Throughout his career progression and transitions through KPMG Trinidad and PricewaterhouseCoopers (Cayman Islands), Mr. Timothy has successfully delivered services across both the public and private sectors, spanning insurance and reinsurance, banking, hedge funds, trusts, investment management, manufacturing, beverage, construction, glass, healthcare, retail, construction, marketing, restaurant, software, sports, and tourism industries. Mr. Timothy management roles allowed him to be heavily involved in the planning, budgeting, and leadership of engagement teams, serving as a liaison for senior client management, and advising on technical accounting matters. Mr. Timothy is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Fellow Chartered Corporate Secretary and also holds a Postgraduate Diploma in Business Administration and a Master of Business Administration, with Distinction (with a Specialism in Finance (with Distinction), from Heriot Watt University in Edinburg, Scotland. Mr. Timothy holds directorship and leadership roles with a number of privately-held companies, and also serves on various not-for-profit organizations, including his governance role as Chairman of Audit & Risk Committee of The Utility Regulation & Competition Office of the Cayman Islands, and Audit Committee Chairman of the Cayman Islands Conference of SDA. Mr. Timothy is an active Fellow Member of the ACCA, an active member of the Cayman Islands Institute of Professional Accountants (CIIPA), an active Fellow Member of the Chartered Governance Institute (formerly the Institute of Chartered Secretaries and Administrators) and a member of the Cayman Islands Directors Association.

William L. Yankus served as one of Oxbridge Acquisition Corp.'s independent directors since August 2021. Mr. Yankus is an experienced investment banking specialist with a demonstrated history of working in the insurance industry. Since July 2015, Mr. Yankus has served as Founder and Principal of Pheasant Hill Advisors, LLC, a New York based advisor firm that provides various research, advisory, private equity capital raising and M&A services primarily to the insurance industry and insurance industry investors. Since March 2016, Mr. Yankus has served on the board of directors of Kingstone Companies, Inc. (NASDAQ: KINS), a New York based NASDAQ-listed property and casualty insurance company. He has also served as the Chairman of Kingstone's Compensation Committee since April 2017, and as the Chairman of Kingstone's Investment Committee since February 2020. Mr. Yankus is also a Senior Advisor at Independent Insurance Analysts LLC, which provides investment analysis, credit research and investment banking services related to the life insurance industry.

From September 2011 to June 2015, Mr. Yankus served as Managing Director for Sterne Agee, one of the oldest privately owned financial services firm in the USA. Sterne Agee offered wealth management and investment services to a diverse client base and custodies nearly \$26 billion in client assets. Prior to Sterne Agee, Mr. Yankus also held executive and leadership roles with other reputable financial services and investment banking firms, including serving as Head of Insurance Research at Macquarie Group from December 2009 to November 2010, Managing Director-Insurance Research for Fox-Pitt, Kelton from May 1993 to November 2009, and Vice President, Insurance Research at Conning & Company from June 1985 to Apr 1993. He completed the CFA program in 1989 and passed the CT uniform CPA exam in 1984. He received his B.A. degree in Economics and Accounting from The College of the Holy Cross.

Ehud Talmor (Maj. IAF Ret.) is a decorated, retired, senior officer from the Israeli Air Force with over twenty-five years of experience in all aspects of air combat and aircraft logistics. He began his career in 1995 as a fighter pilot and later, flight instructor. He subsequently took on a variety of supervisory roles, including F-16 deputy squadron commander. In 2007, he joined the Acquisitions Department of the Israeli Ministry of Defense and later held the position of Project Manager for three separate Air Force jet acquisition projects. The jet acquisition projects were: (1) the Beechcraft T-6II, (2) the Leonardo M-346, and (3) the Lockheed Martin F-35A. In addition to serving as Project Manager for the F-35 program, Mr. Talmor was also the Israeli Air Force's Chief Instructor for the F-35. Mr. Talmor graduated from I.D.C. Herzliya with a B.A. in Psychology.

Lt. Col. Ran David (IAF) is a decorated combat pilot in the Israeli Air Force. He has served as a deputy squadron commander and spent ten years as a flight instructor. One of Lt. Col David's primary responsibilities has been to train, test and approve new IAF fighter pilots. Lt. Col David is a graduate of the USAF Air Command and Staff College and the University of Haifa.

Jeff Woods is currently the Co-Founder and Chief Product Officer of Puzl LLC, a company using artificial intelligence to transform retail. He also currently serves as President and Board Member of Woods Supermarket, Inc., a mid-sized family-owned chain of supermarkets operating across Missouri, which has been serving its communities for over 75 years. Prior to these roles, from 2011 to 2019, Mr. Woods served in roles of Vice President of Marketing Strategy and Chief Product Strategist with SAP SE (NYSE: SAP) in London and New York. From 2001 to 2011, Mr. Woods served as Vice President of Enterprise Applications Research at Gartner Inc (NYSE: IT) where he was the global lead for enterprise applications. Prior to this, Mr. Woods built and sold his own logistics company. Mr. Woods is a graduate of Cornell University in Applied Economics and holds an MBA from Columbia Business School.

Family Relationships

There are no familial relationships among the Jet.AI directors and executive officers.

Board Composition

The Board is comprised of seven directors and is divided into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Jet.AI's directors are among the three classes as follows:

- the Class I directors are Lt. Col. Ran David and Jeffrey Woods and their terms will expire at the 2027 annual meeting of stockholders;
- the Class II directors are William Yankus and Wrendon Timothy and their terms will expire at the 2025 annual meeting of stockholders; and
- the Class III directors are Michael Winston, George Murnane and Ehud Talmor and their terms will expire at the 2026 annual meeting of stockholders.

Directors in a particular class are elected for three-year terms at the annual meeting of stockholders in the year in which their terms expire. As a result, only one class of directors is elected at each annual meeting of Jet.AI stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director's term continues until the election and qualification of his or her successor, or the earlier of his or her death, resignation or removal. This classification of the Board may have the effect of delaying or preventing changes in Jet.AI's control or management.

The Company's Certificate of Incorporation and Bylaws provide that only the Board can fill vacant directorships, including newly-created seats. Any additional directorships resulting from an increase in the authorized number of directors would be distributed pro rata among the three classes so that, as nearly as possible, each class would consist of one-third of the authorized number of directors. The Certificate of Incorporation and Bylaws also provide that Jet.AI's directors may only be removed for cause and by the affirmative vote of the holders of at least two-thirds of the voting power of the then-outstanding shares entitled to vote in the election of directors, voting together as a single class.

Director Independence

The Board determined that each of the directors serving on the Board, other than Michael Winston and George Murnane, qualifies as an independent director, as defined under the listing rules of Nasdaq, and the Board consists of a majority of “independent directors,” as defined under the applicable rules of the SEC and Nasdaq relating to director independence requirements. In addition, Jet.AI is subject to certain rules of the SEC and Nasdaq relating to the membership, qualifications and operations of the audit committee, as discussed below.

Board Leadership Structure

The Board does not have a policy requiring the positions of the Chairperson of the board of directors and Chief Executive Officer to be separate or held by the same individual. The members of the Board believe that this determination should be based on circumstances existing from time to time, based on criteria that are in Jet.AI’s best interests and the best interests of its stockholders, including the composition, skills and experience of the board and its members, specific challenges faced by Jet.AI or the industry in which it operates and governance efficiency. The Board adopted Corporate Governance Guidelines, which provide for the appointment of a lead independent director at any time when the Chairperson is not independent. Wrendon Timothy serves as the lead independent director.

Board Committees

The Board has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which have the composition and responsibilities described below. The Board and its committees set schedules for meeting throughout the year and can also hold special meetings and act by written consent from time to time, as appropriate. The Board delegates various responsibilities and authority to its committees and the committees regularly report on their activities and actions to the full board of directors. Members serve on these committees until their resignation or until otherwise determined by the Board. The Board may establish other committees to facilitate the management of the Company’s business as it deems necessary or appropriate from time to time.

Each committee of the Board operates under a written charter approved by the Board. Copies of each charter are posted on the Investor Relations section of Jet.AI’s website at investors.jet.ai. The inclusion of the Company’s website address or the reference to Jet.AI’s website in this Report does not include or incorporate by reference the information on the Company’s website into this Report.

Audit Committee

Jet.AI’s audit committee is comprised of Wrendon Timothy, William Yankus and Ehud Talmor, with Mr. Timothy serving as audit committee chairperson. The Board determined that Messrs. Timothy, Yankus and Talmor each meet the requirements for independence and financial literacy under the current Nasdaq listing standards and SEC rules and regulations, including Rule 10A-3. In addition, the Board determined that each of Messrs. Timothy and Yankus is an “audit committee financial expert” within the meaning of Item 407(d) of Regulation S-K promulgated under the Securities Act. This designation does not impose any duties, obligations or liabilities that are greater than are generally imposed on members of the audit committee and the Board. The audit committee is responsible for, among other things:

- selecting a qualified firm to serve as the independent registered public accounting firm to audit Jet.AI’s financial statements;
- helping to ensure the independence and overseeing the performance of the independent registered public accounting firm;
- reviewing and discussing the results of the audit with the independent registered public accounting firm and reviewing, with management and that firm, Jet.AI’s interim and year-end operating results;
- reviewing Jet.AI’s financial statements and critical accounting policies and estimates;
- reviewing the adequacy and effectiveness of Jet.AI’s internal controls;
- developing procedures for employees to submit concerns anonymously about questionable accounting, internal accounting controls or audit matters;

- overseeing Jet.AI's policies on risk assessment and risk management;
- overseeing compliance with Jet.AI's code of business conduct and ethics;
- reviewing related party transactions; and
- approving or, as permitted, pre-approving all audit and all permissible non-audit services (other than de minimis non-audit services) to be performed by the independent registered public accounting firm.

The audit committee operates under a written charter, which satisfies the applicable rules of the SEC and the listing standards of Nasdaq, and which is available on Jet.AI's website. All audit services to be provided to Jet.AI and all permissible non-audit services, other than de minimis non-audit services, to be provided to Jet.AI by Jet.AI's independent registered public accounting firm will be approved in advance by the audit committee.

Compensation Committee

Jet.AI's compensation committee is comprised of Lt. Col. Ran David, Wrendon Timothy and Ehud Talmor, and Mr. Talmor is the chairperson of the compensation committee. The Board determined that each member of the compensation committee meets the requirements for independence under the current Nasdaq listing standards and SEC rules and regulations. Each member of the committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act. The compensation committee is responsible for, among other things:

- reviewing, approving and determining, or making recommendations to the Board regarding, the compensation of Jet.AI's executive officers, including the Chief Executive Officer;
- making recommendations regarding non-employee director compensation to the full Board;
- administering Jet.AI's equity compensation plans and agreements with Jet.AI executive officers;
- reviewing, approving and administering incentive compensation and equity compensation plans; and
- reviewing and approving Jet.AI's overall compensation philosophy.

The compensation committee operates under a written charter, which satisfies the applicable rules of the SEC and Nasdaq listing standards, and is available on Jet.AI's website.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee is comprised of William Yankus, Wrendon Timothy and Jeff Woods, and Mr. Woods is the chairperson of the nominating and corporate governance committee. The Board determined that each member of the nominating and corporate governance committee meets the requirements for independence under the current Nasdaq listing standards and SEC rules and regulations. The nominating and corporate governance committee is responsible for, among other things:

- identifying, evaluating and selecting, or making recommendations to the Board regarding nominees for election to the Board and its committees;
- considering and making recommendations to the Board regarding the composition of the Board and its committees;
- developing and making recommendations to the Board regarding corporate governance guidelines and matters;
- overseeing Jet.AI's corporate governance practices;
- overseeing the evaluation and the performance of the Board and individual directors; and
- contributing to succession planning.

The nominating and corporate governance committee operates under a written charter, which satisfies the applicable rules of the SEC and Nasdaq listing standards and is available on Jet.AI's website.

Code of Business Conduct and Ethics

The Board adopted a Code of Business Conduct and Ethics that applies to all of Jet.AI's directors, officers and employees, including Jet.AI's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Business Conduct and Ethics is available on the Corporate Governance section of Jet.AI's website at <https://investors.jet.ai/documents-charters>. In addition, Jet.AI has posted on the Corporate Governance section of Jet.AI's website all disclosures that are required by law or the listing standards of Nasdaq concerning any amendments to, or waivers from, any provision of the Code of Business Conduct and Ethics.

Compensation Committee Interlocks and Insider Participation

None of the members of the Jet.AI compensation committee is or has been at any time one of Jet.AI's officers or employees. None of Jet.AI's executive officers currently serve, or in the past fiscal year has served, as a member of the board of directors or compensation committee (or other board of directors committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any entity that has or has had one or more executive officers serving as a member of the Board or compensation committee.

Limitation on Liability and Indemnification of Directors and Officers

The Certificate of Incorporation limits Jet.AI's directors' liability to the fullest extent permitted under the DGCL. The DGCL provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability:

- for any transaction from which the director derives an improper personal benefit;
- for any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- for any unlawful payment of dividends or redemption of shares; or
- for any breach of a director's duty of loyalty to the corporation or its stockholders.

If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of Jet.AI's directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Delaware law and the Bylaws provide that Jet.AI will, in certain situations, indemnify Jet.AI's directors and officers and may indemnify other employees and other agents, to the fullest extent permitted by law. Any indemnified person is also entitled, subject to certain limitations, to advancement, direct payment or reimbursement of reasonable expenses (including attorneys' fees and disbursements) in advance of the final disposition of the proceeding.

In addition, Jet.AI has entered into separate indemnification agreements with Jet.AI's directors and officers. These agreements, among other things, require Jet.AI to indemnify its directors and officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or officer in any action or proceeding arising out of their services as one of Jet.AI's directors or officers or any other company or enterprise to which the person provides services at Jet.AI's request.

Jet.AI also maintains a directors' and officers' insurance policy pursuant to which Jet.AI's directors and officers are insured against liability for actions taken in their capacities as directors and officers. We believe these provisions in the Certificate of Incorporation and Bylaws, and these indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or control persons, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Section 16(a) Reports

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, persons who beneficially own more than 10% of a registered class of the Company's equity securities, and certain other persons to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC, and to furnish the Company with copies of the forms. Based on its review of the forms filed with the SEC, or representations from reporting persons, the Company believes that during the fiscal year ended December 31, 2024 all of its directors, executive officers, and greater than 10% beneficial owners filed such reports in a timely manner, except as reported below.

Michael Winston, our Executive Chairman and Interim Chief Executive Officer, filed a Statement of Changes in Beneficial Ownership report on Form 4 on August 19, 2024 reporting the receipt of shares of common stock in exchange for warrants. That Form 4 was filed after its prescribed due date.

George Murnane, our Interim Chief Financial Officer, filed a Statement of Changes in Beneficial Ownership report on Form 4 on August 20, 2024 reporting the receipt of shares of common stock in exchange for warrants. That Form 4 was filed after its prescribed due date.

Patrick McNulty, our Chief Operating Officer, filed a Statement of Changes in Beneficial Ownership report on Form 4 on September 9, 2024 reporting the receipt of shares of common stock in exchange for warrants. That Form 4 was filed after its prescribed due date.

Each of Mr. Winston, Mr. Murnane and Mr. McNulty did not file a Statement of Changes in Beneficial Ownership report on Form 4 reporting grants of options to purchase 1,778, 267 and 400 shares of our common stock, respectively, on or about September 24, 2024, for services rendered to the Company.

Each of our non-employee directors, Mr. Timothy, Mr. Yankus, Mr. Talmor, Mr. David and Mr. Woods, did not file a Statement of Changes in Beneficial Ownership report on Form 4 reporting individual grants of 97 restricted stock awards each, on or about September 24, 2024, for services rendered to the Company.

Insider Trading Policy

The Board has not yet adopted an insider trading policies and procedures governing the purchase, sale, and/or other dispositions of the registrant's securities by directors, officers and employees, of the Company or by the Company itself due to other pressing matters fully occupying the resources of a small management team. The Company expects to adopt such a policy before June 30, 2025.

Item 11 Executive Compensation

Jet.AI is considered a smaller reporting company and an "emerging growth company" within the meaning of the JOBS Act and has opted to comply with the executive compensation disclosure rules applicable to such companies. These rules provide for reduced compensation disclosure for the principal executive officer and the two most highly compensated executive officers other than the principal executive officer (the "named executive officers"). This section provides an overview of our executive compensation programs, including a narrative description of the material factors necessary to understand the information disclosed in the summary compensation table below. In order to provide a fuller understanding of the compensation arrangements with our executive officers, the Company has presented full year 2024 and 2023 information, including compensation paid by Jet Token prior to the completion of the Business Combination.

For fiscal year 2024 and 2023, the named executive officers were:

- Michael Winston, Executive Chairman and Interim Chief Executive Officer of Jet.AI Inc. following the Business Combination (Founder and Executive Chairman and Treasurer of Jet Token);
- George Murnane, Interim Chief Financial Officer of Jet.AI Inc. following the Business Combination (Chief Executive Officer and President of Jet Token); and
- Patrick McNulty, Chief Operating Officer of Jet.AI Inc. following the Business Combination (Chief Operating Officer of Jet Token).

Jet.AI believes its compensation programs should promote the success of the Company and align executive incentives with the long-term interests of its stockholders. Jet.AI's compensation programs reflect its startup origins and consist primarily of salary, bonus and equity awards. As Jet.AI's needs evolve, it intends to continue to evaluate its philosophy and compensation programs as circumstances require.

Summary Compensation Table

The following table provides information concerning compensation awarded to, earned by, and paid to each of the named executive officers for services rendered to Jet.AI and Jet Token in all capacities during the years ended December 31, 2024 and 2023, respectively:

Name and Principal Position	Year	Salary (\$)	Bonus / Commission (\$)	Option Awards ⁽¹⁾ (\$)	All Other Compensation (\$) ⁽¹²⁾	Total (\$)
Michael D. Winston <i>Founder and Executive Chairman; Treasurer</i>	2024	\$ 357,606	\$ 100,000	\$ 32,760	\$ 46,632	\$ 536,998
	2023	\$ 281,606	\$ 100,000	\$ —	\$ 52,814	\$ 434,420
George Murnane <i>Chief Executive Officer; Chief Financial Officer and President</i>	2024	\$ 232,212	\$ 100,000	\$ 4,914	\$ 58,008	\$ 395,134
	2023	\$ 234,615	\$ 100,000	\$ 359,745	\$ 63,720	\$ 758,080
Patrick McNulty <i>Chief Operating Officer</i>	2024	\$ 185,769	\$ 47,732	\$ 7,371	\$ 45,192	\$ 286,064
	2023	\$ 172,933	\$ 18,106	\$ 205,035	\$ 40,886	\$ 436,960

(1) The amounts in this column do not represent amounts the named executive officers received or are entitled to receive. Rather, the reported amounts represent the aggregate grant date fair value of option awards granted to each named executive officer, computed in accordance with FASB ASC Topic 718, as further described in Note 2 of the notes to our Consolidated Financial Statements included in this Annual Report, which contains a discussion of all assumptions made by us in determining the grant date fair value of our equity awards. The reported amounts do not reflect the risk the option awards may be forfeited in certain circumstances and, for awards that are subject to performance conditions, the risk there is no payout because the performance conditions are not met.

(2) The reported amounts of all other compensation for 2024 include the following items:

Name	Contributions to Qualified Defined Contribution Plan ^(a)	Fringe Benefits ^(b)	Health and Disability Benefits ^(c)
Michael D. Winston	\$ 14,015	\$ 8,640	\$ 23,977
George Murnane	\$ 12,569	\$ 20,016	\$ 25,423
Patrick McNulty	\$ —	\$ 7,200	\$ 37,992

(a) Represents Jet.AI's contributions to the Jet.AI 401(k) Retirement Plan, a broad-based tax qualified defined contribution plan, based on the same fixed and matching contribution formula applicable to all participants in this plan.

(b) Represents amounts paid directly to the named executive officer for certain fringe benefits including:

- Bi-weekly reimbursement for automotive costs (up to \$600);
- Bi-weekly reimbursement for mobile phone costs (up to \$150);
- Bi-weekly reimbursement for health club (up to \$100);
- For employees that opt for the High Deductible Health Plan offered by our healthcare provider, a \$1,500 annual tax-free contribution to an HSA by the company on the employee's behalf; and
- Employee achievement awards - up to \$1,600 of non-taxable tangible personal property each year, other than cash, cash equivalent or gift card Employee achievement awards (up to \$1,600).

(c) Represents amounts paid by the Company towards the named executive officer's health, dental and vision insurance, health savings account and life insurance expenses.

Narrative Disclosure to Summary Compensation Table

For 2024, the compensation program for Jet.AI's named executive officers consisted of base salary, bonus and equity awards.

Compensation Arrangements following the Business Combination

A condition to Jet Token's obligation to close the Business Combination was that the Company enter into new or amended employment agreements or arrangements with Michael Winston, George Murnane and Patrick McNulty, effective as of the Closing. The terms of those employment agreements and arrangements are disclosed below.

Michael Winston

On August 8, 2023, Michael Winston entered into an employment offer letter with Jet.AI to serve as the Company's Executive Chairman and as the chief executive officer of the Company until a chief financial officer is appointed by the Company to replace Mr. Murnane, who will serve as chief financial officer during this interim period until he becomes the chief executive officer of the Company. Pursuant to the offer letter, Mr. Winston is entitled to receive a base salary of \$385,000.00 and will be eligible to participate in the Company's performance bonus program, which is expected to be established by June 30, 2025. Mr. Winston is entitled to participate in the Company's commission plan for new customer sales and renewal customers and sales of aircraft. Mr. Winston will be eligible for a special cash bonus of \$1,500,000 upon a Change of Control (as defined in the offer letter). Pursuant to the offer letter, if Mr. Winston's employment is terminated without "Cause" or for "Good Reason" (as such terms are defined in the offer letter), Mr. Winston will be entitled to severance in the amount equal to three times his then current base salary, less all applicable withholdings and deductions, paid over a 12 month period, conditioned upon Mr. Winston delivering a general release of claims in favor of the Company within 30 days following his termination date.

George Murnane

On August 10, 2023, Mr. Murnane, entered into an amended and restated employment offer letter with Jet.AI to serve as the chief financial officer of the Company until a replacement chief financial officer is appointed by the Company, at which point he will become the chief executive officer of the Company. Pursuant to the employment offer letter, Mr. Murnane is entitled to receive a base salary of \$250,000 and will be eligible to participate in the Company's performance bonus program. Mr. Winston is entitled to participate in the Company's commission plan for new customer sales and renewal customers and sales of aircraft. Mr. Murnane will be eligible for a special cash bonus of \$1,500,000 upon a Change of Control (as defined in the offer letter). Pursuant to the offer letter, if Mr. Murnane's employment is terminated without "Cause" or for "Good Reason" (as such terms are defined in the offer letter), Mr. Murnane will be entitled to severance in the amount equal to one times his then current base salary, less all applicable withholdings and deductions, paid over a 12 month period, conditioned upon Mr. Murnane delivering a general release of claims in favor of the Company within 30 days following his termination date.

Patrick McNulty

On July 11, 2023, Patrick McNulty entered into an amended and restated employment offer letter with Jet.AI to serve as the Company's Chief Operating Officer. Pursuant to the offer letter, Mr. McNulty is entitled to receive a base salary of \$200,000.00 and will be eligible to participate in the Company's performance bonus program, which is expected to be established by June 30, 2025. Mr. McNulty is entitled to participate in the Company's commission plan for new customer sales and renewal customers and sales of aircraft.

The foregoing descriptions of Mr. Winston's, Mr. Murnane's and Mr. McNulty's offer letters are qualified in their entirety by the full text of such agreements, copies of which are filed as Exhibits 10.4, 10.3 and 10.5, respectively, to this Report and incorporated herein by reference.

2023 and 2024 Equity Awards

In 2023, following the Business Combination, Mr. Murnane received options to purchase 150,000 shares of our common stock, par value \$0.0001 per share ("Common Stock") under the 2023 Jet.AI Inc. Omnibus Incentive Plan (as amended, the "Omnibus Incentive Plan") adopted in connection with the Business Combination, described below, and Mr. McNulty received options to purchase 50,000 shares of Common Stock under the Omnibus Incentive Plan. During 2024, Mr. Winston, Mr. Murnane and Mr. McNulty received options to purchase 1778, 267 and 400 shares of our Common Stock, respectively.

Benefits and Perquisites

Prior to the Business Combination Jet Token provided, benefits to the named executive officers on the same basis as provided to all of its employees, including health, dental and vision insurance; health savings account; life insurance; and a tax-qualified Section 401(k) plan for which the company matched 100% of contributions up to 6% of the employee's salary.

Following the Business Combination, the Company adopted a Fringe Benefit Perk Policy for all full-time employees. This Policy provides for the following fringe benefits:

- Bi-weekly reimbursement for automotive costs (up to \$600);
- Bi-weekly reimbursement for mobile phone costs (up to \$150);
- Bi-weekly reimbursement for health club (up to \$100);
- For employees that opt for the High Deductible Health Plan offered by our healthcare provider, a \$1,500 annual tax-free contribution to an HSA by the company on the employee's behalf; and
- Employee achievement awards - up to \$1,600 of non-taxable tangible personal property each year, other than cash, cash equivalent or gift card Employee achievement awards (up to \$1,600).

The Company also provides a tax-qualified Section 401(k) plan to its employees for which the Company matches 100% of contributions up to 6% of the employee's salary. In addition, directors and officers may make personal use of company aircraft provided (1) the aircraft and its crew cannot reasonably be utilized for profit during the time required to safely execute a proposed flight, (2) the aircraft and its pilots are not moved out of geographical position so as to impair the company's ability to utilize it (or them) for profit thereafter, (3) ample aircraft and crew are available at the time of departure to service customers, (4) a customary charter trip sheet is generated for the flight and retained electronically for not less than 12 months, (5) at least one officer and one director must both review and approve the trip sheet, and (6) the value of the charter flight for an aircraft in that category is independently quoted and retained with the trip sheet. If these conditions are met, the relevant employee is responsible for paying:

- 2.0x the cost of fuel, oil, lubricants, and other additives.
- Travel expenses of the crew, including food, lodging, and ground transportation.
- Hangar and tie-down costs away from the aircraft's base of operation.
- Insurance obtained for the specific flight.
- Landing fees, airport taxes, and similar assessments.
- Customs, foreign permit, and similar fees directly related to the flight.
- In-flight food and beverages.
- Passenger ground transportation.
- Flight planning and weather contract services.

The contributions made on behalf of the named executive officers for fiscal years 2023 and 2024 are disclosed above in the notes to the Summary Compensation Table.

Jet Token Compensation Arrangements prior to the Business Combination

Prior to the Business Combination, Jet Token did not have any formal compensation arrangements with its Founder and Executive Chairman, Mr. Winston. Rather, Mr. Winston, as its sole board member, determined the compensation to be paid to him from time to time in consultation with Jet Token's Chief Executive Officer and President, Mr. Murnane.

Base Salary

In 2024, each of Mr. Murnane and Mr. McNulty received an annual base salary from Jet Token to compensate them for services rendered to the Company. Prior to the Business Combination, the base salaries of Mr. McNulty and Mr. Murnane were \$175,000 and \$250,000, respectively, and following the Business Combination were \$200,000 and \$250,000. The actual base salary received by each named executive officer is set forth above in the Summary Compensation Table in the column titled "Salary." Prior to the Business Combination, Jet Token did not have any formal compensation arrangements with its Founder and Executive Chairman, Mr. Winston. Rather, Mr. Winston, as its sole board member, determined the compensation to be paid to him from time to time in consultation with Jet Token's Chief Executive Officer and President, Mr. Murnane.

Cash Bonus

Each of Mr. Murnane's and Mr. McNulty's Jet Token employment arrangement provided that the named executive officer would be eligible to earn a discretionary annual bonus subject to achievement of certain goals (including revenue and profitability targets) as determined by the board of directors of Jet Token ("Jet Token Board"). In 2024 and 2023, Mr. Winston, Mr. Murnane and Mr. McNulty were eligible to earn annual cash bonuses based on their performance, as determined by the Jet Token Board, in its discretion.

The actual annual cash bonuses awarded to each of the named executive officers for fiscal 2024 and fiscal 2023 performance are set forth above in the Summary Compensation Table in the column titled "Bonus."

Potential Payments on Termination or Change in Control of Jet Token

Mr. Murnane was entitled to a special cash bonus of \$1.5 million paid at the effective date of a change of control transaction provided he was still employed by the Company at the time of the closing. The Business Combination did not constitute a change of control under Mr. Murnane's employment agreement.

Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information regarding each outstanding option award or unvested stock award held by Messrs. Winston, Murnane and McNulty as of December 31, 2024.

Name	Option Awards			
	Number of Securities Underlying Unexercised Jet.AI Options (#) Exercisable	Number of Securities Underlying Unexercised Jet.AI Options (#) Unexercisable	Jet.AI Option Exercise Price (\$)	Jet.AI Option Expiration Date
Michael Winston	645	\$ 1,133	\$ 24.345	9/24/34
George Murnane	864	\$ -	\$ 186.75	9/23/29
	864	\$ -	\$ 186.75	9/23/29
	1,727	\$ -	\$ 938.25	12/31/30
	1,649	\$ 51,575	\$ 2,344.50	7/30/31
	130	\$ 7	\$ 2,344.50	3/16/32
	291	\$ 374	\$ 562.50	9/22/33
(1)	100	\$ 167	\$ 24.345	9/24/34
Patrick McNulty	13	\$ -	\$ 2,344.50	8/2/31
	55	\$ -	\$ 2,344.50	7/1/31
	68	\$ -	\$ 2,344.50	7/1/31
	136	\$ -	\$ 2,344.50	10/31/31
	136	\$ -	\$ 2,344.50	1/5/32
	17	\$ -	\$ 2,344.50	3/1/32
	34	\$ -	\$ 2,344.50	8/31/32
	68	\$ -	\$ 2,344.50	9/30/32
	101	\$ 120	\$ 562.50	9/22/33
(1)	145	\$ 255	\$ 24.345	9/24/34

- (1) These option grants were made pursuant to the Omnibus Incentive Plan, which was initially approved by the Oxbridge board of directors on July 10, 2023, and by the Oxbridge stockholders in connection with the approval of the Business Combination on August 7, 2023. The Omnibus Incentive Plan became effective as of August 10, 2023, upon the completion of the Business Combination and is described below under “– The Omnibus Incentive Plan.”

In addition, on December 26, 2023, the Board approved, at the recommendation of the compensation committee and subject to stockholder approval of an amendment to the Omnibus Incentive Plan at the Company’s 2024 annual meeting, the grant of incentive stock options to Mr. Murnane, exercisable for 60,000 shares of Common Stock, and to Mr. McNulty, exercisable for 90,000 shares of Common Stock. The amendment was approved at, and these options were granted following, the 2024 annual meeting. The options vest 1/3 each year beginning December 26, 2024 at an exercise price equal to the fair market value of the Common Stock on the date of grant, and expiring on the 10th anniversary of the grant date.

Equity Grant Timing

The Board does not determine the timing or terms of equity awards, including stock options or similar awards whose exercise price is related to the market value of our common stock, in connection with the release of material nonpublic information that is likely to result in changes to the price of our common stock, such as a significant positive or negative earnings announcement, and we do not time the public release of such information based on stock option grant dates. During fiscal year 2024, there were no equity awards granted to any of our named executive officers within either four business days before or one business day after the filing of our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, and any Current Report on Form 8-K that contained any material nonpublic information.

The Omnibus Incentive Plan

In connection with the Business Combination, the Company adopted the Omnibus Incentive Plan. At the 2024 annual meeting of stockholders the Company's stockholders approved the Amended and Restated 2023 Jet.AI Inc. Omnibus Incentive Plan that established a fixed number of shares of Common Stock that may be issued under the plan and to eliminate an evergreen provision. 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 December 31, 2023, subject to adjustment and annual increases (as described under "*Stock Subject to the Omnibus Incentive Plan*" below), the maximum number of shares of Common Stock available for issuance under the Omnibus Incentive Plan is 10,933 shares (on a post-split basis).

Summary

The following is a summary of the principal features of the Omnibus Incentive Plan. The summary is qualified in its entirety by reference to the full text of the Omnibus Incentive Plan, which is filed as Exhibit 10.1 to this Report and is incorporated by reference herein.

Purpose

The purpose of the Omnibus Incentive Plan is to advance the interests of Jet.AI and its stockholders by enabling Jet.AI and its subsidiaries and affiliates to attract and retain qualified individuals to perform services, by providing incentive compensation for such individuals in a form that is linked to the growth and profitability of Jet.AI and increases in stockholder value, and by providing opportunities for equity participation that align the interests of recipients with those of its stockholders.

Administration

The board of directors of Jet.AI administers the Omnibus Incentive Plan. The board has the authority under the Omnibus Incentive Plan to delegate plan administration to a committee of the board or a subcommittee thereof. The board of directors of Jet.AI or the committee of the board to which administration of the Omnibus Incentive Plan has been delegated is referred to in this Report as the Committee. Subject to certain limitations, the Committee will have broad authority under the terms of the Omnibus Incentive Plan to take certain actions under the plan.

To the extent permitted by applicable law and subject to certain limitations as provided in the Omnibus Incentive Plan, the Committee may delegate to one or more of its members or to one or more officers of Jet.AI such administrative duties or powers under the Omnibus Incentive Plan, as it may deem advisable.

No Re-pricing

The Committee may not, without prior approval of the stockholders of Jet.AI, effect any re-pricing of any previously granted "underwater" option or SAR by: (i) amending or modifying the terms of the option or SAR to lower the exercise price or grant price; (ii) canceling the underwater option or SAR in exchange for (A) cash; (B) replacement options or SARs having a lower exercise price or grant price; or (C) other awards; or (iii) repurchasing the underwater options or SARs and granting new awards under the Omnibus Incentive Plan. An option or SAR will be deemed to be "underwater" at any time when the fair market value of Common Stock of Jet.AI is less than the exercise price of the option or the grant price of the SAR.

Stock Subject to the Omnibus Incentive Plan

Subject to adjustment (as described below), the maximum number of shares of Common Stock available for issuance under the Omnibus Incentive Plan is 394,329 shares, with an annual increase on the first day of each calendar year beginning on January 1, 2024 and ending on January 1, 2033 equal to: (A) such amount of shares of Common Stock such that the total number of shares available for issuance under this Plan, plus the total number of shares reserved for issuance under outstanding Jet Token Options and Jet Token RSU Awards (as such terms are defined in the Business Combination Agreement) assumed in is equal to ten percent (10%) of the total number of shares then issued and outstanding as of the last day of the prior fiscal year; and (B) such smaller number of shares of Common Stock as may be determined by the Board.

Shares that are issued under the Omnibus Incentive Plan or that are subject to outstanding awards will be applied to reduce the maximum number of shares remaining available for issuance under the Omnibus Incentive Plan only to the extent they are used; provided, however, that the full number of shares subject to a stock-settled SAR or other stock-based award will be counted against the shares authorized for issuance under the Omnibus Incentive Plan, regardless of the number of shares actually issued upon settlement of such SAR or other stock-based award. Any shares withheld to satisfy tax withholding obligations on awards issued under the Omnibus Incentive Plan, any shares withheld to pay the exercise price or grant price of awards under the Omnibus Incentive Plan and any shares not issued or delivered as a result of the “net exercise” of an outstanding option or settlement of a SAR in shares will not be counted against the shares authorized for issuance under the Omnibus Incentive Plan and will be available again for grant under the Omnibus Incentive Plan. Shares subject to awards settled in cash will again be available for issuance pursuant to awards granted under the Omnibus Incentive Plan. Any shares related to awards granted under the Omnibus Incentive Plan that terminate by expiration, forfeiture, cancellation or otherwise without the issuance of the shares will be available again for grant under the Omnibus Incentive Plan. Any shares repurchased by Jet.AI on the open market using the proceeds from the exercise of an award will not increase the number of shares available for future grant of awards. To the extent permitted by applicable law, shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by Jet.AI or a subsidiary or otherwise will not be counted against shares available for issuance pursuant to the Omnibus Incentive Plan. The shares available for issuance under the Omnibus Incentive Plan may be authorized and unissued shares or treasury shares.

Adjustments

In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, divestiture or extraordinary dividend (including a spin off) or other similar change in the corporate structure or shares of Common Stock of Jet.AI, the Committee will make the appropriate adjustment or substitution. These adjustments or substitutions may be to the number and kind of securities and property that may be available for issuance under the Omnibus Incentive Plan. In order to prevent dilution or enlargement of the rights of participants, the Committee may also adjust the number, kind, and exercise price or grant price of securities or other property subject to outstanding awards.

Eligible Participants

Awards may be granted to employees, non-employee directors and consultants of Jet.AI or any of its subsidiaries. A “consultant” for purposes of the Omnibus Incentive Plan is one who renders services to Jet.AI or its subsidiaries that are not in connection with the offer and sale of its securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for its securities.

Types of Awards

The Omnibus Incentive Plan permits Jet.AI to grant non-statutory and incentive stock options, stock appreciation rights (“SARs”), restricted stock awards, restricted stock units, deferred stock units, performance awards, non-employee director awards and other stock-based awards. Awards may be granted either alone or in addition to or in tandem with any other type of award.

Stock Options

Stock options entitle the holder to purchase a specified number of shares of Common Stock of Jet.AI at a specified price, which is called the exercise price, subject to the terms and conditions of the stock option grant. The Omnibus Incentive Plan permits the grant of both non-statutory and incentive stock options. Incentive stock options may be granted solely to eligible employees of Jet.AI or its subsidiaries. Each stock option granted under the Omnibus Incentive Plan must be evidenced by an award agreement that specifies the exercise price, the term, the number of shares underlying the stock option, the vesting and any other conditions. The exercise price of each stock option granted under the Omnibus Incentive Plan must be at least 100% of the fair market value of a share of Common Stock of Jet.AI as of the date the award is granted to a participant. Fair market value under the Omnibus Incentive Plan means, unless otherwise determined by the Committee, the closing sale price of Common Stock of Jet.AI, as reported on Nasdaq, on the grant date. The Committee will fix the terms and conditions of each stock option, subject to certain restrictions, such as a ten-year maximum term.

Stock Appreciation Rights

A SAR is a right granted to receive payment of cash, stock, or a combination of both equal to the difference between the fair market value of shares of our Common Stock and the grant price of such shares. Each SAR granted must be evidenced by an award agreement that specifies the grant price, the term, and such other provisions as the board may determine. The grant price of a SAR must be at least 100% of the fair market value of our Common Stock on the date of grant. The board fixes the term of each SAR, but SARs granted under the Omnibus Incentive Plan will not be exercisable more than 10 years after the date the SAR is granted.

Restricted Stock Awards, Restricted Stock Units and Deferred Stock Units

Restricted stock awards, restricted stock units, or RSUs, and/or deferred stock units, or DSUs, may be granted under the Omnibus Incentive Plan. A restricted stock award is an award of Common Stock of Jet.AI that is subject to restrictions on transfer and risk of forfeiture upon certain events, typically including termination of service. RSUs are similar to restricted stock awards except that no shares are actually awarded to the participant on the grant date. DSUs permit the holder to receive shares of Common Stock or the equivalent value in cash or other property at a future time as determined by the board. The Committee will determine, and set forth in an award agreement, the period of restriction, the number of shares of restricted stock awards or the number of RSUs or DSUs granted, and other such conditions or restrictions.

Performance Awards

Performance awards, in the form of cash, shares of Common Stock of Jet.AI, other awards or a combination of both, may be granted under the Omnibus Incentive Plan in such amounts and upon such terms as the Committee may determine. The Committee shall determine, and set forth in an award agreement, the amount of cash and/or number of shares or other awards, the performance goals, the performance periods and other terms and conditions. The extent to which the participant achieves his or her performance goals during the applicable performance period will determine the amount of cash and/or number of shares or other awards earned by the participant. The Committee retains discretion to adjust performance awards either upward or downward, either on a formula or discretionary basis or any combination, as the Committee determines.

Non-Employee Director Awards; Limit on Non-Employee Director Compensation

The Committee at any time and from time-to-time may approve resolutions providing for the automatic or other grant to non-employee directors of awards. Such awards may be granted singly, in combination, or in tandem, and may be granted pursuant to such terms, conditions and limitations as the Committee may establish in its sole discretion consistent with the provisions of the Omnibus Incentive Plan. The Committee may permit non-employee directors to elect to receive all or any portion of their annual retainers, meeting fees or other fees in restricted stock, RSUs, DSUs or other stock-based awards in lieu of cash. Under the Omnibus Incentive Plan the sum of any cash compensation, or other compensation, and the value (determined as of the grant date in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or any successor thereto) of awards granted to a non-employee director as compensation for services as a non-employee director during any fiscal year of the Company may not exceed \$750,000 (increased to \$800,000 with respect to any Non-Employee Director serving as Chairman of the Board or Lead Independent Director).

Other Stock-Based Awards

Consistent with the terms of the plan, other stock-based awards may be granted to participants in such amounts and upon such terms as the Committee may determine.

Dividend Equivalents

With the exception of stock options, SARs, and unvested performance awards, awards under the Omnibus Incentive Plan may, in the Committee's discretion, earn dividend equivalents with respect to the cash or stock dividends or other distributions that would have been paid on the shares of Common Stock of Jet.AI covered by such award had such shares been issued and outstanding on the dividend payment date. However, no dividends may be paid on awards until they are vested. Such dividend equivalents will be converted to cash or additional shares of Common Stock of Jet.AI by such formula and at such time and subject to such limitations as determined by the Committee.

Termination of Employment or Other Service

The Omnibus Incentive Plan provides for certain default rules in the event of a termination of a participant's employment or other service. These default rules may be modified in an award agreement or an individual agreement between Jet.AI and a participant. If a participant's employment or other service with Jet.AI is terminated for cause, then all outstanding awards held by such participant will be terminated and forfeited. In the event a participant's employment or other service with Jet.AI is terminated by reason of death, disability or retirement, then:

- All outstanding stock options (excluding non-employee director options in the case of retirement) and SARs held by the participant will, to the extent exercisable, remain exercisable for a period of one year after such termination, but not later than the date the stock options or SARs expire;

- All outstanding stock options and SARs that are not exercisable and all outstanding restricted stock will be terminated and forfeited; and
- All outstanding unvested RSUs, performance awards and other stock-based awards held by the participant will terminate and be forfeited. However, with respect to any awards that vest based on the achievement of performance goals, if a participant's employment or other service with Jet.AI or any subsidiary is terminated prior to the end of the performance period of such award, but after the conclusion of a portion of the performance period (but in no event less than one year), the Committee may, in its sole discretion, cause shares to be delivered or payment made with respect to the participant's award, but only if otherwise earned for the entire performance period and only with respect to the portion of the applicable performance period completed at the date of such event, with proration based on the number of months or years that the participant was employed or performed services during the performance period.

In the event a participant's employment or other service with Jet.AI is terminated by reason other than for cause, death, disability or retirement, then:

- All outstanding stock options (including non-employee director options) and SARs held by the participant that then are exercisable will remain exercisable for three months after the date of such termination, but will not be exercisable later than the date the stock options or SARs expire;
- All outstanding restricted stock will be terminated and forfeited; and
- All outstanding unvested RSUs, performance awards and other stock-based awards will be terminated and forfeited. However, with respect to any awards that vest based on the achievement of performance goals, if a participant's employment or other service with Jet.AI or any subsidiary is terminated prior to the end of the performance period of such award, but after the conclusion of a portion of the performance period (but in no event less than one year), the Committee may, in its sole discretion, cause shares to be delivered or payment made with respect to the participant's award, but only if otherwise earned for the entire performance period and only with respect to the portion of the applicable performance period completed at the date of such event, with proration based on the number of months or years that the participant was employed or performed services during the performance period.

Modification of Rights upon Termination

Upon a participant's termination of employment or other service with Jet.AI or any subsidiary, the Committee may, in its sole discretion (which may be exercised at any time on or after the grant date, including following such termination) cause stock options or SARs (or any part thereof) held by such participant as of the effective date of such termination to terminate, become or continue to become exercisable or remain exercisable following such termination of employment or service, and restricted stock, RSUs, DSUs, performance awards, non-employee director awards and other stock-based awards held by such participant as of the effective date of such termination to terminate, vest or become free of restrictions and conditions to payment, as the case may be, following such termination of employment or service, in each case in the manner determined by the Committee; provided, however, that no stock option or SAR may remain exercisable beyond its expiration date any such action by the Committee adversely affecting any outstanding award will not be effective without the consent of the affected participant, except to the extent the Committee is authorized by the Omnibus Incentive Plan to take such action.

Forfeiture and Recoupment

If a participant is determined by the Committee to have taken any action while providing services to Jet.AI or within one year after termination of such services, that would constitute "cause" or an "adverse action," as such terms are defined in the Omnibus Incentive Plan, all rights of the participant under the Omnibus Incentive Plan and any agreements evidencing an award then held by the participant will terminate and be forfeited. The Committee has the authority to rescind the exercise, vesting, issuance or payment in respect of any awards of the participant that were exercised, vested, issued or paid, and require the participant to pay to Jet.AI, within 10 days of receipt of notice, any amount received or the amount gained as a result of any such rescinded exercise, vesting, issuance or payment. Jet.AI may defer the exercise of any stock option or SAR for up to six months after receipt of notice of exercise in order for the Board to determine whether "cause" or "adverse action" exists. Jet.AI is entitled to withhold and deduct future wages or make other arrangements to collect any amount due.

In addition, if Jet.AI is required to prepare an accounting restatement due to material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, then any participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 will reimburse Jet.AI for the amount of any award received by such individual under the Omnibus Incentive Plan during the 12 month period following the first public issuance or filing with the SEC, as the case may be, of the financial document embodying such financial reporting requirement. Jet.AI also may seek to recover any award made as required by the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act or any other clawback, forfeiture or recoupment provision required by applicable law or under the requirements of any stock exchange or market upon which Common Stock of Jet.AI is then listed or traded or any policy adopted by Jet.AI.

Effect of Change in Control

Generally, a change in control will mean:

- The acquisition, other than from Jet.AI, by any individual, entity or group of beneficial ownership of 50% or more of the then outstanding shares of Common Stock of Jet.AI;
- The consummation of a reorganization, merger or consolidation of Jet.AI with respect to which all or substantially all of the individuals or entities who were the beneficial owners of Common Stock of Jet.AI immediately prior to the transaction do not, following the transaction, beneficially own more than 50% of the outstanding shares of Common Stock and voting securities of the corporation resulting from the transaction; or
- A complete liquidation or dissolution of Jet.AI or the sale or other disposition of all or substantially all of the assets of Jet.AI.

Subject to the terms of the applicable award agreement or an individual agreement between Jet.AI and a participant, upon a change in control, the Committee may, in its discretion, determine whether some or all outstanding options and SARs shall become exercisable in full or in part, whether the restriction period and performance period applicable to some or all outstanding restricted stock awards and RSUs shall lapse in full or in part and whether the performance measures applicable to some or all outstanding awards shall be deemed to be satisfied. The Committee may further require that shares of stock of the corporation resulting from such a change in control, or a parent corporation thereof, be substituted for some or all of the shares of Common Stock of Jet.AI subject to an outstanding award and that any outstanding awards, in whole or in part, be surrendered to Jet.AI by the holder, to be immediately cancelled by Jet.AI, in exchange for a cash payment, shares of capital stock of the corporation resulting from or succeeding Jet.AI or a combination of both cash and such shares of stock.

Governing Law; Mandatory Jurisdiction

Except to the extent as provided in the Omnibus Incentive Plan, the validity, construction, interpretation, administration and effect of the Omnibus Incentive Plan and any rules, regulations and actions relating to the Omnibus Incentive Plan will be governed by and construed exclusively in accordance with the laws of the State of Delaware, notwithstanding the conflicts of laws principles of any jurisdictions. Unless otherwise expressly provided in an applicable award agreement, Jet.AI and recipients of an award under the Omnibus Incentive Plan irrevocably submit to the jurisdiction and venue of the Federal or State courts of the State of Delaware relative to any and all disputes, issues and/or claims that may arise out of or relate to the Omnibus Incentive Plan or any related award agreement, with such jurisdiction and venue selected by and at the sole discretion of Jet.AI.

Term, Termination and Amendment

Unless sooner terminated by the Board, the Omnibus Incentive Plan will terminate at midnight on the day before the ten year anniversary of its effective date. No award will be granted after termination of the Omnibus Incentive Plan, but awards outstanding upon termination of the Omnibus Incentive Plan will remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Omnibus Incentive Plan.

Subject to certain exceptions, the Board has the authority to suspend or terminate the Omnibus Incentive Plan or terminate any outstanding award agreement and the Board has the authority to amend the Omnibus Incentive Plan or amend or modify the terms of any outstanding award at any time and from time to time. No amendments to the Omnibus Incentive Plan will be effective without approval of Jet.AI's stockholders if: (a) stockholder approval of the amendment is then required pursuant to Section 422 of the Code, the rules of the primary stock exchange on which Common Stock of Jet.AI is then traded, applicable U.S. state and federal laws or regulations and the applicable laws of any foreign country or jurisdiction where awards are, or will be, granted under the Omnibus Incentive Plan; or (b) such amendment would: (i) modify the re-pricing provisions of the Omnibus Incentive Plan; (ii) increase the aggregate number of shares of Common Stock of Jet.AI issued or issuable under the Omnibus Incentive Plan; or (iii) reduce the minimum exercise price or grant price as set forth in the Omnibus Incentive Plan. No termination, suspension or amendment of the Omnibus Incentive Plan or an award agreement shall adversely affect any award previously granted under the Omnibus Incentive Plan without the written consent of the participant holding such award.

Jet Token Prior Option Plans

General. On June 4, 2018, Jet Token's board of directors adopted the Jet Token Inc. 2018 Stock Option and Grant Plan (the "2018 Plan"). The 2018 Plan provided for the grant of equity awards to employees, and consultants, to purchase shares of Jet Token's common stock. As of December 31, 2020, up to 3,434 shares of its common stock could be issued pursuant to awards granted under the 2018 Plan. During the year ended December 31, 2021, the 2018 Plan was amended three times to increase the total number of shares reserved for issuance thereunder. As of December 31, 2024 and 2023, the total number of shares reserved for issuance under the 2018 Plan was 10,301 shares. The 2018 Plan is administered by Jet Token's board of directors.

In August 2021, Jet Token's board of directors adopted the Jet Token Inc. 2021 Stock Plan (the "2021 Plan"). The 2021 plan provided 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. As of December 31, 2021, up to 688 shares of non-voting 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 non-voting common stock authorized under the 2021 Plan to 2,063. In the event that shares of non-voting common stock subject to outstanding options or other securities under the Jet Token'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.

Plan Administration. The Jet Token Board administered the Jet Token Option Plan. The compensation committee of the Board currently administers the Jet Token Option Plan following the Closing Date.

Types of Awards. The Jet Token Option Plan provides for the grant of incentive Jet Token Options, non-statutory Jet Token Options, Jet Token Restricted Stock, restricted stock units and stock appreciation rights.

Stock Options. The Jet Token Board has the discretion to grant incentive or non-statutory Jet Token Options under the Jet Token Option Plan, provided that incentive Jet Token Options may only be granted to employees. The exercise price per share applicable to such Jet Token Options must generally be equal to at least the fair market value per share of Jet Token Common Stock on the date of grant. Subject to the provisions of the Jet Token Option Plan, the Jet Token Board has the discretion to determine the remaining terms of the Jet Token Options (e.g., vesting). After the termination of a participant's service, the participant may only exercise his or her Jet Token Option, to the extent vested, for a specified period of time stated in his or her option agreement. Generally, if termination is due to death or disability, the Jet Token Option will remain exercisable for 18 months and 12 months following the termination of service, respectively. In all other cases except for a termination for cause, the Jet Token Option will generally remain exercisable for three months following the termination of service. In the event of a termination for cause, the Jet Token Option will immediately terminate. However, in no event may a Jet Token Option be exercised later than the expiration of its maximum term.

Restricted Stock. The Jet Token Board has the discretion to grant Jet Token Restricted Stock under the Jet Token Option Plan. Jet Token Restricted Stock are generally shares of Jet Token Common Stock that are issued or sold to a participant pursuant to the Jet Token Option Plan and subject to repurchase by Jet Token under certain circumstances and that are fully vested at grant or that will vest in accordance with terms and conditions established by the Jet Token Board, in its sole discretion. The Jet Token Board has the discretion to determine the number of shares that the participant may receive or purchase, the price to be paid (if any), and the time by which the participant must accept the shares/offer.

Restricted Stock Units. The Jet Token Board has the discretion to grant restricted stock units under the Jet Token Option Plan. Each restricted stock unit is a bookkeeping entry representing an amount equal to the fair market value of one share of Jet Token Common Stock. The Jet Token Board, in its discretion, determines whether restricted stock units should be granted, the total units granted and/or the vesting terms applicable to such units. Participants holding restricted stock units will hold no voting rights by virtue of such restricted stock units. The Jet Token Board may, in its sole discretion, award dividend equivalents in connection with the grant of restricted stock units. Restricted stock units may be settled in cash, shares of Jet Token Common Stock, as applicable, or any combination thereof or in any other form of consideration, as determined by the Jet Token Board, in its sole discretion.

Stock Appreciation Rights. The Jet Token Board has the discretion to grant stock appreciation rights under the Jet Token Option Plan and to determine the terms and conditions of each stock appreciation right, except that the exercise price for each stock appreciation right cannot be less than 100% of the fair market value of the underlying shares of Jet Token Common Stock on the date of grant. Upon exercise of a stock appreciation right, a participant will receive payment from Jet Token in an amount determined by multiplying the difference between the fair market value of a share on the date of exercise over the exercise price by the number of shares with respect to which the stock appreciation right is exercised. Stock appreciation rights may be paid in cash, shares of Jet Token Common Stock, or any combination thereof, or in any other form of consideration, as determined by the Jet Token Board in its discretion. Stock appreciation rights are exercisable at the times and on the terms established by the Jet Token Board, in its discretion.

Non-transferability of Awards. Unless the Jet Token Board provides otherwise, awards granted under the Jet Token Option Plan are generally not transferable.

Certain Adjustments. In the event of certain corporate events or changes in Jet Token's capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the Jet Token Option Plan, the Jet Token Board will make adjustments to one or more of the number, kind and class of securities that may be delivered under the Jet Token Option Plan and/or the number, kind, class and price of securities covered by each outstanding award.

Dissolution or liquidation. In the event of Jet Token's dissolution or liquidation, each outstanding award will terminate immediately prior to the consummation of such action, unless otherwise determined by the Jet Token Board.

Change in Control. The Jet Token Option Plan provides that in the event of a change in control, unless otherwise provided in the applicable award agreement or as determined by the Jet Token Board at the time of grant, outstanding awards will be assumed, canceled if not exercised/settled or cashed out in lieu of exercise as determined by the Jet Token Board.

Amendment or Termination. The Jet Token Board may amend or terminate the Jet Token Option Plan at any time, provided such action does not impair the rights or obligations of any participant without his or her consent. In addition, stockholder approval must be obtained to the extent necessary and desirable to comply with applicable laws.

Director Compensation

Neither Mr. Winston nor Mr. Murmane receives additional compensation for service on our Board.

Non-Employee Director Compensation Arrangements

Following the Business Combination, the compensation committee recommended, and the Board approved, a Non-Employee Director Compensation Policy (the "Policy"). The Policy has been designed to attract and retain high quality non-employee directors by providing competitive compensation and aligning their interests with the interests of our stockholders through equity awards. This Policy provides for an annual cash retainer to each eligible non-employee director of \$50,000. In addition, each of the following is entitled to an additional annual retainer in the following amounts:

- Lead Independent Director: \$25,000
- Audit Committee Chair: \$15,000
- Compensation Committee Chair: \$10,000
- Nominating and Corporate Governance Committee Chair: \$6,250

Under the Non-Employee Director Compensation Policy, as amended, the non-executive directors of the Company are also entitled to receive the equity compensation under the Omnibus Incentive Plan, subject to approval of an amendment to the Omnibus Incentive Plan by stockholders at the 2025 annual meeting. At the close of business on the date of each annual meeting of stockholders, each person who is then a non-employee director, will automatically receive a restricted stock unit ("RSU") award having a value of \$25,000 and a restricted stock grant of \$25,000. Each annual RSU and annual restricted stock grant will vest on the date of the following year's annual meeting (or the date immediately preceding the date of the following year's annual meeting if the non-employee director's service as a director ends at such meeting as a result of the director's failure to be re-elected or the director not standing for re-election. The vesting of each annual RSU and annual restricted stock grant is subject to the non-employee director's continuous service on the applicable vesting date of each such awards.

For each non-employee director who remains in continuous service with the Company until immediately prior to the closing of a Change in Control (as defined in the Omnibus Incentive Plan), such non-employee director's then-outstanding annual RSU and annual restricted stock grant will become fully vested immediately prior to the closing of such Change in Control. The grants will be eligible for deferred settlement in accordance with such deferral program as may be established by the Company and approved by the Board.

The Company began paying cash compensation to non-employee directors following the Business Combination in accordance with the terms of the Non-Employee Director Compensation Policy. The table below describes the compensation earned by the non-employee directors during fiscal 2024.

Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	All Other Compensation	Total
Ehud Talmor ⁽²⁾	\$ 52,000	\$ 35,000	—	\$ 87,000
Wrendon Timothy ⁽³⁾	\$ 82,000	\$ 35,000	—	\$ 117,000
William Yankus	\$ 42,000	\$ 35,000	—	\$ 77,000
Lt. Col. Ran David	\$ 42,000	\$ 35,000	—	\$ 77,000
Donald Jeffrey Woods ⁽⁴⁾	\$ 48,250	\$ 35,000	—	\$ 83,250

(1) Amounts in the table reflect equity grants granted in 2024 and recommended by the compensation committee and approved by the Board in January 2025 and as contemplated by the Policy to each of the directors. These grants, which have not been made and are subject to stockholder approval of an amendment to the Omnibus Incentive Plan, equal 1,029 RSUs to each such director, representing the then value of \$25,000, and a grant of 1,029 restricted stock to each such director, representing the then value of \$25,000. Each of these grants will be made, and will fully vest, on the date of the Company's 2025 annual meeting, assuming stockholders approve the amendment to the Omnibus Incentive. If either Mr. Timothy or Mr. Yankus is not elected as a Class II director at the 2025 annual meeting, these equity grants will be deemed made, and will vest, on the date immediately preceding the 2025 annual meeting. There are no other awards outstanding or anticipated to be granted to directors for services rendered in 2024.

(2) Mr. Talmor is chairperson of the compensation committee.

(3) Mr. Timothy is the lead independent director and chairperson of the audit committee.

(4) Mr. Woods is chairperson of the nominating and corporate governance committee.

Under the Non-Employee Director Compensation Policy, the Company will also reimburse each non-employee director for any ordinary and reasonable out-of-pocket expenses actually incurred by such director in connection with in-person attendance at and participation in Board and committee meetings; provided, that such director timely submits to us appropriate documentation substantiating such expenses in accordance with our travel and expense policy as in effect from time to time.

Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding the beneficial ownership of shares of Common Stock as of March 12, 2025, by:

- each person who is, or is expected to be, the beneficial owner of more than 5% of the outstanding shares of Common Stock upon the Closing of the Business Combination;
- each of the Company's executive officers and directors; and
- all of the Company's executive officers and directors as a group upon the Closing.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and restricted stock units that are currently exercisable or vested or that will become exercisable or vest within 60 days. This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13G or 13D filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them. The beneficial ownership percentages set forth in the table below are based on 2,187,001 shares of Common Stock issued and outstanding as of March 12, 2025 and other than as noted below.

Name and Address of Beneficial Owner ⁽¹⁾	Number of Shares	% of Common Stock Outstanding
Directors and Executive Officers:		
Michael D. Winston, CFA ⁽²⁾	30,529	1.4%
George Murnane ⁽³⁾	5,707	0.3%
William L. Yankus ⁽⁴⁾	97	0.0%
Wrendon Timothy ⁽⁵⁾	1,206	0.1%
Patrick McNulty ⁽⁶⁾	820	0.0%
Lt. Col. Ran David ⁽⁷⁾	874	0.0%
Jeffrey Woods ⁽⁸⁾	97	0.0%
Ehud Talmor ⁽⁹⁾	737	0.0%
<i>All Directors and Executive Officers as a group (8 individuals)</i>	40,067	1.8%
Five Percent Holders:		
Ionic Ventures, LLC ⁽¹⁰⁾	242,730	9.99%

(1) Unless otherwise indicated, the business address of each of the directors and executive officers of the Company is c/o Jet.AI Inc., 10845 Griffith Peak Drive, Suite 200, Las Vegas, NV 89135.

(2) Includes 29,740 shares of Common Stock, and 789 shares of Common Stock issuable upon the exercise of vesting options within 60 days of March 11, 2025.

(3) Comprised of 5,707 shares of common stock issuable upon the exercise of vesting options within 60 days of March 11, 2025.

(4) Comprised of shares of common stock.

(5) Comprised of shares of common stock.

(6) Comprised of 820 shares of common stock issuable upon the exercise of vesting options within 60 days of March 11, 2025.

(7) Includes 97 shares of Common Stock, and 777 shares of Common Stock issuable upon the exercise of vesting options within 60 days of March 11, 2025.

(8) Comprised of shares of common stock.

(9) Includes 97 shares of Common Stock, and 640 shares of Common Stock issuable upon the exercise of vesting options within 60 days of March 11, 2025.

(10) Consists of an aggregate of up to 242,730 shares of Common Stock issuable upon conversion of shares of Series B Preferred Stock within 60 days of March 11, 2025. Keith Coulston and Brendan O'Neil, each as managers of Ionic Management, LLC, the manager of Ionic Ventures, LLC, have shared power to vote and/or dispose of the Shares beneficially owned by Ionic Ventures, LLC. Mr. Coulston and Mr. O'Neil each disclaim beneficial ownership of the Company's securities reported herein except to the extent of their pecuniary interest therein. The principal business address for Ionic Ventures, LLC is 3053 Fillmore St, Suite 256, San Francisco, CA 94123.

Item 13 Certain Relationships and Related Transactions, and Director Independence

In addition to the compensation arrangements with directors and executive officers described under Item 10 and Item 11, the following is a description of each transaction since January 1, 2023 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeds or will exceed the lesser of (i) \$120,000 and (ii) 1% of the average of our total assets as of December 31, 2024 and 2023; and
- any of our directors, executive officers or beneficial holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals (other than tenants or employees), had or will have a direct or indirect material interest.

Related Party Transactions in Connection with and Subsequent to the Business Combination

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 in a private placement pursuant to an exemption from registration under , (a) 1,200 shares of Jet.AI 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, which shares of Jet.AI Common Stock are subject to a Registration Rights Agreement. The Company also issued 1,127 Series A Preferred Shares 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 the Company's common stock. The Series A Preferred Shares are convertible into 501 shares of common stock. The Company also issued 511 shares of common stock to Maxim Partners on August 16, 2021, in a private placement exempt from registration under Section 4(a)(2) of the Securities Act, to meet a payment obligation under the underwriting agreement in connection with Oxbridge's IPO, representing a value of \$2,025 per share reflecting an allocation of the \$2,250 per Unit IPO price. The above issued and issuable shares of common stock shares 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 are subject to mandatory redemption on August 10, 2024, which will be automatically extended by an additional three (3) months period as the Company has not as of such date did not complete one or more equity financings prior to such date 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 if requested by the holder.

In July 2024, the Company and Maxim entered into an amendment to the Maxim Settlement Agreement and agreed to, among other things, amend the definition of the “Series A Conversion Price” for the Series A Preferred Shares and certain restrictions with respect to shares of Company common stock Maxim may acquire upon the conversion of its shares of Series Preferred Stock. During the year ended December 31, 2024, the Company issued 10,167 shares of Common Stock for the conversion of 551 Series A Preferred Shares.

Sponsor Settlement Agreement

On August 10, 2023, the Company entered into settlement agreement (“Sponsor Settlement Agreement”) with Jet Token, Oxbridge, and OAC Sponsor Ltd. (the “Sponsor”). Pursuant to the Sponsor Settlement Agreement, the Company issued, in a private placement exempt from registration under Section 4(a)(2) of the Securities Act, 575 Series A-1 575 shares of the Company’s 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 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 shares of common stock issuable upon conversion of the Series A-1 Preferred Shares were subject to a registration rights agreement between the Company and Sponsor.

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, which was automatically extended by an additional three (3) months period as the Company has not as of such date did not complete one or more equity financings prior to such date 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 is to 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, copies of which are filed as Exhibit 10.22 and Exhibit 10.23, respectively, to this Report, and are incorporated herein by reference. The terms of the Series A-1 Preferred Shares are set forth in the Designation of the Series A-1 Convertible Preferred Stock filed as Exhibit 3.3 to this Report, and are incorporated herein by reference.

In August 2024, Sponsor agreed to waive certain notice and redemption rights in favor of Sponsor pursuant to terms of the Series A-1 Preferred Shares held by Sponsor related to equity financings conducted by the Company in consideration of \$100,000 which was paid in October 2024.

In October 2024, the Company redeemed in full all of the previously issued and outstanding Series A-1 Preferred Shares by paying the holder the requisite per share redemption price together with all accrued but unpaid dividends on such shares. As a result of this redemption there are no Series A-1 Preferred Shares issued and outstanding.

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, Wendon 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 then 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 pursuant to its Certificate of Incorporation, and the full Board, including a majority of disinterested directors, unanimously approved the Agreement, in each case finding that the 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.

Maxim Advisory Agreement

On January 5, 2024, the Company entered into an agreement (the "Agreement") pursuant to which it retained Maxim as a financial advisor and investment banker to provide general financial advisory and investment banking services. In connection with this Agreement, Maxim may provide certain or all of the following services:

- assist management of the Company and advise the Company with respect to its strategic planning process and business plans including an analysis of markets, positioning, financial models, organizational structure, potential strategic alliances, capital requirements and NASDAQ listing requirements;
- advise the Company on matters relating to its capitalization;
- assist management of the Company with the preparation of the Company's marketing materials and investor presentations;
- assist the Company in broadening its stockholder base including non-deal road show activity;
- assist the Company with strategic introductions;
- work closely with the Company's management team to develop a set of long and short-term goals with special focus on enhancing corporate and stockholder value. This will include assisting the Company in determining key business actions, including assistance with strategic partnership discussions and review of financing requirements, intended to help enhance stockholder value and exposure to the investment community;
- advise the Company on potential financing alternatives, including facilitation and negotiation of any financial or structural aspects of such alternatives; and
- provide such other financial advisory and investment banking services upon which the parties may mutually agree.

As consideration for Maxim's services pursuant to the Agreement, the Company paid Maxim a fee in cash totaling \$75,000. In addition to payment to Maxim of the compensation, the Company agreed to reimburse Maxim for all reasonable expenses (including, without limitation, fees and disbursements of counsel and all travel and other out-of-pocket expenses) incurred by Maxim in connection with its engagement. Such expenses will not exceed \$2,500 without prior authorization of the Company.

The Company has also agreed to indemnify and hold harmless Maxim, and each of its present and former affiliated entities, managers, members, officers, employees, legal counsel, agents and controlling persons (within the meaning of the federal securities laws), and the officers, directors, partners, stockholders, members, managers, employees, legal counsel, agents and controlling persons of any of them, from and against any and all losses, claims, damages, obligations, penalties, judgments, awards, liabilities, costs, expenses and disbursements, and any and all actions, suits, proceedings and investigations in respect thereof and any and all legal and other costs, expenses and disbursements in giving testimony or furnishing documents in response to a subpoena or otherwise (including, without limitation, the costs, expenses and disbursements, as and when incurred, of investigating, preparing, pursuing or defending any such action, suit, proceeding or investigation), directly or indirectly caused by, relating to, based upon, arising out of, or in connection with, Maxim's acting for the Company, including, without limitation, any act or omission by Maxim in connection with its acceptance of or the performance or non-performance of its obligations under the Agreement, any breach by the Company of any representation, warranty, covenant or agreement contained in any instrument, document or agreement relating thereto, including any agency agreement, or the enforcement by Maxim of its rights under the Agreement, except to the extent that any such losses are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from the gross negligence or willful misconduct of the person seeking indemnification under the Agreement. The Company also agreed that no indemnified person will have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement of Maxim by the Company or for any other reason, except to the extent that any such liability is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such indemnified person's gross negligence or willful misconduct.

Either Maxim or the Company may terminate this Agreement at any time with thirty (30) days' prior written notice to the other party after the six (6) month anniversary of this Agreement (the effective date of such termination, the "Termination Date"). The Agreement may be earlier terminated by the Company only for Cause (as defined below). Furthermore, in the event, in the course of due diligence performed by Maxim, Maxim deems it necessary to terminate the engagement, Maxim may do so at any time upon immediate written notice. "Cause" means gross negligence, willful misconduct or an uncured material breach of this Agreement by Maxim of which the Company has provided Maxim with reasonable notice and opportunity to cure. Certain provisions in the agreement, primarily compensation, expenses reimbursement and indemnification survive termination of the agreement.

Maxim Placement Agency Agreement

As previously disclosed, 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. In connection with the transactions under the Securities Purchase Agreement, the Company entered into a placement agency agreement (the "Placement Agency Agreement") with 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 March 29, 2024. Because the Company issued additional securities to Ionic as contemplated by the Securities Purchase Agreement, the Company paid Maxim cash fees of \$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 Preferred Shares 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.

Maxim Engagement Letter

On December 4, 2024, the Company entered into an engagement letter (the "Maxim Engagement Letter") with Maxim Group LLC. ("Maxim"), pursuant to which the Company engaged Maxim to serve as its exclusive financial advisor with respect to one or more potential business combinations involving the Company for a period of seven months. Pursuant to the Maxim Engagement Letter, the Company agreed to pay Maxim a non-refundable stock fee of 25,000 shares (the "Retainer") which were issued upon execution of the engagement letter. The shares were recorded to General and Administrative expenses as stock-based compensation based on the fair value of the shares of \$95,000.

If the Company consummates a Transaction with a Potential Buyer, then Maxim shall receive a fee (the "Success Fee") of \$500,000 upon the closing of the Transaction. In the event that the Company enters into an agreement with respect to a Transaction during the term of this Agreement that is subsequently terminated, and the Company becomes entitled to a break-up, termination, topping, expense reimbursement or similar fee or payment (including any judgment for damages or amount in settlement of any dispute as a result of such termination, or any profit on any stock acquired from, or stock option granted by, any party to such transaction), a fee (the "Break-up Fee") equal 25% of all such amounts, payable promptly upon receipt of such amounts by the Company. In addition to the Retainer, Success Fee and Break-up Fee payable pursuant to the Maxim Engagement Letter, and regardless of whether any Transaction is proposed or consummated, the Company shall reimburse Maxim for all reasonable travel, food, lodging and other out-of-pocket expenses incurred in connection with the services performed by Maxim pursuant to Maxim Engagement Letter promptly after submission of such properly evidenced expenses to the Company.

Oxbridge Related Party Transactions

Administrative Services Agreement

Commencing on the effective date of the Company's IPO, Oxbridge agreed to pay its Sponsor a total of up to \$10,000 per month for office space, utilities, secretarial and administrative support. Upon completion of the Business Combination, Oxbridge ceased paying these monthly fees. For the year ended December 31, 2023, the Company accrued \$125,557 payable to the Sponsor under the Administrative Services Agreement.

Jet Token's Related Party Transactions

From time to time, related parties made payments on Jet Token's behalf or advance cash to Jet Token for operating costs which require repayment. Such transactions are considered short-term advances and non-interest bearing. During the years ended December 31, 2024 and 2023, Michael Winston, Jet Token's Founder and Executive Chairman, advanced a total of \$0 and \$72,000, respectively, to Jet Token in the form of a non-interest-bearing loan and Jet Token repaid \$0 and \$242,196 of these advances, respectively. As of December 31, 2023 such advances had been fully repaid.

Related Party Transaction Policy

Our audit committee charter provides that the audit committee will establish and periodically review policies and procedures for the review, approval and ratification of related person transactions (as defined in applicable SEC rules and regulations), review related person transactions, and oversee other related party transactions governed by applicable accounting standards.

On April 17, 2024, our audit committee and board approved the Jet.AI Related Party Transaction Policy, which establishes a framework for identifying, reviewing, and approving "Related Party Transactions", defined as a transaction, arrangement, or relationship, or any series of similar transactions, arrangements, or relationships in which the Company and any Related Party have a direct or indirect interest, including but not limited to sales or purchases of goods or services, loans or guarantees, leasing arrangements, compensation arrangements and joint ventures or investments.

A "Related Party" under the policy includes:

- Any person who is, or at any time since the beginning of the Company's last fiscal year was, a
- director, executive officer or employee of the Company (or its subsidiaries);
- Any stockholder owning 5% or more of the Company's voting securities;
- Any person or entity that controls, is controlled by, or under common control with the Company;
- Any entity in which a director or executive officer has a significant influence;
- Any other party with whom the Company has a close business relationship that could create a conflict of interest;
- Any immediate family member of any of the foregoing persons, including spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, and anyone (other than domestic employees) who shares such person's home.

The policy is administered by the Audit Committee. It provides for notification to the Corporate Secretary of the initiation or negotiation of any potential transaction involving a Related Party followed by an assessment by the Chairman and/or the Chief Financial Officer of materiality and potential for conflicts of interest and whether or not the transaction requires review by the audit committee under the policy. The audit committee is then responsible for reviewing and considering whether the transaction is conducted on arm's-length terms and in accordance with fair market value; whether the transaction is in the best interests of the Company and its stockholders; and any potential conflicts of interest that may arise from the transaction. The audit committee must approve the transaction prior to its initiation unless not practicable, in which case the audit committee may retrospectively review and ratify the transaction. The audit committee is also responsible for reviewing ongoing Related Party Transactions annually.

Prior to the adoption of this policy, it has generally been the Company's practice to obtain pre-approval from the audit committee for any related party transactions occurring subsequent to the Business Combination that our Interim Chief Executive Officer believes are significant. The transactions described under "– *Related Party Transactions in Connection with and Subsequent to the Business Combination – Maxim Payment and Settlement Agreement*" and "– *Related Party Transactions in Connection with and Subsequent to the Business Combination – Sponsor Settlement Agreement*" above were approved by the Oxbridge audit committee prior to the consummation of the Business Combination. The transactions described under "– *Related Party Transactions in Connection with and Subsequent to the Business Combination – Bridge Agreement*" above were pre-approved by our audit committee. The engagement described under "– *Related Party Transactions in Connection with and Subsequent to the Business Combination – Maxim Advisory Agreement*" was not approved by either the Board or the audit committee. The Placement Agreement described under "– *Related Party Transactions in Connection with and Subsequent to the Business Combination – Maxim Placement Agreement*" above was pre-approved by unanimous consent by the Board. Prior to the Business Combination, the audit committee of Oxbridge was responsible for approving transactions with the Sponsor, any officer, any director or their respective affiliates and for reviewing any payments made to such persons on a quarterly basis. The transactions described under "– *Related Party Transactions prior to the Business Combination – Oxbridge Related Party Transactions*" above were approved by the Oxbridge board of directors in connection with Oxbridge's IPO or, subsequent to the IPO, were approved by the Oxbridge audit committee.

Independent Directors

For a discussion of our independent directors and our audit, compensation and nominating and corporate governance committees, please see Item 10 above.

Item 14 Principal Accountant Fees and Services

The following table sets forth fees for all professional services rendered by Hacker Johnson to the Company for the years ended December 31, 2024 and 2023.

	Year ended December 31,	
	2024	2023
Audit fees	\$ 70,000	\$ 54,500
Audit-related fees	29,900	46,000
Total audit and audit-related fees	99,900	100,500
Tax fees	—	—
Other fees	—	—
Total fees	\$ 99,900	\$ 100,500

All services provided by Hacker Johnson are permissible under applicable laws and regulations. The audit committee charter provides that the audit committee is directly responsible, in its capacity as a committee of the Board, for the appointment, compensation, retention and oversight of the work of the outside auditor. In this regard, the audit committee will appoint, retain, compensate, evaluate and terminate, when appropriate, the outside auditor, who will report directly to the audit committee. The charter further provides that the audit committee will approve, or as permitted by the Board, pre-approve all audit and permissible non-audit services (other than de minimis non-audit services) to be provided by the outside auditor. The fees paid to Hacker Johnson shown in the table above were all approved in accordance with the audit committee charter and include:

Audit Fees — These are fees for professional services performed by Hacker Johnson for the audit of the Company and certain subsidiary companies, review of financial statements included in the Company's quarterly 10-Q filings, and services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees — These are fees for assurance and related services performed by Hacker Johnson that are reasonably related to the performance of the audit or review of the Company's financial statements. This includes: due diligence related to mergers and acquisitions; audits and reviews associated with registration statements related to mergers and acquisitions; other attestations by Hacker Johnson, including those that are required by statute, regulation or contract; and consulting on financial accounting/reporting standards and controls.

Tax Fees — These are fees for professional services performed by Hacker Johnson with respect to tax compliance and tax returns. This includes review of original and amended tax returns for the Company and its consolidated subsidiaries; refund claims, payment planning/tax audit assistance; tax compliance for employee benefit plans; and tax work stemming from "Audit-Related" items.

Other Fees — These are fees for other permissible work performed by Hacker Johnson that does not meet the above category descriptions. The fees cover other engagements that are permissible under applicable laws and regulations including sustainability efforts.

These services are actively monitored (both spending level and work content) by the Audit Committee to maintain the appropriate objectivity and independence in Hacker Johnson's core work, which is the audit of the Company's consolidated financial statements. The Audit Committee concluded that Hacker Johnson's provision of audit and non-audit services to the Company and its affiliates is compatible with Hacker Johnson's independence.

Part IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

- (a) See Index to Consolidated Financial Statements on Page 73 and Exhibit Index below.
- (b) See Exhibit Index below.
- (c) Not applicable.

Exhibit Index

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

Exhibit Number	Description
2.1	Business Combination Agreement and Plan of Reorganization, dated as of February 24, 2023, by and among Oxbridge, First Merger Sub, Second Merger Sub and Jet Token (incorporated by reference to Exhibit 2.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023).
2.2	Amendment No. 1 to Business Combination Agreement and Plan of Reorganization, dated May 11, 2023, by and among Oxbridge, First Merger Sub, Second Merger Sub and Jet Token (incorporated by reference to Exhibit 2.2 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023).
2.3#	Agreement and Plan of Merger and Reorganization dated as of February 13, 2025, by and among Jet.AI Inc., flyExclusive, Inc., FlyX Merger Sub, Inc., and Jet.AI SpinCo, Inc. (incorporated by reference to Exhibit 2.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on February 20, 2025).
3.1*	Certificate of Incorporation of Jet.AI Inc., as amended through November 12, 2024.
3.2*	Certificate of Designation of the Series A Convertible Preferred Stock of Jet.AI Inc., as amended through July 15, 2024.
3.3	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).
3.4*	Certificate of Designations of Series B Convertible Preferred Stock of Jet.AI Inc., as amended through February 14, 2025.
3.5*	Bylaws of Jet.AI Inc., as amended through August 5, 2024.
4.1	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).
4.2	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).
4.3	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).
10.1+	2023 Jet.AI Inc. Amended and Restated Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on September 26, 2024).
10.2+	Employment Offer Letter dated August 8, 2023 between George Murnane and Jet.AI Inc. incorporated by reference to Exhibit 10.12 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023).

- 10.3 + [Employment Offer Letter dated August 8, 2023 between Michael Winston and Jet.AI Inc. \(incorporated by reference to Exhibit 10.11 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023\).](#)
- 10.4+ [Employment Offer Letter dated July 11, 2023 between Patrick McNulty and Jet.AI Inc. \(incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1 \(File No. 333-274432\) of Jet.AI Inc. filed with the SEC on September 8, 2023\).](#)
- 10.5 [Share Purchase Agreement by and among Jet Token Inc., GEM Global Yield LLC SCS and GEM Yield Bahamas Limited, dated August 4, 2022 \(incorporated by reference to Exhibit 10.7 of Oxbridge Acquisition Corp.'s Form S-4/A \(File No. 333-270848\) filed with the SEC on May 11, 2023\).](#)
- 10.6 [Registration Rights Agreement by and among Jet Token Inc., GEM Global Yield LLC SCS and GEM Yield Bahamas Limited, dated August 4, 2022 \(incorporated by reference to Exhibit 10.8 of Oxbridge Acquisition Corp.'s Form S-4/A \(File No. 333-270848\) filed with the SEC on May 11, 2023\).](#)
- 10.7 [Form of Forward Purchase Agreement, dated August 6, 2023 \(incorporated by reference to Exhibit 10.1 of Oxbridge Acquisition Corp.'s Current Report on Form 8-K filed with the SEC on August 7, 2023\).](#)
- 10.8 [Form of FPA Funding Amount PIPE Subscription Agreement, dated August 6, 2023 \(incorporated by reference to Exhibit 10.2 of Oxbridge Acquisition Corp.'s Current Report on Form 8-K filed with the SEC on August 7, 2023\).](#)
- 10.9 [Forward Purchase Agreement Confirmation Amendment dated as of August 31, 2023 \(incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on September 1, 2023\).](#)
- 10.10 [Forward Purchase Agreement Confirmation Second Amendment, dated as of October 2, 2023, among Jet.AI Inc. and the other parties named therein \(incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on October 10, 2023\).](#)
- 10.11 [Settlement Agreement dated August 10, 2023 between Oxbridge Acquisition Corp. and Maxim Group LLC \(incorporated by reference to Exhibit 10.6 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023\).](#)
- 10.12 [Registration Rights Agreement dated August 10, 2023 between Oxbridge Acquisition Corp. and Maxim Group LLC \(incorporated by reference to Exhibit 10.7 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023\).](#)
- 10.13 [Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.4 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 14, 2023\).](#)
- 10.14 [Form of 2023 Warrant Exchange Agreement dated as of December 28, 2023 \(incorporated by reference to Exhibit 10.28 of Jet.AI's Current Report on Form 8-K filed with the SEC on January 3, 2024\).](#)
- 10.15 [Form of 2024 Warrant Exchange Agreement \(incorporated by reference to Exhibit 10.29 of Jet.AI's Current Report on Form 8-K filed with the SEC on January 17, 2024\).](#)
- 10.16 [Securities Purchase Agreement dated as of March 28, 2024 and Ionic Ventures, LLC \(incorporated by reference to Exhibit 10.30 of Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024\).](#)
- 10.17 [Voting Agreement dated as of March 29, 2024 by and among Jet.AI Inc. and certain stockholders \(incorporated by reference to Exhibit 10.31 of Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024\).](#)
- 10.18 [Registration Rights Agreement dated as of March 29, 2024 between Jet.AI Inc. and Ionic Ventures, LLC \(incorporated by reference to Exhibit 10.32 of Jet.AI's Annual Report on Form 10-K filed with the SEC on April 1, 2024\).](#)
- 10.19 [Placement Agency Agreement \(incorporated by reference to Exhibit 10.33 of Jet.AI's Current Report on Form 8-K filed with the SEC on April 19, 2024\).](#)
- 10.20 [Amendment No.1 to Settlement Agreement between Jet.AI Inc. and Maxim Group LLC \(incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on July 17, 2024\).](#)
- 10.21 [Settlement Agreement and Stipulation dated August 21, 2024 by and between Jet.AI Inc. and Sunpeak Holdings Corporation \(incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on August 30, 2024\).](#)
- 10.22 [Letter Agreement, dated September 24, 2024, between Jet.AI Inc. and Ionic Ventures, LLC \(incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on September 25, 2024\).](#)
- 10.23 [Letter Agreement, dated October 10, 2024, between Jet.AI Inc. and Ionic Ventures, LLC \(incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on October 10, 2024\).](#)
- 10.24 [Letter Agreement, dated October 18, 2024, between Jet.AI Inc. and Ionic Ventures, LLC \(incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on October 18, 2024\).](#)
- 10.25 [Form of Securities Purchase Agreement, dated October 10, 2024, between Jet.AI Inc. and certain institutional investors \(incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on October 11, 2024\).](#)

10.26	Form of Lock-Up Agreement, dated October 10, 2024 (incorporated by reference to Exhibit 10.3 of Jet.AI's Current Report on Form 8-K filed with the SEC on October 11, 2024)
10.27	Form of Securities Purchase Agreement, dated October 21, 2024, between Jet.AI Inc. and certain institutional investors (incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on October 22, 2024).
10.28	Equity Distribution Agreement, dated October 25, 2024, between Jet.AI Inc. and Maxim Group LLC (incorporated by reference to Exhibit 1.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on October 25, 2024).
10.29 [^]	Aircraft Purchase Agreement, dated October 31, 2024, between Galilee, LLC, a wholly-owned subsidiary of Jet.AI Inc., and Textron Aviation Inc. (incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on November 5, 2024).
10.30	Separation and Distribution Agreement dated as of February 13, 2025, by and among Jet.AI Inc., Jet.AI SpinCo, Inc., and flyExclusive, Inc. (incorporated by reference to Exhibit 10.1 of Jet.AI's Current Report on Form 8-K filed with the SEC on February 20, 2025).
10.31	Form of Stockholder Support Agreement (incorporated by reference to Exhibit 10.2 of Jet.AI's Current Report on Form 8-K filed with the SEC on February 20, 2025).
21.1*	List of Subsidiaries of Jet.AI Inc.
23.1*	Consent of Hacker Johnson & Smith PA.
31.1*	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.
31.2*	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.
32.1**	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.
32.2**	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.
97.1*	Jet.AI Inc. Clawback Policy.
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 and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

+ Management contracts.

Exhibits and/or schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby undertakes to furnish supplementally copies of any of the omitted exhibits and schedules upon request by the SEC; provided, however, that the registrant may request confidential treatment pursuant to Rule 24b-2 under the Exchange Act for any exhibits or schedules so furnished.

[^] Portions of this exhibit have been omitted as being both (i) not material and (ii) the type of information that the registrant treats as private or confidential. The Company agrees to furnish supplementally an unredacted copy of the exhibit to the Securities and Exchange Commission upon its request.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

JETA.I INC.

By: /s/ Mike Winston
Name: Mike Winston
Title: Executive Chairman and Interim Chief Executive Officer
(Principal Executive Officer)

Date: March 26, 2025

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mike Winston</u> Mike Winston	Executive Chairman and Interim Chief Executive Officer (Principal Executive Officer)	March 26, 2025
<u>/s/ George Murnane</u> George Murnane	Interim Chief Financial Officer and Director (Principal Financial Officer, Principal Accounting Officer)	March 26, 2025
<u>/s/ William Yankus</u> William Yankus	Director	March 26, 2025
<u>/s/ Wrendon Timothy</u> Wrendon Timothy	Director	March 26, 2025
<u>/s/ Lt. Col. Ran David</u> Lt. Col. Ran David	Director	March 26, 2025
<u>/s/ Donald Jeffrey Woods</u> Donald Jeffrey Woods	Director	March 26, 2025
<u>/s/ Ehud Talmor</u> Ehud Talmor	Director	March 26, 2025

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HACKER, JOHNSON & SMITH PA

Fort Lauderdale
Orlando
Tampa

Certified Public Accountants

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
Jet.AI Inc.
Las Vegas, Nevada:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Jet.AI Inc. (the "Company"), as of December 31, 2024 and 2023 and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended and the related notes and consolidated financial statement schedules (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a significant accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

500 North Westshore Boulevard, Post Office Box 20368, Tampa, Florida 33622-0368, (813) 286-2424

A Registered Public Accounting Firm

To the Shareholders and the Board of Directors
Jet.AI Inc.
Page Two

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
We have served as the Company's auditor since 2023.
Tampa, Florida
March 26, 2025

JETA.I INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,872,627	\$ 2,100,543
Accounts receivable	132,230	96,539
Other current assets	357,751	190,071
Prepaid offering costs	-	800,000
Total current assets	6,362,608	3,187,153
Property and equipment, net	5,055	7,604
Intangible assets, net	86,745	73,831
Right-of-use lease asset	1,048,354	1,572,489
Investment in joint venture	100,000	100,000
Deposit on aircraft	2,400,000	-
Deposits and other assets	794,561	798,111
Total assets	\$ 10,797,323	\$ 5,739,188
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 280,450	\$ 1,656,965
Accrued liabilities	1,663,338	2,417,115
Deferred revenue	1,319,746	1,779,794
Operating lease liability	525,547	510,034
Note payable, net	-	321,843
Notes payable - related party, net	-	266,146
Total current liabilities	3,789,081	6,951,897
Lease liability, net of current portion	495,782	1,021,330
Redeemable preferred stock	-	1,702,000
Total liabilities	4,284,863	9,675,227
Commitments and contingencies (Notes 2, 5, and 11)	-	-
Stockholders' Equity (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, 250 and 0 issued and outstanding	-	-
Common stock, 200,000,000 shares authorized, par value \$0.0001, 1,629,861 and 43,353 issued and outstanding	162	4
Subscription receivable	(6,724)	(6,724)
Additional paid-in capital	59,065,100	35,343,069
Accumulated deficit	(52,546,078)	(39,272,388)
Total stockholders' equity (deficit)	6,512,460	(3,936,039)
Total liabilities and stockholders' equity (deficit)	\$ 10,797,323	\$ 5,739,188

See accompanying notes to consolidated financial statements

JETA.I INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2024	2023
Revenues	\$ 14,022,628	\$ 12,214,556
Cost of revenues	14,987,245	12,393,089
Gross loss	(964,617)	(178,533)
Operating Expenses:		
General and administrative (including stock-based compensation of \$4,287,236, and \$6,645,891, respectively)	10,752,048	11,597,173
Sales and marketing	687,785	573,881
Research and development	162,152	160,858
Total operating expenses	11,601,985	12,331,912
Operating loss	(12,566,602)	(12,510,445)
Other expense (income):		
Interest expense	167,054	103,615
Other income	(221)	(116)
Total other expense	166,833	103,499
Loss before provision for income taxes	(12,733,435)	(12,613,944)
Provision for income taxes	-	2,464
Net Loss	\$ (12,733,435)	\$ (12,616,408)
Deemed dividend from warrant exchange offer	(540,255)	-
Cumulative preferred stock dividends	(109,303)	(46,587)
Net Loss to common stockholders	\$ (13,382,993)	\$ (12,662,995)
Weighted average shares outstanding - basic and diluted	279,201	28,119
Net loss per share - basic and diluted	\$ (47.93)	\$ (450.34)

See accompanying notes to consolidated financial statements

JETA.I INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Series B Preferred Stock		Common Stock		Subscription Receivable	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	-	-	19,799	2	(15,544)	27,407,815	(26,655,980)	736,293
Stock-based compensation	-	-	662	-	-	6,645,891	-	6,645,891
Sale of Common Stock for cash	-	-	293	-	(86,370)	1,598,630	-	1,512,260
Receipt of subscription receivable	-	-	-	-	95,190	-	-	95,190
Offering costs	-	-	-	-	-	(437,665)	-	(437,665)
Recapitalization	-	-	19,977	2	-	(2,128,547)	-	(2,128,545)
Issuance of Common Stock upon exercise of warrants	-	-	400	-	-	1,035,000	-	1,035,000
Issuance of Common Stock pursuant to Forward Purchase Agreement	-	-	2,222	-	-	1,221,945	-	1,221,945
Net loss	-	-	-	-	-	-	(12,616,408)	(12,616,408)
Balance at December 31, 2023	-	\$ -	43,353	\$ 4	\$ (6,724)	\$ 35,343,069	\$ (39,272,388)	\$ (3,936,039)
Stock-based compensation	50	-	25,889	3	-	4,287,233	-	4,287,236
Sale of Common Stock for cash	-	-	976,372	97	-	11,849,909	-	11,850,006
Issuance of Common Stock for settlement of accounts payable and accrued liabilities	-	-	162,481	16	-	2,916,882	-	2,916,898
Issuance of Common Stock from warrant exchange	-	-	53,528	5	-	540,250	(540,255)	-
Issuance of Common Stock upon exercise of warrants	-	-	6,891	1	-	742,473	-	742,474
Series A Preferred Stock conversion	-	-	10,166	1	-	550,999	-	551,000
Sale of Series B Convertible Preferred Units	150	-	1,111	-	-	1,500,025	-	1,500,025
Issuance of Series B Preferred Stock upon exercise of warrants	400	-	-	-	-	4,000,000	-	4,000,000
Series B Preferred Stock conversion	(350)	-	293,184	29	-	(29)	-	-
Offering costs	-	-	56,886	6	-	(2,665,711)	-	(2,665,705)
Net loss	-	-	-	-	-	-	(12,733,435)	(12,733,435)
Balance at December 31, 2024	250	\$ -	1,629,861	\$ 162	\$ (6,724)	\$ 59,065,100	\$ (52,546,078)	\$ 6,512,460

See accompanying notes to consolidated financial statements

JETA.I INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (12,733,435)	\$ (12,616,408)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization and depreciation	2,557	135,251
Amortization of debt discount	80,761	87,989
Stock-based compensation	4,287,236	6,645,891
Non-cash operating lease costs	524,135	509,079
Changes in operating assets and liabilities:		
Accounts receivable	(35,691)	(96,539)
Other current assets	(167,680)	167,790
Accounts payable	740,383	366,594
Accrued liabilities	46,223	665,426
Deferred revenue	(460,048)	846,433
Operating lease liability	(510,035)	(494,979)
Net cash used in operating activities	<u>(8,225,594)</u>	<u>(3,783,473)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(4,339)
Purchase of intangible assets	(12,922)	(51,524)
Investment in joint venture	-	(100,000)
Deposit on aircraft	(2,400,000)	-
Deposits and other assets	3,550	(35,135)
Net cash used in investing activities	<u>(2,409,372)</u>	<u>(190,998)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable, net of discount	-	275,000
Proceeds from related party notes payable, net of discount	-	225,000
Repayments of notes payable	(371,250)	-
Repayments of related party notes payable	(297,500)	-
Redemption of Series A and Series A-1 Preferred Stock	(1,151,000)	-
Offering costs	(1,865,705)	(437,665)
Proceeds from exercise of common stock warrants	742,474	1,035,000
Proceeds from exercise of Series B Preferred Stock warrants	4,000,000	-
Proceeds from sale of Series B Preferred Stock	1,500,025	-
Proceeds from sale of Common Stock	11,850,006	2,829,395
Proceeds from business combination	-	620,893
Net cash provided by financing activities	<u>14,407,050</u>	<u>4,547,623</u>
Increase in cash and cash equivalents	3,772,084	573,152
Cash and cash equivalents, beginning of year	2,100,543	1,527,391
Cash and cash equivalents, end of year	<u>\$ 5,872,627</u>	<u>\$ 2,100,543</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 167,054	\$ -
Cash paid for income taxes	\$ -	\$ 2,464
Non cash financing activities:		
Issuance of Common Stock for settlement of accounts payable	<u>\$ 2,116,898</u>	<u>\$ -</u>
Issuance of Common Stock from warrant exchange	<u>\$ 540,255</u>	<u>\$ -</u>
Issuance of Common Stock for Series A Preferred Stock conversion	<u>\$ 551,000</u>	<u>\$ -</u>
Issuance of Common Stock for Series B Preferred Stock conversion	<u>\$ 29</u>	<u>\$ -</u>
Issuance of Common Stock for offering costs	<u>\$ 175,500</u>	<u>\$ -</u>
Decrease in prepaid offering costs and accrued liabilities from issuance of common stock	<u>\$ 800,000</u>	<u>\$ -</u>
Subscription receivable from sale of Common Stock	<u>\$ -</u>	<u>\$ 86,370</u>
Increase in accounts payable due to Business Combination	<u>\$ -</u>	<u>\$ 1,047,438</u>
Increase in redeemable preferred stock due to Business Combination	<u>\$ -</u>	<u>\$ 1,702,000</u>
Increase in prepaid offering costs and accounts payable	<u>\$ -</u>	<u>\$ 800,000</u>
Discounts issued with notes payable	<u>\$ -</u>	<u>\$ 168,750</u>

See accompanying notes to consolidated financial statements

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 (the “Business Combination Agreement”) 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, the Company was domesticated and continues as a Delaware corporation (the “Domestication”) and immediately changed its name to Jet.AI, Inc. (“Jet.AI” or the “Company”). Following the Business Combination, the Company has one class of common stock, par value \$0.0001 per share, which was then listed on The Nasdaq Global Market (“Nasdaq”) under the ticker symbol “JTAI”. The Company also had two forms of publicly traded warrants, being its five-year redeemable warrants (the “Redeemable Warrants”) issued in connection with the Company’s initial public offering and its ten-year merger consideration warrants (the “Merger Consideration Warrants”) issued in connection with the Business Combination. The Redeemable Warrants and the Merger Consideration Warrants at the Closing Date were 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 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 “Jet.AI 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 Jet.AI 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 Jet.AI Common Stock; (c) each then issued and outstanding Oxbridge Warrant was converted automatically into a warrant to purchase one share of Jet.AI Common Stock pursuant to the Warrant Agreement (“Jet.AI Warrant”); and (d) each then issued and outstanding Oxbridge Unit was converted automatically into a Jet.AI Unit, each consisting of one share of Jet.AI Common Stock and one Jet.AI 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 Jet.AI Common Stock equal to the Stock Exchange Ratio of 0.03094529, and (y) the number of “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.AI 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 Jet.AI 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.AI 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.

During the next twelve months, the Company intends to fund its operations with capital from its operations, drawdowns under its Share Purchase Agreement with GEM Yield LLC SCS and GEM Yield Bahamas Limited, proceeds from the exercise of warrants under its Securities Purchase Agreement with Ionic Ventures, LLC and other sales of debt or equity securities. Additionally, the Company may explore other potential sources of outside capital. The Company could, if necessary, 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's board of directors;
- 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."

Reverse Stock Split

On November 12, 2024, the Company effected a reverse common stock split of the Company's issued and outstanding shares of common stock at a ratio of one-for-225. On the effective date, every 225 shares of common stock issued and outstanding were combined into one issued share of common stock. In addition, the aggregate number of equity-based awards that remain available to be granted under the Company's equity compensation plans was decreased proportionately and proportionate adjustments were made to the per share exercise price and the number of shares issuable upon the exercise of outstanding stock options, as applicable, as well as to the number of shares that would be owned upon vesting and settlement of restricted stock units and other equity-based awards, as applicable. Similar proportionate adjustments were also made to the outstanding warrants. No fractional shares were issued as a result of the reverse stock split and any fractional shares resulting from the reverse stock split were rounded down to the nearest number of whole shares so that we issued cash in lieu of any fractional shares that such stockholder would have received as a result of the reverse stock split. In accordance with ASC 260-10-55-12, the Company has adjusted the number of shares, per-share computations and the computations of basic and diluted EPS retroactively for all periods presented in the consolidated financial statements and related notes.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Jet.AI and its wholly owned subsidiaries, Summerlin Aviation LLC, Jet Token Software Inc., Jet Token Management Inc., Galilee LLC and Galilee 1 SPV LLC. 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 consolidated 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 to date, has only generated limited revenue from intended operations. The Company's business and operations are sensitive to general business and economic conditions in the United States (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, adverse macro-economic conditions, 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 purposes 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 December 31, 2024 and 2023.

Offering Costs

The Company complies with the requirements of ASC 340, Other Assets and Deferred Costs, 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' equity (deficit) upon the completion of an offering or to expenses 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 year. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. As of December 31, 2024 and 2023, property and equipment consisted entirely of equipment which is being depreciated over a three-year period.

Internal Use Software

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, Intangibles-Goodwill and Other-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 December 31, 2024 and 2023, the Company has capitalized approximately \$398,000 of internal software related costs, which is included in intangible assets in the accompanying consolidated balance sheets. Amortization expense for the years ended December 31, 2024 and 2023 was \$0 and \$99,527, respectively, and is included in cost of revenues in the accompanying consolidated statements of operations. Accumulated amortization as of December 31, 2024 and 2023 was \$398,000.

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.

Allowance for Credit Losses

The Company recognizes an expected allowance for credit losses with respect to its accounts receivable. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. Accounts receivable are evaluated individually for impairment. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in operations or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. No allowance for credit losses was considered necessary at December 31, 2024 and 2023.

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 360-10, Impairment and Disposal of Long-Lived Assets. ASC 360-10 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 should 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 is required. Long-lived assets or asset groups that meet the criteria in ASC 360-10 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, Revenue from Contracts with Customers, 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 Company's 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 December 31, 2024 and 2023, the Company deferred \$1,091,235 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 sources, negotiates, and arranges 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 Aviation markets charters on the Company's aircraft for the Company's benefit. Deferred revenue with respect to the App was \$212,278 and \$268,818 as of December 31, 2024 and 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. Deferred revenue with respect to the management of aircraft was \$16,233 and \$0 as of December 31, 2024 and 2023, respectively.

The following is a breakout of revenue components by subcategory for the years ended December 31, 2024 and 2023.

	Year Ended December 31,	
	2024	2023
Software App and Cirrus Charter	\$ 8,128,997	\$ 7,125,230
Jet Card and Fractional Programs	2,288,036	2,847,533
Management and Other Services	3,605,595	2,241,793
	<u>\$ 14,022,628</u>	<u>\$ 12,214,556</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.

Aircraft Sales

The Company acquires aircraft from vendors and various other third-party sellers in the private aviation industry. The Company 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 years ended December 31, 2024 and 2023.

Pass-Through Costs

In applying the guidance of ASC 606, the Company recognizes revenue when a 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, each of which is discussed below.

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 statements of operations 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 statements of operations 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 statements of operations 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 statements of operations 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 statements of operations 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 \$687,785 and \$573,881 for the years ended December 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. 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 and files tax returns in the U.S. Federal jurisdiction and Nevada state jurisdiction. The Company is subject to potential 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 EPS 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 the diluted EPS calculations. For the years ended December 31, 2024 and 2023, there were 22,668 and 16,268 options, 9,686 and 115,444 warrants to purchase common stock, and 208,176 and 0 common shares issuable upon conversion of Series B Preferred Stock, respectively, excluded.

Concentration of Credit Risk

The Company maintains its cash with several major U.S. financial institutions which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, however 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 (the “CODM”), or decision-making group, in making decisions regarding resource allocation and performance assessment. The CODM is the Company’s chief executive officer. The Company determined that the Company operates in a single operating and reportable segment, private aviation services, as the CODM 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 United States and revenue from private aviation services is substantially earned from flights throughout the United States.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, “Improvements to Income Tax Disclosures.” ASU 2023-09 requires disclosure of specific categories in the income tax rate reconciliation and requires additional information for reconciling items that meet a quantitative threshold. The standard requires an annual disclosure of income taxes paid, net of refunds received, disaggregated by federal, state and foreign taxes and to disaggregate the information by jurisdiction based on a quantitative threshold. The standard is effective for fiscal years beginning after December 15, 2024 and early adoption is permitted. The Company does not expect the adoption of the standard to have a material impact on its disclosures.

In November 2024, the FASB issued ASU 2024-03, “Expense Disaggregation Disclosures.” ASU 2024-03 requires disclosure to disaggregate prescribed expenses within relevant statement of operations captions. The standard is effective for fiscal years beginning after December 15, 2026 and for interim periods after December 15, 2027. Early adoption is permitted. The Company is evaluating the impact of the changes to its existing disclosures.

NOTE 3 – OTHER ASSETS

Other assets consisted of the following:

	December 31,	
	2024	2023
Deposits	\$ 104,811	\$ 108,361
Lease Maintenance Reserve	689,750	689,750
Total Other Assets	\$ 794,561	\$ 798,111

NOTE 4 – NOTES PAYABLE*Bridge Agreement*

On September 11, 2023, the Company entered into a binding term sheet (the “Bridge Agreement”) with eight investors whereby the investors purchased senior secured promissory notes (the “Bridge Notes”) from the Company in the aggregate principal amount of \$625,000, which included \$281,250 from related parties.

The Company received net proceeds from the sale of the Bridge Notes of \$500,000, resulting in an original issue discount of \$112,500. The notes accrued interest at five percent (5%) per annum and matured on March 11, 2024. The Company recognized a debt discount of \$168,250 from the Bridge Notes, of which \$77,625 and \$90,625 was amortized during the years ended December 31, 2024 and 2023, respectively. Interest expense was \$79,314 and \$103,615 for the years ended December 31, 2024 and 2023, respectively.

These Bridge Notes and accrued interest payable were fully repaid during the year ended December 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 sheets.

Total lease expense for the years ended December 31, 2024 and 2023 was \$1,357,520 and \$1,192,184, 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 leases was recorded in the consolidated balance sheets as follows:

	December 31,	
	2024	2023
Operating lease right-of-use asset	\$ 2,576,036	\$ 2,576,036
Accumulated amortization	(1,527,682)	(1,003,547)
Net balance	<u>\$ 1,048,354</u>	<u>\$ 1,572,489</u>
Lease liability, current portion	\$ 525,547	\$ 510,034
Lease liability, long-term	495,782	1,021,330
Total operating lease liabilities	<u>\$ 1,021,329</u>	<u>\$ 1,531,364</u>

As of December 31, 2024, the weighted average remaining lease term was 1.8 years, and the weighted average discount rate was 3%.

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

2025	549,000
2026	503,250
Total future minimum lease payments	<u>1,052,250</u>
Less imputed interest	(30,921)
Maturities of lease liabilities	<u>\$ 1,021,329</u>

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 when the Business Combination was effected. 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 on Nasdaq.

During the year ended December 31, 2024, the Company issued 58,447 shares of common stock pursuant to the agreement for total consideration of approximately \$2.5 million.

The Company 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 and which fee was satisfied in October 2024 through the issuance of 36,886 shares of common stock.

Pursuant to the Share Purchase Agreement, the Company issued to GEM a warrant (the "GEM Warrant") granting it the right to purchase up to 9,686 shares of common stock of the Company on a fully diluted basis. The GEM Warrant was issued with an exercise price of \$1,935.00 and a term of three years. The GEM Warrant included an adjustment mechanism, whereby the exercise price is subject to adjustment from time to time. Pursuant to the Warrant, on the first anniversary following the Public Listing Date as defined in the GEM Warrant (the "Adjustment Date"), if all or any portion of the GEM Warrant remains unexercised and the average closing price of the Company's common stock for the 10 trading days following the Adjustment Date is less than 90% of the then current exercise price of the warrant (the "Baseline Price"), then the exercise price of the unexercised Warrant Shares that remain exercisable pursuant to the Warrant shall be adjusted to 110% of the Baseline Price. Accordingly, the warrant exercise price was reduced to \$14.12 per share as of December 31, 2024.

On August 4, 2022, the Company 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 GEM Warrant. Because that registration statement was not declared effective by October 23, 2023 (the "Effectiveness Deadline"), the Company may be obligated to pay GEM an amount equal to \$10,000 for each day following the Effectiveness Deadline until the registration statement has been declared effective subject to a \$300,000 cap 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 December 31, 2024 and 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 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 61 days after such notice is delivered to the Company.

Forward Purchase Agreement

On August 6, 2023, Oxbridge entered into an agreement (the “Forward Purchase 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”) 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 in this description but not otherwise defined have the meanings ascribed to such terms in the Forward Purchase Agreement.

Pursuant to the terms of the Forward Purchase Agreement, Seller intended, but was not obligated, to purchase up to 5,275 (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”). The number of shares subject to the Forward Purchase Agreement was 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 was to pay one-half (1/2) of the Prepayment Shortfall to Counterparty on the Prepayment Date (which amount was 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 related to the Business Combination effective (the “Registration Statement Effective Date”), provided the VWAP Price is greater than \$1,350.00 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 and had the right to 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”), all 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 2,949 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 1,101 “Additional Shares” directly from the Company for a per share price of \$2,250.00 pursuant to a subscription agreement entered into on August 6, 2023 (the “FPA Funding Amount PIPE Subscription Agreement”). Of the shares it purchased, 222 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 3,828, comprising 2,727 “Recycled Shares” and 1,101 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 the 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 2,436 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 1,222 shares of the Company’s common stock,
- reduce the remaining number of Recycled Shares to 1,318;
- increase the number of shares subject to the Forward Purchase Agreement to 4,421; 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 \$450 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 Meteora 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 5,275 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 1,200 shares of Jet.AI 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 Jet.AI 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 Jet.AI Common Stock issuable upon conversion of the Series A Preferred Shares were subject to mandatory redemption on August 10, 2024, which was automatically extended by an additional three months as the Company did not complete one or more equity financings prior to such date 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 were required to be used to redeem the Series A Preferred Shares.

In July 2024, the Company and Maxim entered into an amendment to the Maxim Settlement Agreement and agreed to, among other things, amend the definition of the “Series A Conversion Price” for the Series A Preferred Shares and certain restrictions with respect to shares of Company common stock Maxim may acquire upon the conversion of its shares of Series Preferred Stock.

During the year ended December 31, 2024, the Company issued 10,166 shares of Common Stock upon the conversion of 551 Series A Preferred Shares. In November 2024, the Company redeemed in full all of the remaining 576 Series A Preferred Shares for an aggregate redemption price of \$663,740, which included cumulative unpaid preferred stock dividends totaling \$87,740. As a result of this redemption there are no Series A Preferred Shares issued and outstanding as of December 31, 2024.

Sponsor Settlement Agreement

On August 10, 2023, Jet Token, Oxbridge, and OAC Sponsor Ltd. (the “Sponsor”) entered into a settlement agreement (the “Sponsor Settlement Agreement”). Pursuant to the Sponsor Settlement Agreement, the Company issued 575 shares of the Company’s 5% Series A-1 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 Jet.AI Common Stock issuable upon conversion of the Series A-1 Preferred Shares were subject to mandatory redemption on August 10, 2024, which was automatically extended by an additional three months as the Company did not complete one or more equity financings prior to such date 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 were required to be used to redeem the Series A-1 Preferred Shares.

In August 2024, Sponsor agreed to waive certain notice and redemption rights in favor of Sponsor pursuant to terms of the Series A-1 Preferred Convertible Stock held by Sponsor related to equity financings conducted by the Company in consideration of a \$100,000 fee which was paid in full in October 2024.

In October 2024, the Company redeemed in full all of the 575 issued and outstanding Series A-1 Preferred Shares for an aggregate redemption price of \$575,000. As a result of this redemption there are no Series A-1 Preferred Shares issued and outstanding as of December 31, 2024.

Sunpeak Settlement Agreement

On August 21, 2024, the Company entered into a Settlement Agreement and Stipulation, effective on August 28, 2024 (the “Sunpeak Settlement Agreement”), with Sunpeak Holdings Corporation (“SHC”) to settle outstanding claims owed to SHC. Pursuant to the Sunpeak Settlement Agreement, SHC agreed to purchase certain outstanding payables between the Company and designated vendors of the Company totaling approximately \$2.1 million (the “SHC Claims”) and agreed to exchange the SHC Claims for shares of Common Stock (the “Settlement Shares”). The Company also agreed to issue to SHC an additional 444 shares of Common Stock pursuant to Section 3(a)(10) of the Securities Act of 1933, as amended, in accordance therewith as a settlement fee. The settlement fee was recorded to General and Administrative expenses as stock-based compensation based on the fair value of the shares of \$33,800.

During the year ended December 31, 2024, the Company issued 162,481 shares of common stock for settlement of approximately \$2.1 million in SHC Claims under the Sunpeak Settlement Agreement.

Textron Aircraft Purchase Agreement

On October 31, 2024, the Company entered into an aircraft purchase agreement with Textron Aviation Inc. (“Textron”), for the purchase of three Cessna Citation CJ4 aircraft (the “CJ4 Aircraft”). Under the aircraft purchase agreement, the Company may purchase from Textron specifically configured CJ4 Aircraft at prevailing market rates whereby the aggregate purchase price could be approximately \$40.5 million. The aircraft are expected to be delivered in the third and fourth quarter of 2026. The Company made deposits totaling \$2.4 million under the purchase agreement through December 31, 2024, and will be required to make additional deposits totaling \$3.2 million during 2025.

Engagement Letter with Maxim Group LLC

On December 4, 2024, the Company entered into an engagement letter (the “Maxim Engagement Letter”) with Maxim Group LLC. (“Maxim”), pursuant to which the Company engaged Maxim to serve as its exclusive financial advisor with respect to one or more potential business combinations involving the Company for a period of seven months. Pursuant to the Maxim Engagement Letter, the Company agreed to pay Maxim a non-refundable stock fee of 25,000 shares (the “Retainer”) which were issued upon execution of the engagement letter. The shares were recorded to General and Administrative expenses as stock-based compensation based on the fair value of the shares of \$95,000.

If the Company consummates a Transaction with a Potential Buyer, then Maxim shall receive a fee (the “Success Fee”) of \$500,000 upon the closing of the Transaction. In the event that the Company enters into an agreement with respect to a Transaction during the term of this Agreement that is subsequently terminated, and the Company becomes entitled to a break-up, termination, topping, expense reimbursement or similar fee or payment (including any judgment for damages or amount in settlement of any dispute as a result of such termination, or any profit on any stock acquired from, or stock option granted by, any party to such transaction), a fee (the “Break-up Fee”) equal 25% of all such amounts, payable promptly upon receipt of such amounts by the Company. In addition to the Retainer, Success Fee and Break-up Fee payable pursuant to the Maxim Engagement Letter, and regardless of whether any Transaction is proposed or consummated, the Company shall reimburse Maxim for all reasonable travel, food, lodging and other out-of-pocket expenses incurred in connection with the services performed by Maxim pursuant to Maxim Engagement Letter promptly after submission of such properly evidenced expenses to the Company.

NOTE 6 – STOCKHOLDERS’ EQUITY

Common Stock and Preferred Stock

Under the Amended and Restated Certificate of Incorporation of the Company, as amended, the Company is authorized to issue up to 204,000,000 shares, consisting of two classes: 200,000,000 shares of common stock, \$0.0001 par value per share, and 4,000,000 shares of preferred stock, \$0.0001 par value per share, of which 5,000 shares of preferred stock have been designated as Series B Convertible Preferred Stock, par value \$0.0001 (“Series B Preferred Stock”). As of December 31, 2024, there were no issued and outstanding shares of Series A and Series A-1 Preferred Stock, and 250 issued and outstanding shares of Series B Preferred Stock.

Upon the consummation of the Business Combination, 20,103 shares of Jet.AI Common Stock and 31,984 Merger Consideration Warrants were issued to the Historical Rollover Shareholders (as defined in the Business Combination Agreement) 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 14,598 shares of Common Stock in respect of Jet.AI Options issued in exchange for outstanding pre-merger Jet Token Options, and 662 shares of Jet.AI Common Stock and 1,053 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 entitled the holder to purchase one whole share of the Company’s common stock at a price of \$3,375 per share and were to expire ten years after issuance.

In addition, in connection with the Business Combination, the Jet.AI Board adopted the 2023 Omnibus Incentive Plan (the “2023 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 2023 Plan is a continuation of the 2018 Plan and 2021 Plan (each as defined below), which were assumed from Jet Token and amended, restated and re-named into the form of the 2023 Plan effective as of the consummation of the Business Combination.

On October 10, 2024, the Company entered into Securities Purchase Agreements (the “First Purchase Agreement”) with institutional investors for the sale of 118,518 shares of common stock at a per share price of \$20.25. The closing of the offering occurred on October 11, 2024. In connection with offering, the Company entered into a placement agency agreement with Maxim, pursuant to which the Company agreed to pay Maxim (as the placement agent) an aggregate fee equal to 7.0% of the aggregate gross proceeds received by the Company from the sale of the shares in the offering. The Company also agreed to reimburse Maxim for certain expenses in an amount up to \$100,000. The gross proceeds from the offering were approximately \$2.4 million, before deducting the placement agent’s fees and other estimated offering expenses payable by the Company of approximately \$300,000.

On October 21, 2024, the Company entered into Securities Purchase Agreements (the “Second Purchase Agreement”) with institutional investors for the sale of 69,444 shares of common stock at a per share price of \$21.60. The closing of the offering occurred on October 21, 2024. In connection with offering, the Company entered into a placement agency agreement with Maxim, pursuant to which the Company agreed to pay Maxim (as the placement agent), an aggregate fee equal to 7.0% of the aggregate gross proceeds received by the Company from the sale of the shares in the offering. The Company also agreed to reimburse Maxim for certain expenses in an amount up to \$25,000. The gross proceeds from the offering were approximately \$1.5 million, before deducting the placement agent’s fees and other estimated offering expenses payable by the Company of approximately \$150,000.

On October 25, 2024, the Company entered into an Equity Distribution Agreement (“ATM Sales Agreement”) with Maxim, which provides for the sale, in our sole discretion, of shares of our common stock through Maxim, as our sales agent. In accordance with the terms of the ATM Sales Agreement, the Company may offer and sell shares of our common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$5,400,000. We pay a commission of up to 3% of gross sales proceeds of any common stock sold under the ATM Sales Agreement. The Company sold 729,963 shares for gross proceeds of \$5.4 million, before deducting placement agent’s fees and other estimated offering expenses payable by the Company of approximately \$202,000.

On November 14, 2024, the Company issued 20,000 shares of common stock for offering costs. The fair value of the shares of \$175,500 was recorded to stockholders’ deficit as a reduction of additional paid-in capital.

Warrant Exchange

On July 30, 2024, the Company completed an exchange offer relating to its previously outstanding Redeemable Warrants, Merger Consideration Warrants, and private placement warrants (the “Private Placement Warrants”), whereby the holders of the Redeemable Warrants and Private Placement Warrants were offered 0.3054 shares of common stock, and holders of Merger Consideration Warrants were offered 1.0133 shares of common stock, in exchange for each outstanding warrant tendered (the “Warrant Exchange Offer”). In connection with the closing of the Warrant Exchange Offer, a total of 42,597 shares of common stock were issued in exchange for 87,644 warrants. Pursuant to an amendment to the warrant agreement with respect to each class of warrants approved by the holders in connection with the Warrant Exchange Offer, on September 9, 2024, the 14,764 outstanding warrants that were not tendered in the exchange were exchanged for 10,938 shares of common stock. There were no Redeemable Warrants, Merger Consideration Warrants, or Private Placement Warrants outstanding as of December 31, 2024.

As a result of these transactions, the Company recognized a deemed dividend of \$540,255 from the excess of the fair value of the common stock over the fair value of the warrants immediately prior to the exchange.

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 Preferred Stock, a warrant to purchase up to 1,500 shares of Series B Preferred Stock with an exercise price of \$10,000 per share, and 1,111 shares of Jet.AI Common Stock for net proceeds of \$1,345,025 after deducting offering costs of \$155,000.

Each share of Series B Preferred Stock is convertible into a number of shares of Jet.AI 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 could not 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 as of the closing date. At the annual meeting of stockholders held on September 24, 2024, the Company’s stockholders approved a proposal that served to remove the 19.9% limitation.

Subject to the limitations set forth in the preceding paragraph and provided there is an effective registration statement covering Ionic’s resale of the Jet.AI Common Stock underlying the Series B Preferred Stock, shares of Series B Preferred Stock will automatically convert into shares of Jet.AI 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. Pursuant to the terms of the Placement Agency Agreement, the Company agreed to 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 at closing. From time to time as 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.

On September 24, 2024, the Company and Ionic entered into a letter agreement (the “Letter Agreement”) that set forth certain understandings and agreements among the Company and Ionic related to the Securities Purchase Agreement. Under the Letter Agreement, Ionic agreed to refrain from taking action to protect its legal rights under the Securities Purchase Agreement. In consideration for the waiver, the Company agreed to a release of Ionic and its affiliates and issued to Ionic 50 additional shares of Series B Preferred Stock. The share issuance was recorded to General and Administrative expenses as stock-based compensation based on the fair value of the equivalent common shares on the issuance date of \$459,000.

On October 10, 2024, the Company and Ionic entered into a second letter agreement (the “Second Letter Agreement”) that set forth certain understandings and agreements among the Company and Ionic related to the Securities Purchase Agreement described in Note 5. Under the Second Letter Agreement, Ionic agreed to refrain from taking action to protect its legal rights under the Securities Purchase Agreement, and the related documents and agreements among the parties, related to certain actions and transactions identified in the Second Letter Agreement. In consideration of Ionic’s consent, the Company has agreed to, among other things, change the Conversion Measurement Period (as defined in the Certificate of Designations) for the 200 shares of Series B Convertible Preferred Stock that Ionic held as of the date of the Second Letter Agreement to begin on March 28, 2024 and to end in accordance with the Certificate of Designations.

On October 18, 2024, the Company and Ionic entered into a third letter agreement (the “Third Letter Agreement”) that set forth certain understandings and agreements among the Company and Ionic related to the Securities Purchase Agreement described in Note 5. Under the Third Letter Agreement, Ionic agreed to refrain from taking action to protect its legal rights under the Securities Purchase Agreement, and the related documents and agreements among the parties, related to a transaction that may be effected utilizing the registration statement on Form S-3 (File No. 333-281578) as generally identified in the Third Letter Agreement. In consideration for Ionic’s consent, the Company agreed to, among other things, change the Conversion Measurement Period (as defined in the Certificate of Designations) for the first 200 shares of Series B Convertible Preferred Stock that Ionic would hold upon exercise of the Ionic Warrant, to begin on March 28, 2024 and to end in accordance with the Certificate of Designations for the Series B Preferred Stock.

In November and December 2024, the Company issued 400 shares of Series B Preferred Stock from the exercise of 400 Series B Preferred warrants for gross proceeds of \$4,000,000 before deducting offering costs of \$280,000.

During the year ended December 31, 2024, the Company issued 293,184 shares of common stock for the conversion of 350 shares of Series B Convertible Preferred Stock.

Regulation A offerings

In June 2021, the Company undertook another Regulation A, Tier 2 offering for which it was selling up to 4,012 non-voting common stock at \$5,400 per share for a maximum of \$21,880,000. During the year ended December 31, 2023, the Company issued an additional 293 shares of non-voting common stock under the Regulation A, Tier 2 campaign for aggregate gross proceeds of \$1,598,630, with \$6,724 of these proceeds pending release from escrow at December 31, 2024.

Share Repurchase Program

On November 13, 2024, the Company’s Board of Directors authorized and approved a share repurchase program (the “Share Repurchase Program”) pursuant to which the Company may repurchase up to \$2 million of the Company’s outstanding shares of common stock from time to time through December 31, 2025. The Company may buy back its common stock from time to time, in amounts, at prices, and at such times as the Company deems appropriate, subject to market conditions, pursuant to Rule 10b-18 of the Securities Exchange Act of 1934, and federal and state laws governing such transactions, through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades, accelerated share repurchase transactions, purchases through 10b5-1 trading plans, or by any combination of such methods. The Share Repurchase Program does not obligate the Company to acquire any specific number of shares and may be modified, discontinued, or suspended at any time. As of December 31, 2024, no shares had been repurchased under the Share Repurchase Program.

Stock Options

In connection with the Business Combination, the Company adopted the 2023 Plan. The 2023 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 2023 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 2023 Omnibus Incentive Plan effective as of the consummation of the Business Combination. In September 2024, the 2023 Plan was amended to increase the number of shares of common stock authorized under the 2023 Plan to 10,933 shares and to eliminate the automatic share replenishment provision. As of December 31, 2024, the total number of shares reserved for issuance under the Omnibus Incentive Plan was 10,933 shares. 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 Jet.AI Common Stock. As of December 31, 2024, the total number of shares reserved for issuance under the 2018 Plan was 10,301. The 2018 Plan is administered by the Board.

In August 2021, the Board 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 688 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 2,063. 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 Board, and expires ten years after adoption, unless terminated by the Board.

During the year ended December 31, 2023, the Company granted a total of 2,038 stock options to purchase common stock to various employees, advisors and consultants. The options have a ten-year life and weighted average exercise price of \$880.41. Approximately 190 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 \$2,113,000, which will be recognized over the vesting period.

During the year ended December 31, 2024, the Company granted a total of 6,400 stock options to purchase common stock and 485 restricted stock units to various employees, advisors and consultants. The options have a ten-year life and an exercise price ranging from \$22.75 to \$24.35. Approximately 3,958 of the options were immediately vested on the grant date, while the remaining options vest in monthly tranches over a three-year period. The options had a grant date fair value of approximately \$115,000, which will be recognized over the vesting period. The 485 restricted stock units were immediately vested on the grant date.

A summary of our stock option activity for the years ended December 31, 2024 and 2023, is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2022	14,299	\$ 1,457.73	8.06
Granted	2,038	880.41	10.00
Exercised	-	-	-
Expired/Cancelled	(69)	2,345	-
Outstanding at December 31, 2023	<u>16,268</u>	<u>\$ 1,381.64</u>	<u>7.40</u>
Granted	6,400	23.74	10.00
Exercised	-	-	-
Expired/Cancelled	-	-	-
Outstanding at December 31, 2024	<u>22,668</u>	<u>\$ 998.26</u>	<u>7.32</u>
Exercisable at December 31, 2024	<u>14,513</u>	<u>\$ 1,555</u>	<u>6.70</u>

The Company estimates the fair value of stock options that contain service and/or performance conditions using the Black-Scholes option pricing model. The range of input assumptions used by the Company were as follows:

	December 31,	
	2024	2023
Expected life (years)	6	6 to 10
Risk-free interest rate	3.55% - 3.95%	3.55% - 4.55%
Expected volatility	90%	90%
Annual dividend yield	0%	0%
Per share grant date fair value	\$ 18.19	\$ 1,036.57

The Company recognizes stock option forfeitures as they occur as there is insufficient historical data to accurately determine future forfeitures rates.

The risk-free interest rate assumption for options granted is based upon observed interest rates on the United States government securities appropriate for the expected term of the Company's stock options.

The expected term of stock options is calculated using the simplified method which takes into consideration the contractual life and vesting terms of the options.

The Company determined the expected volatility assumption for options granted using the historical volatility of comparable public company's common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future stock option grants, until such time that the Company's common stock has enough market history to use historical volatility.

The dividend yield assumption for options granted is based on the Company's history and expectation of dividend payouts. The Company has never declared or paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

During the years ended December 31, 2024 and 2023, stock-based compensation expense of \$4,287,236 and \$6,645,891, respectively, was recognized for the vesting of these options and restricted stock units. As of December 31, 2024, there was approximately \$1,125,000 in unrecognized stock-based compensation, which will be recognized through September 2027.

Warrants

The number of outstanding warrants issued by the Company as of December 31, 2024 is as follows:

Warrant	Expiration Date	Exercise Price	Number Outstanding
GEM Common Stock Warrants	8 /11/2026	\$ 14.12	9,686
Ionic Series B Preferred Stock Warrants	3 /29/2026	\$ 10,000	1,100
Total			10,786

NOTE 7 – RELATED PARTY TRANSACTIONS

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

See Note 5 for a discussion of the related party Settlement Agreement and Engagement Letter entered into with Maxim.

See Note 5 for a discussion of the related party Settlement Agreement entered into with Sponsor.

See Note 6 for a 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 years ended December 31, 2024 and 2023 were as follows:

Deferred revenue as of December 31, 2022	\$ 933,361
Amounts deferred during the period	3,695,476
Revenue recognized from amounts included in the deferred revenue beginning balance	(933,361)
Revenue from current year sales	(1,915,682)
Deferred revenue as of December 31, 2023	<u>\$ 1,779,794</u>
Amounts deferred during the period	7,625,047
Revenue recognized from amounts included in the deferred revenue beginning balance	(1,779,794)
Revenue from current year sales	(6,305,301)
Deferred revenue as of December 31, 2024	<u><u>\$ 1,319,746</u></u>

NOTE 10 – INCOME TAXES

For the years ended December 31, 2024 and 2023, the Company did not record a current or deferred income tax expense or benefit due to current and historical losses incurred by the Company. The Company's losses before income taxes consist solely of losses from domestic operations.

A reconciliation of income tax expense (benefit) computed at the statutory federal income tax rate to income taxes as reflected in the financial statements is as follows:

	2024	2023
Statutory US Federal tax rate	21.0%	21.0%
Permanent differences:		
State and local income taxes, net of Federal benefit	0.0%	0.0%
Stock compensation	-7.0%	-11.1%
Other	0.0%	-0.1%
Temporary differences	-0.4%	-1.3%
Valuation allowance	-13.6%	-8.5%
Total	<u>0.0%</u>	<u>0.0%</u>

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The significant components of the Company's deferred tax assets and liabilities as of December 31, 2024 and 2023 are comprised of the following:

	2024	2023
Deferred tax asset attributable to:		
Net operating loss carryover	\$ 4,299,000	\$ 2,529,000
Valuation allowance	(4,299,000)	(2,529,000)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The Company has evaluated the positive and negative evidence bearing upon its ability to realize its deferred tax assets, which are comprised primarily of net operating loss carryforwards. Management has considered the Company's history of cumulative net losses in the United States, estimated future taxable income and prudent and feasible tax planning strategies and has concluded that it is more likely than not that the Company will not realize the benefits of its U.S. federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against these net deferred tax assets as of December 31, 2024 and 2023, respectively. The Company reevaluates the positive and negative evidence at each reporting period. The Company's valuation allowance increased during 2024 by approximately \$1,770,000 primarily due to the generation of a net operating loss of approximately \$8,200,000.

At December 31, 2024, the Company had federal net operating loss carry forwards of approximately \$20,400,000. The federal operating losses since inception have no expiration.

Utilization of the U.S. federal and state net operating loss may be subject to a substantial annual limitation under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, due to ownership changes that have occurred previously or that could occur in the future. These ownership changes may limit the amount of net operating loss that can be utilized annually to offset future taxable income and tax liabilities, respectively. The Company is currently performing an analysis but has not completed its study to assess whether a change of ownership has occurred, or whether there have been multiple ownership changes since its formation. Any limitation may result in expiration of a portion of the net operating loss carryforwards or research and development tax credit carryforwards before utilization.

The Company is subject to tax in the United States ("U.S.") and files income tax returns in the U.S. Federal jurisdiction and several states and local jurisdictions where the Company has determined it has tax nexus. 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.

NOTE 11 – SUBSEQUENT EVENTS

Share Issuances

In January 2025, the Company issued 250 shares of Series B Preferred Stock upon the partial exercise of the Ionic Warrant for total consideration of \$2,500,000.

In January 2025, the Company issued 532,100 shares of common stock for the conversion of 50 shares of Series B Preferred Stock.

In February 2025, the Company issued 850 shares of Series B Preferred Stock upon the full exercise of the Ionic Warrant for total consideration of \$8,500,000.

Potential flyExclusive Transaction

On February 13, 2025, the Company entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") with flyExclusive, Inc. ("flyExclusive"), FlyX Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of flyExclusive ("Merger Sub"), and Jet.AI SpinCo, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("SpinCo"). Pursuant to the Merger Agreement, (i) as a condition to closing on the Merger Agreement, the Company will distribute all of the shares of SpinCo, on a pro rata basis, to the Company's stockholders and (ii) Merger Sub will merge with and into SpinCo (the "Merger" and, together with the Distribution and all other transactions contemplated under the Merger Agreement, the "Transactions") with SpinCo surviving the Merger as a wholly owned subsidiary of flyExclusive.

In connection with executing the Merger Agreement, the Company, SpinCo, and flyExclusive entered into a Separation and Distribution Agreement (the “Separation and Distribution Agreement”) pursuant to which the Company will transfer the business, operations, services and activities of the Company’s jet charter business to SpinCo (the “Separation”). Upon the terms and subject to the conditions set forth in the Separation and Distribution Agreement, the Company will distribute all of the shares of common stock of SpinCo, \$0.001 par value per share (“SpinCo Common Stock”) to the Company’s stockholders on a pro rata basis as set forth in the Separation and Distribution Agreement (the “Distribution”). As such, the Company will no longer operate a jet charter business as of consummation of the Distribution. There will be no change to the Company’s board of directors or executive officers as a result of the Transactions.

As consideration for the Merger and upon closing of the Merger, the holders of common stock of SpinCo will have their SpinCo Common Stock converted on a pro rata basis into the right to receive shares of Class A common stock of flyExclusive, \$0.0001 par value per share (“flyExclusive Common Stock”), based on an exchange ratio equal to the quotient of (i) the “Initial Purchase Price” divided by the volume weighted average closing sale price of the flyExclusive Common Stock as reported on NYSE American for a period of 30 consecutive trading days ending on the trading day three trading days prior to the day of closing of the Merger (the “Merger Consideration Shares”), divided by (ii) the total outstanding shares of SpinCo Common Stock. The “Initial Purchase Price” is an amount equal to the product of (x) SpinCo’s estimated net cash, multiplied by certain premium percentages depending on SpinCo’s estimated net cash upon closing of the Merger. The number of Merger Consideration Shares that holders of SpinCo Common Stock will receive is subject to adjustment, depending on, among other things, the actual amount of SpinCo’s net cash at closing of the Merger. The Company’s stockholders will continue to own and hold their existing shares of the Company’s common stock as of closing of the Merger.

The Transactions are subject to shareholder approval and are expected to close during the second quarter of 2025.

The Company has evaluated subsequent events that occurred after December 31, 2024 through March ___, 2025, the date that these consolidated financial statements were available to be issued, and noted no additional events requiring recognition for disclosure.

**CERTIFICATE OF INCORPORATION OF
JET.AI INC.**

The undersigned, for the purpose of creating and organizing a corporation under the provisions of and subject to the requirements of the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies as follows this 10th day of August, 2023:

**ARTICLE I
NAME**

The name of the corporation is Jet.AI Inc. (the "Corporation").

**ARTICLE II
REGISTERED OFFICE AND AGENT**

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street Corporation Trust Center, Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

**ARTICLE III
PURPOSE**

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**ARTICLE IV
AUTHORIZED CAPITAL**

Section 1. Total Authorized

1.1 The total number of shares of all classes of stock that the Corporation has authority to issue is 59,000,000 shares, consisting of two (2) classes: 55,000,000 shares of Common Stock, \$0.0001 par value per share (the "Common Stock") and 4,000,000 shares of Preferred Stock, \$0.0001 par value per share ("Preferred Stock").

1.2 The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of capital stock representing a majority of the voting power of all the then-outstanding shares of capital stock of the Corporation entitled to vote thereon.

Section 2. Common Stock

2.1 Subject to the rights of any holders of any series of Preferred Stock, each share of Common Stock shall entitle the holder thereof to one (1) vote on each matter submitted to a vote at any meeting of stockholders.

Section 3. Preferred Stock

3.1 The Corporation's Board of Directors (the "Board") is authorized, subject to any limitations prescribed by the law of the State of Delaware, by resolution or resolutions adopted from time to time, to provide for the issuance of shares of Preferred Stock in one (1) or more series, and, by filing a certificate of designation pursuant to the applicable law of the State of Delaware (each a "Certificate of Designation"), to establish from time to time the number of shares to be included in each such series, to fix the designation, vesting, powers (including voting powers), preferences and relative, participating, optional or other rights (and the qualifications, limitations or restrictions thereof) of the shares of each such series and to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series. The number of authorized shares of Preferred Stock may also be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all the then-outstanding shares of capital stock of the Corporation entitled to vote thereon, without a separate vote of the holders of the Preferred Stock or any series thereof, unless a vote of any such holders is required pursuant to the terms of any Certificate of Designation designating a series of Preferred Stock.

3.2 Except as otherwise expressly provided in any Certificate of Designation designating any series of Preferred Stock pursuant to the foregoing provisions of this Article IV, (i) any new series of Preferred Stock may be designated, fixed and determined as provided herein by the Board without approval of the holders of Common Stock or the holders of Preferred Stock, or any series thereof, and (ii) any such new series may have powers, preferences and rights, including, without limitation, voting rights, dividend rights, liquidation rights, redemption rights and conversion rights, senior to, junior to or *pari passu* with the rights of the Common Stock, the Preferred Stock or any future class or series of Preferred Stock or Common Stock.

ARTICLE V BOARD OF DIRECTORS

Section 1. The business and affairs of the Corporation shall be managed by or under the direction of the Board, except as otherwise provided by law. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the Bylaws, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

Section 2. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the total number of directors constituting the Board shall be fixed from time to time exclusively by resolution adopted by a majority of the directors then in office, although less than a quorum (as defined in the Corporation's Bylaws), or by the sole remaining director.

Section 3. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, the directors shall be divided, with respect to the time for which they severally hold office, into three (3) classes designated as Class I, Class II and Class III, respectively (the "Classified Board"). The Board is authorized to assign members of the Board already in office to such classes of the Classified Board, which assignments shall become effective at the same time the Classified Board becomes effective. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board, with the number of directors in each class to be divided as nearly equal as reasonably possible. The initial term of office of the Class I directors shall expire at the Corporation's first annual meeting of stockholders following the Effectiveness Date, the initial term of office of the Class II directors shall expire at the Corporation's second annual meeting of stockholders following the Effectiveness Date and the initial term of office of the Class III directors shall expire at the Corporation's third annual meeting of stockholders following the Effectiveness Date. At each annual meeting of stockholders following the Effectiveness Date, directors elected to succeed those directors of the class whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. In the event of any increase or decrease in the authorized number of directors (a) each director then serving as such shall nevertheless continue as a director of the class of which the director is a member and (b) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board among the three (3) classes of directors so as to ensure that no class of directors has more than one (1) director more than any other class.

Section 4. Each director shall hold office until the annual meeting at which such director's term expires and until such director's successor is elected and qualified, or until such director's earlier death, resignation, disqualification or removal. Any director may resign at any time upon notice to the Corporation given in writing or by any electronic transmission permitted by the Bylaws. Subject to the special rights of the holders of any series of Preferred Stock, no director may be removed from the Board except for cause and only by the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors voting together as a single class. In the event of any increase or decrease in the authorized number of directors, (a) each director then serving as such shall nevertheless continue as a director of the class of which the director is a member and (b) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board among the classes of directors so as to ensure that no class of directors has more than one (1) director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be subtracted from those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided from time to time by resolution adopted by the Board. No decrease in the authorized number of directors constituting the Board shall shorten the term of any incumbent director.

Section 5. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, any vacancy occurring in the Board for any cause, and any newly created directorship resulting from any increase in the authorized number of directors, shall, unless (a) the Board determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders or (b) as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which the director has been assigned expires or until such director's successor shall have been duly elected and qualified, or until such director's earlier death, resignation, disqualification or removal.

Section 6. Election of directors need not be by written ballot unless the Bylaws shall so provide.

ARTICLE VI LIMITATION OF DIRECTOR LIABILITY

Section 1. To the fullest extent permitted by law, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Without limiting the effect of the preceding sentence, if the DGCL is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Section 2. Neither any amendment nor repeal of this Article VI, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article VI, shall eliminate, reduce or otherwise adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such amendment, repeal or adoption of such an inconsistent provision.

ARTICLE VII BYLAWS

The Board shall have the power to adopt, amend or repeal the Bylaws. Any adoption, amendment or repeal of the Bylaws by the Board shall require the approval of a majority of the directors then in office; provided, however, the amendment or repeal of Section 2.6 of the Bylaws shall require the approval of at least two-thirds (2/3) of the directors then in office. The stockholders shall also have power to adopt, amend or repeal the Bylaws; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation (including any Certificate of Designation) or any provision of law that might otherwise permit a lesser or no vote, but in addition to any vote of the holders of any class or series of stock of the Corporation required by applicable law or by this Certificate of Incorporation (including any Preferred Stock issued pursuant to any Certificate of Designation), the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws; provided, further, that if two-thirds (2/3) of the directors then in office have approved such adoption, amendment or repeal of any provisions of the Bylaws, then only the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws.

ARTICLE VIII MEETINGS OF STOCKHOLDERS; ACTION BY WRITTEN CONSENT

Section 1. Subject to the rights of any series of Preferred Stock then outstanding, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

Section 2. Special meetings of stockholders of the Corporation may be called only by the Chairperson of the Board, the Chief Executive Officer or the Board acting pursuant to a resolution adopted by a majority of the directors then in office, and may not be called by any other person or persons. Only the business stated in the notice for such meeting shall be considered at the special meeting of stockholders.

Section 3. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner and to the extent provided in the Bylaws.

ARTICLE IX EXCLUSIVE FORUM

Section 1. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on behalf of the Corporation; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed to the Corporation or the Corporation's stockholders, by any current or former director, officer or other employee of the Corporation or any stockholder; (iii) any action or proceeding asserting a claim against the Corporation or any current or former director, officer or other employee of the Corporation or any stockholder in such stockholder's capacity as such, arising out of or pursuant to any provision of the DGCL, this Certificate of Incorporation or the Bylaws of the Corporation (as each may be amended from time to time); (iv) any action or proceeding to interpret, apply, enforce or determine the validity of this Certificate of Incorporation or the Bylaws of the Corporation (including any right, obligation or remedy thereunder); (v) any action or proceeding as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware; and (vi) any action asserting a claim against the Corporation or any director, officer or other employee of the Corporation or any stockholder, governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants. This Article IX shall not apply to suits brought to enforce a duty or liability created by the Securities Act of 1933, as amended, or the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction.

Section 2. Unless the Corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

Section 3. Any person or entity holding, owning or otherwise acquiring any interest in any security of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article IX.

ARTICLE X INDEMNIFICATION

Section 1. The Corporation shall, to the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended, indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) (a "Proceeding"), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including, without limitation, attorneys' fees and disbursements and ERISA excise taxes), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any Proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any Proceeding, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any Proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 2. The Corporation shall, to the fullest extent permitted by the DGCL, indemnify and hold harmless any person who was or is a party or is threatened to be made a party to, or is otherwise involved in any Proceeding by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation that is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or employee benefit plan, against reasonable and documented out-of-pocket expenses (including, without limitation, attorneys' fees and disbursements, judgments, fines, ERISA excise taxes, damages, claims and penalties and amounts paid in settlement) actually and reasonably incurred by such person in connection with such Proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any Proceeding as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such Proceeding was brought shall determine.

Section 3. If any provision of this Certificate of Incorporation shall be held to be invalid, illegal or unenforceable, then such provision shall nonetheless be enforced to the maximum extent possible consistent with such holding, and the remaining provisions of this Certificate of Incorporation (including without limitation, all portions of any section of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall remain in full force and effect.

ARTICLE XI MISCELLANEOUS

The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation (including any Certificate of Designation) or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by this Certificate of Incorporation (including any Certificate of Designation), and subject to Sections 1 and 3.1 of Article IV, the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal or adopt any provision inconsistent with Sections 1.2 and 3.1 of Article IV, or Article V, Article VII, Article VIII, Article IX, Article X or this Section 1 of this Article XI (the "*Specified Provisions*"); provided, further, that if two-thirds (2/3) of the directors then in office have approved such amendment or repeal of, or any provision inconsistent with, the Specified Provisions, then only the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, the Specified Provisions.

ARTICLE XII INCORPORATOR

The name and mailing address of the incorporator of the Corporation is Jay Madhu, 10845 Griffith Peak Drive, Suite 200, Las Vegas, Nevada 89135.

[Signature Page Follows]

I, the undersigned, being the incorporator, for the purpose of forming a corporation pursuant to the DGCL, do make this Certificate of Incorporation, hereby acknowledging, declaring, and certifying that the foregoing Certificate of Incorporation is my act and deed and that the facts herein state are true, and have accordingly hereunto set my hand effective as of the date first set forth above.

INCORPORATOR:

/s/ Jay Madhu

Jay Madhu

CERTIFICATE OF AMENDMENT
TO THE CERTIFICATE OF INCORPORATION
OF
JET.AI INC.

a Delaware corporation

Pursuant to Section 242 of the General Corporation Law of the State of Delaware (the “**DGCL**”), Jet.AI Inc., a corporation organized and existing under the DGCL (the “**Corporation**”), hereby certifies as follows:

A. On September 24, 2024, the Board of Directors of the Corporation duly adopted a resolution proposing and declaring advisable the following amendment (the “**Amendment**”) to the Corporation’s Certificate of Incorporation, as amended (the “**Certificate**”).

B. The Certificate is hereby amended by deleting Section 1.1 of Article IV of the Certificate in its entirety and restating the same as follows:

1.1 The total number of shares of all classes of stock that the Corporation has authority to issue is 204,000,000 shares, consisting of two (2) classes: 200,000,000 shares of Common Stock, \$0.0001 par value per share (the “Common Stock”) and 4,000,000 shares of Preferred Stock, \$0.0001 par value per share (“Preferred Stock”).

C. This Amendment to the Certificate has been duly approved and adopted in accordance with the provisions of Section 242 of the DGCL.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Certificate of Incorporation to be signed by a duly authorized officer of the Corporation on this 25th day of September, 2024.

By: /s/ George Murnane
George Murnane, Interim CFO

**CERTIFICATE OF AMENDMENT
TO THE CERTIFICATE OF INCORPORATION
OF
JET.AI INC.**

a Delaware corporation

Pursuant to Section 242 of the General Corporation Law of the State of Delaware (the “**DGCL**”), Jet.AI Inc., a corporation organized and existing under the DGCL (the “**Corporation**”), hereby certifies as follows:

A. On November 4, 2024, the Board of Directors of the Corporation duly adopted a resolution proposing and declaring advisable the following amendment (the “**Amendment**”) to the Corporation’s Certificate of Incorporation, as amended (the “**Certificate**”).

B. The Certificate is hereby amended by adding Section 1.3 of Article IV to the Certificate as follows:

1.3 Upon the filing and effectiveness (the “**Effective Time**”) pursuant to the Delaware General Corporation Law of this Certificate of Amendment to the Certificate of Incorporation, as amended, of the Corporation, each two hundred twenty five (225) shares of Common Stock issued and outstanding immediately prior to the Effective Time shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one (1) share of Common Stock (the “**Reverse Stock Split**”). No fractional shares shall be issued in connection with the Reverse Stock Split. Stockholders who otherwise would be entitled to receive fractional shares of Common Stock shall be entitled to receive one full share of the post-Reverse Stock Split Common Stock in lieu of such fractional share interests. Each certificate that immediately prior to the Effective Time represented shares of Common Stock (“**Old Certificates**”), shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the elimination of fractional share interests as described above.

C. This Amendment to the Certificate has been duly approved and adopted in accordance with the provisions of Section 242 of the DGCL.

D. This Amendment to the Certificate shall be effective as of November 12, 2024, at 12:01 a.m. E.T.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Certificate of Incorporation to be signed by its duly authorized officer of the Corporation on this 7th day of November, 2024.

JET.AI INC.

By: /s/ George Murnane
George Murnane, Interim Chief Executive Officer

STATE OF DELAWARE
CERTIFICATE OF CORRECTION
OF
CERTIFICATE OF AMENDMENT TO THE CERTIFICATE OF INCORPORATION
OF
JET.AI INC.

Jet AI Inc., a corporation organized and existing under the Delaware General Corporation Law hereby certifies as follows:

1. The name of the corporation is Jet.AI Inc. (the “**Corporation**”).

2. A Certificate of Amendment to the Certificate of Incorporation of the Corporation was filed by the Secretary of State of Delaware on November 8, 2024, having a delayed effective date of November 12, 2024 at 12:01 a.m. E.T.

3. The Certificate of Amendment to the Certificate of Incorporation of the Corporation requires correction as permitted by Section 103 of the Delaware General Corporation Law.

4. The inaccuracy or defect of said Certificate of Amendment to the Certificate of Incorporation of the Corporation is as follows: The description of how fractional shares are treated as a result of the Reverse Stock Split (as defined in the Certificate of Amendment to the Certificate of Incorporation) is inaccurate.

5. Section B of the Certificate of Amendment to the Certificate of Incorporation is corrected to read as follows:

B. The Certificate is hereby amended by adding Section 1.3 of Article IV to the Certificate as follows:

1.3 Upon the filing and effectiveness (the “**Effective Time**”) pursuant to the Delaware General Corporation Law of this Certificate of Amendment to the Certificate of Incorporation, as amended, of the Corporation, each two hundred twenty five (225) shares of Common Stock issued and outstanding immediately prior to the Effective Time shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one (1) share of Common Stock (the “**Reverse Stock Split**”). No fractional shares shall be issued in connection with the Reverse Stock Split. Stockholders who otherwise would be entitled to receive fractional shares of Common Stock shall be entitled to receive a cash payment in lieu of such fractional share interests. Each certificate that immediately prior to the Effective Time represented shares of Common Stock (“**Old Certificates**”), shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the elimination of fractional share interests as described above.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Correction to the Certificate of Amendment of the Certificate of Incorporation to be signed by its duly authorized officer this 11th day of November, 2024.

JETA.I INC.

By: /s/ George Murnane
George Murnane, Interim Chief Executive Officer

**CERTIFICATE OF DESIGNATION
OF
SERIES A CONVERTIBLE PREFERRED STOCK
OF
JET.AI INC.**

(Pursuant to Section 151 of the General Corporation Law of the State of Delaware)

Jet.AI Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter, the “**Corporation**”), hereby certifies that:

1. This Certificate of Designation of Series A Convertible Preferred Stock shall be effective at 11:59 p.m. Eastern time on August 10, 2023.

2. The following resolution was duly adopted by the Board of Directors of the Corporation (or a duly authorized committee thereof) as required by Section 151 of the General Corporation Law of the State of Delaware (the “**DGCL**”):

“NOW, THEREFORE, BE IT RESOLVED, that pursuant to the authority expressly granted to and vested in the Board of Directors of the Corporation in accordance with the provisions of the certificate of incorporation of the Corporation, there is hereby created and provided out of the authorized but unissued preferred stock, par value \$0.0001 per share, of the Corporation (“**Preferred Stock**”), a new series of Preferred Stock, and there is hereby established and fixed the number of shares included such series, the voting powers, full or limited, or that such series shall have no voting powers, and, the designations, powers, preferences and relative, participating, optional, special and other rights, if any, of such series and the qualifications, limitations and restrictions, if any, of such series as follows:

Series A Convertible Preferred Stock:

Section 1. Designation and Number. The shares of such series shall be designated as “Series A Convertible Preferred Stock,” par value \$0.0001 per share, of the Corporation (the “**Series A Preferred Stock**”), and the number of shares constituting such series shall be one thousand one hundred twenty seven (1,127).

Section 2. Definitions. The following terms shall have the following meanings for purposes of this Certificate of Designation (as the same may be amended or amended and restated from time to time, this “**Certificate of Designation**”):

(a) “**Additional Shares of Common Stock**” shall mean all shares of Common Stock issued other than: (i) shares of Common Stock issued upon conversion of Series A Preferred Stock pursuant to Section 7; (ii) shares of Common Stock issued upon conversion, exchange or exercise of Common Stock Equivalents outstanding on the date the Series A Preferred Stock is issued; (iii) shares of Common Stock issued upon a split or a combination or a reclassification or recapitalization of outstanding shares of Common Stock, in each case, as provided in Section 8(a) - (e), liquidation, dissolution or winding up of the Corporation, a Qualifying Merger or a Qualifying Sale; and (iv) shares of Common Stock issued to employees or directors of, or consultants to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors.

(b) **“Average Price”** shall mean, in respect of shares of Common Stock or any other securities, as of any day or relevant period (as applicable): (i) the volume weighted average price for such shares or securities on a National Securities Exchange for such day or relevant period (as applicable) as reported by Bloomberg Finance Markets (**“Bloomberg”**) through its **“Volume at Price”** functions; (ii) if, as determined by the Board of Directors, a National Securities Exchange is not the principal securities exchange or trading market for such shares or securities, the volume weighted average of such shares or securities for such day or relevant period (as applicable) on the securities exchange or trading market for such shares or securities determined by the Board of Directors to be the principal securities exchange or trading market for such shares or securities as reported by Bloomberg through its **“Volume Price”** functions; (iii) if the foregoing **clauses (i)** and **(ii)** do not apply, the last closing trading price for such day or the average of the last closing trading prices for such relevant period (as applicable) of such shares or securities in the over-the-counter market on the electronic bulletin board for such shares or securities as reported by Bloomberg; (iv) if the foregoing **clauses (i)** and **(ii)** do not apply, and no last closing trade price for such day or relevant period (as applicable) is reported by Bloomberg, the last closing ask price for such day or the average of the last closing ask prices for such relevant period (as applicable) of such shares or securities as reported by Bloomberg; or (v) if the foregoing **clauses (i) – (iv)** do not apply, the fair market value of such share or security for such day or relevant period (as applicable) as determined by the Board of Directors.

(c) **“Board of Directors”** shall mean the Board of Directors of the Corporation.

(d) **“Certificate of Incorporation”** shall mean the certificate of incorporation of the Corporation (including any certificate filed with the Secretary of State of the State of Delaware establishing a series of Preferred Stock), as the same may be amended or amended and restated.

(e) **“Common Stock”** shall mean the common stock, par value \$0.0001 per share, of the Corporation.

(f) **“Common Stock Equivalents”** shall mean securities convertible into, or entitling the holder to receive, directly or indirectly, shares of Common Stock or rights, options or warrants to subscribe for, purchase or otherwise acquire shares of Common Stock other than such securities or rights, options or warrants issued: (i) on or prior to the Series A Original Issue Date; and (ii) to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors.

(g) **“Equity Financing”** shall mean any transaction occurring after the Series A Original Issue Date involving the issuance or sale of Additional Shares of Common Stock or Common Stock Equivalents including, without limitation, pursuant to warrant exercises, a forward purchase agreement, an equity line of credit facility, a registered offering, a private investment in public equity or otherwise; **“Equity Financings”** means more than one of such transactions.

(h) “**Liquidation Proceeds**” shall have the meaning set forth in Section 4(a).

(i) “**National Securities Exchange**” shall mean the Nasdaq Stock Market, the New York Stock Exchange or any other national securities exchange.

(j) “**PIK Share**” shall mean any share of Common Stock issued to pay all or any portion of a dividend at the Series A Dividend Rate.

(k) “**public announcement**” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14, and 15(d) (or any successor thereto) of the Securities Exchange Act of 1934, as amended.

(l) “**Qualifying Financing Period**” shall have the meaning set forth in Section 12(a).

(m) “**Qualifying Financing Proceeds**” shall mean fifteen percent (15%) of the proceeds to the Corporation (after deduction for fees, costs and expenses actually incurred by the Corporation in connection therewith) from any one or more Equity Financings.

(n) “**Qualifying Merger**” shall mean: (i) a merger or consolidation to which the Corporation is a constituent entity and which results in fifty percent (50%) or more of the capital stock or similar equity interest of the surviving, resulting or consolidated entity or fifty percent (50%) or more of the voting power of the capital stock or similar equity interest of the surviving, resulting or consolidated entity, in either case, being held by persons and/or entities other than the persons and/or entities that, immediately prior to the effective time of such merger or consolidation, owned fifty percent (50%) or more of the capital stock of the Corporation or fifty percent (50%) or more the voting power of the capital stock of the Corporation; or (ii) a merger or consolidation to which any one or more of the Corporation’s subsidiaries is a constituent entity and which results in fifty percent (50%) or more of the capital stock of the Corporation or fifty percent (50%) or more of the voting power of the capital stock of the Corporation, in either case, being held by persons and/or entities other than the persons and/or entities that, immediately prior to the effective time of such merger or consolidation, owned fifty percent (50%) or more of the capital stock of the Corporation or fifty percent (50%) or more of the voting power of the capital stock of the Corporation.

(o) “**Qualifying Merger Consideration**” shall have the meaning set forth in Section 4(b).

(p) “**Qualifying Sale**” shall mean any sale, lease or exchange of all or substantially all of the property and assets of the Corporation, including its goodwill and its corporate franchises. For purposes of this definition of Qualifying Sale only, the property and assets of the Corporation shall include the property and assets of any subsidiary (as defined in Section 271(c) of the DGCL) of the Corporation.

(q) “**Qualifying Sale Consideration**” shall have the meaning set forth in Section 4(c).

(r) “**Securities Act**” means the Securities Act of 1933, as amended.

(s) “**Series A-1 Preferred Stock**” means the Corporation’s those shares of the Corporation’s preferred stock designated as Series A-1 Convertible Preferred Stock, par value \$0.0001 per share.

(t) “**Series A Conversion Price**” shall mean \$10.00, as adjusted pursuant to Section 8.

(u) “**Series A Corporation Redemption Date**” shall have the meaning set forth in Section 11(a).

(v) “**Series A Dividend Junior Stock**” shall mean the Common Stock and any outstanding series of Preferred Stock provided for or fixed pursuant to the provisions of the Certificate of Incorporation ranking junior to the Series A Preferred Stock as to dividends.

(w) “**Series A Dividend Parity Stock**” shall mean any outstanding series of Preferred Stock provided for or fixed pursuant to the provisions of the Certificate of Incorporation ranking *pari passu* to the Series A Preferred Stock as to dividends. As of the Series A Original Issue Date, the Series A-1 Preferred Stock is Series A Dividend Parity Stock, otherwise, there is no Series A Dividend Parity Stock.

(x) “**Series A Dividend Rate**” shall mean, for each outstanding share of Series A Preferred Stock, eight percent (8.0%) per annum on the Series A Preference Price; *provided, however*, that if there is a Series A Dividend Rate Modifier, the Series A Dividend Rate shall automatically be increased to the maximum of eighteen percent (18.0%).

(y) “**Series A Dividend Rate Modifier**” shall mean the occurrence of any one or more of the following: (i) the Corporation shall have failed to issue and deliver a certificate or certificates representing the number of whole shares of Common Stock and cash in lieu of fractional shares of Common Stock to which a holder shall be entitled to pursuant to Section 7(c); (ii) the Corporation shall have failed to make any adjustment or readjustment of the Series A Conversion Price pursuant to Section 8; (iii) the Corporation shall have failed to reserve and keep available out of its authorized but unissued shares of Series A Preferred Stock then outstanding, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all shares of Series A Preferred Stock then outstanding; (iv) the Corporation shall have failed to deliver the Series A Redemption Price to the holders of shares of Series A Preferred Stock entitled thereto pursuant to Section 11(c); and (v) the Corporation shall have failed to deliver the Series A Redemption Price to the holders of Series A Preferred Stock entitled thereto pursuant to Section 12(d).

(z) “**Series A Dividend Senior Stock**” shall mean any outstanding series of Preferred Stock provided for or fixed pursuant to the provisions of the Certificate of Incorporation ranking senior to the Series A Preferred Stock as to dividends. As of the Series A Original Issue Date, there is no Series A Dividend Senior Stock.

(aa) “**Series A Liquidation Junior Stock**” shall mean the Common Stock and any outstanding series of Preferred Stock provided for or fixed pursuant to the provisions of the Certificate of Incorporation ranking junior to the Series A Preferred Stock as to a liquidation, dissolution or winding up of the Corporation.

(bb) “**Series A Liquidation Parity Stock**” shall mean any outstanding series of Preferred Stock provided for or fixed pursuant to the provisions of the Certificate of Incorporation ranking on parity with the Series A Preferred Stock as to a liquidation, dissolution or winding up of the Corporation. As of the Series A Original Issue Date, the Series A-1 Preferred Stock is Liquidation Parity Stock, otherwise, there is no Series A Liquidation Parity Stock.

(cc) “**Series A Liquidation Senior Stock**” shall mean any outstanding series of Preferred Stock provided for or fixed pursuant to the provisions of the Certificate of Incorporation ranking senior to the Series A Preferred Stock as to a liquidation, dissolution or winding up of the Corporation. As of the Series A Original Issue Date, there is no Series A Liquidation Senior Stock.

(dd) “**Series A Optional Conversion Date**” shall have the meaning set forth in [Section 7\(b\)](#).

(ee) “**Series A Optional Redemption Date**” shall have the meaning set forth in [Section 12\(d\)](#).

(ff) “**Series A Original Issue Date**” shall mean the date of the first issuance of any share or shares of Series A Preferred Stock.

(gg) “**Series A Original Purchase Price**” shall mean \$1,000.00 per share of Series A Preferred Stock.

(hh) “**Series A Preference Price**” shall mean, with respect to an outstanding share of Series A Preferred Stock, the Series A Original Purchase Price (as adjusted for any split or subdivision of outstanding shares of Series A Preferred Stock, any combination of outstanding shares of Series A Preferred Stock or a reclassification or recapitalization of outstanding shares of Series A Preferred Stock (other than a split or subdivision or combination), in each case, occurring after the Series A Original Issue Date), *plus* the aggregate amount of dividends then unpaid and accrued on such share of Series A Preferred Stock.

(ii) **Series A Qualifying Merger Junior Stock**” shall mean the Common Stock and any outstanding series of Preferred Stock provided for a fixed pursuant to the provisions of the Certificate of Incorporation ranking junior to the Series A Preferred Stock as to a Qualifying Merger.

(jj) **Series A Qualifying Merger Parity Stock**” shall mean any outstanding series of Preferred Stock provided for or fixed pursuant to the provisions of the Certificate of Incorporation ranking on parity with the Series A Preferred Stock as to a Qualifying Merger. As of the Series A Original Issue Date, the Series A-1 Preferred Stock is Series A Dividend Parity Stock, otherwise, there is no Series A Qualifying Merger Parity Stock.

(kk) **Series A Qualifying Merger Senior Stock**” shall mean any outstanding series of Preferred Stock provided or fixed pursuant to the provisions of the Certificate of Incorporation ranking senior to the Series A Preferred Stock as to a Qualifying Merger. As of the Series A Original Issue Date, there is no Series A Qualifying Merger Senior Stock.

(ll) **Series A Qualifying Sale Junior Stock**” shall mean the Common Stock and any outstanding series of Preferred Stock provided for a fixed pursuant to the provisions of the Certificate of Incorporation ranking junior to the Series A Preferred Stock as to a Qualifying Sale.

(mm) **Series A Qualifying Sale Parity Stock**” shall mean any outstanding series of Preferred Stock provided for or fixed pursuant to the provisions of the Certificate of Incorporation ranking on parity with the Series A Preferred Stock as to a Qualifying Sale. As of the Series A Original Issue Date, the Series A-1 Preferred Stock is Series A Dividend Parity Stock, otherwise, there is no Series A Qualifying Sale Parity Stock.

(nn) **Series A Qualifying Sale Senior Stock**” shall mean any outstanding series of Preferred Stock provided or fixed pursuant to the provisions of the Certificate of Incorporation ranking senior to the Series A Preferred Stock as to a Qualifying Merger. As of the Series A Original Issue Date, there is no Series A Qualifying Sale Senior Stock.

(oo) **Series A Quarterly Dividend Payment Date**” shall have the meaning set forth in [Section 3\(a\)](#).

(pp) **Series A Redemption Price**” shall mean, with respect to an outstanding share of Series A Preferred Stock, (i) the Series A Original Purchase Price (as adjusted for any split or subdivision of outstanding shares of Series A Preferred Stock, any combination of outstanding shares of Series A Preferred Stock or a reclassification or recapitalization of outstanding shares of Series A Preferred Stock (other than a split or subdivision or combination), in each case, occurring after the Series A Original Issue Date), *plus* (ii) the aggregate amount of dividends then accrued and unpaid on such share of Series A Preferred Stock, in each case, determined as of the Series A Corporation Redemption Date or the Series A Optional Redemption Date, as applicable.

(qq) “**Trading Day**” shall mean any day on which the National Securities Exchange is open for business (other than a day on which the National Securities Exchange is scheduled to or does close prior to its regular weekday closing time).

Unless the context otherwise requires: (i) the word “or” is not exclusive; (ii) the words “including” or “includes” shall be deemed to be following by “without limitation”; (iii) words in the singular include the plural and in the plural include the singular; and (iv) the words “herein,” “hereof” and “hereunder” or words of similar import refer to this Certificate of Designation as a whole and not to a particular Section, subsection or clause of this Certificate of Designation.

Section 3. Dividends.

(a) Preferential Dividends. Subject to the rights of the holders of any Series A Dividend Senior Stock, for so long as any shares of Series A Preferred Stock shall be outstanding, the holders of outstanding shares of Series A Preferred Stock shall be entitled to receive, except to the extent prohibited by Delaware law governing distributions to stockholders, prior and in preference to the declaration or payment of any dividend on any Series A Dividend Junior Stock, and on a *pari passu* basis with respect to the declaration or payment of any dividend on any Series A Dividend Parity Stock, dividends when, as and if declared by the Board of Directors, payable quarterly on January 1, April 1, July 1 and October 1 of each calendar year (*provided, however*, that if such date is not a business day, the relevant quarterly dividend shall be payable on the first business day following such date) (each date a “**Series A Quarterly Dividend Payment Date**”), commencing on and including September 1, 2023, which dividends shall be paid in cash or PIK Shares at the Series A Dividend Rate. In the event such dividends are paid in PIK Shares, the PIK Shares shall be valued at the closing price of such securities on the Trading Day prior to the date such dividend is declared by the Board of Directors. Such dividends shall cumulate quarterly at the Series A Dividend Rate if not declared and paid on a Series A Quarterly Dividend Payment Date. If the dividend to be distributed among the holders of outstanding shares of Series A Preferred Stock and Series A Dividend Parity Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire amount available for distribution under Delaware law governing distributions to stockholders shall be distributed ratably among the holders of outstanding shares of Series A Preferred Stock and Series A Dividend Parity Stock in proportion to the full preferential amount that each such holder is otherwise entitled to receive.

(b) Dividends in Excess of Preferential Dividends. The holders of outstanding shares of Series A Preferred Stock shall not be entitled to the declaration and payment of any dividend in excess of full cumulative dividends on the Series A Preferred Stock as provided in this Section 3.

Section 4. Liquidation, Dissolution or Winding Up; Qualifying Merger; Qualifying Sale.

(a) Liquidation, Dissolution or Winding Up. Subject to the rights of the holders of any Series A Liquidation Senior Stock, in the event of the Corporation's liquidation, dissolution or winding up, the holders of outstanding shares of Series A Preferred Stock shall be entitled to receive, out of the assets of the Corporation available for distribution to the Corporation's stockholders (the "**Liquidation Proceeds**"), prior and in preference to any distribution of the Liquidation Proceeds to the holders of any Series A Liquidation Junior Stock, and on a *pari passu* basis with respect to the holders of any Series A Liquidation Parity Stock, consideration in an amount per share equal to the Series A Preference Price. If, upon the occurrence of a liquidation, dissolution or winding up of the Corporation, the Liquidation Proceeds distributed among the holders of outstanding shares of Series A Preferred Stock and any Series A Liquidation Parity Stock shall be insufficient to permit the payment to such holders of the full preferential amounts to which they are entitled, then the entire Liquidation Proceeds shall be distributed ratably among the holders of outstanding shares of Series A Preferred Stock and such Series A Liquidation Parity Stock in proportion to the full preferential amount to which each such holder is otherwise entitled to receive. In the event of the Corporation's liquidation, dissolution or winding up, after payment in full of the amounts to which they are entitled pursuant to this Section 4(a), the holders of Series A Preferred Stock shall not be entitled to any further right or claim to any of the remaining Liquidation Proceeds. A Qualifying Merger, a Qualifying Sale, a merger or consolidation of the Corporation with or into another corporation or other entity or sale of all or any part of the assets of the Corporation which, in each case, shall not in fact result in the liquidation, dissolution or winding up of the Corporation and the distribution of its assets to its stockholders, shall not be deemed a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 4(a) *provided that* any amounts distributed to holders of shares of Series A Preferred Stock under Section 4(b) or 4(c) below shall serve to decrease the unpaid Series A Preference Price that would otherwise be owing upon a share of Series A Preferred Stock under this Section 4(a).

(b) Qualifying Merger. Subject to the rights of the holders of any Series A Qualifying Merger Senior Stock, in the event of a Qualifying Merger, the holders of outstanding shares of Series A Preferred Stock shall be entitled to receive, in connection with the conversion in the Qualifying Merger of the shares of Series A Preferred Stock held by them immediately prior to the effectiveness of the Qualifying Merger, out of the aggregate consideration to which the holders of all capital stock of the Corporation are entitled to receive in connection with the conversion in the Qualifying Merger of such shares held by them immediately prior to the effectiveness of the Qualifying Merger (the "**Qualifying Merger Consideration**"), prior and in preference to the receipt of Qualifying Merger Consideration by the holders of any Series A Qualifying Merger Junior Stock, and on a *pari passu* basis with the receipt of Qualifying Merger Consideration by the holders of any Series A Qualifying Merger Parity Stock, consideration in an amount per share equal to the Series A Preference Price. If, upon the occurrence of a Qualifying Merger, the Qualifying Merger Consideration distributed among the holders of outstanding shares of Series A Preferred Stock and any Series A Qualifying Merger Parity Stock shall be insufficient to permit the payment to such holders of the full preferential amounts to which they are entitled to receive, then the entire Qualifying Merger Consideration shall be distributed ratably among the holders of outstanding shares of Series A Preferred Stock and such Series A Qualifying Merger Parity Stock in proportion to the full preferential amount to which each such holder is otherwise entitled to receive. In the event of a Qualifying Merger, after payment in full of the amounts to which they are entitled pursuant to this Section 4(b), the holders of Series A Preferred Stock shall not be entitled to any further right or claim to any of the remaining Qualifying Merger Consideration.

(c) Qualifying Sale. Subject to the rights of the holders of any Series A Qualifying Sale Senior Stock, in the event of a Qualifying Sale, the holders of outstanding shares of Series A Preferred Stock shall be entitled to be paid, out of the aggregate consideration payable to the Corporation in such Qualifying Sale (the “**Qualifying Sale Consideration**”), prior and in preference to the payment, out of the Qualifying Sale Consideration, to holders of any Series A Qualifying Sale Junior Stock, and on a *pari passu* basis with the payment, out of the Qualifying Sale Consideration, to the holders of any Series A Qualifying Sale Parity Stock, consideration in an amount per share equal to the Series A Preference Price. Subject to the rights of the holders of any Series A Qualifying Sale Senior Stock, in the event of a Qualifying Sale, the Corporation shall apply all of the Qualifying Sale Consideration available for distribution under Delaware law governing distributions to stockholders to the payment of the Series A Preference Price to all holders of outstanding shares of Series A Preferred Stock, and to no other corporate purpose or purposes to the fullest extent permitted by applicable law. If, upon the occurrence of a Qualifying Sale, the Qualifying Sale Consideration thus distributed among the holders of outstanding shares of Series A Preferred Stock and any Series A Qualifying Sale Parity Stock shall be insufficient to permit the payment to such holders of the full preferential amounts to which they are entitled to receive, then the entire Qualifying Sale Consideration shall be distributed ratably among the holders of outstanding shares of Series A Preferred Stock and such Series A Qualifying Sale Parity Stock in proportion to the full preferential amount to which each such holder is otherwise entitled to receive. In the event of a Qualifying Sale, after payment in full of the amounts to which they are entitled pursuant to this Section 4(c), the holders of Series A Preferred Stock shall not be entitled to any further right or claim to any of the remaining Qualifying Sale Consideration.

(d) Determining Liquidation Proceeds, Qualifying Merger Consideration and Qualifying Sale Consideration. In the event of a liquidation, dissolution or winding up of the Corporation, a Qualifying Merger or a Qualifying Sale, if any of the Liquidation Proceeds, the Qualifying Merger Consideration or the Qualifying Sale Consideration, respectively, is in a form other than cash, its value for purposes of applying the terms of Section 4(a), Section 4(b) and Section 4(c), respectively, shall be the fair market value thereof determined as follows:

(i) Securities shall be valued at the Average Price of such securities over the twenty (20) Trading Day period ending three (3) Trading Days prior to the distribution date (in the event of a liquidation, dissolution or winding up the Corporation) or the closing date (in the event of a Qualifying Merger or a Qualifying Sale), as applicable;

(ii) Any consideration other than cash or securities shall be valued by the Board of Directors; and

(iii) The foregoing methods for valuing consideration other than cash to be distributed in connection with a Qualifying Merger or a Qualifying Sale, as applicable, may be superseded by any determination of such value set forth in the definitive agreements governing such Qualifying Merger or a Qualifying Sale, respectively.

(e) Noncompliance. In the event the requirements of this Section 4 are not complied with, to the fullest extent permitted by applicable law, the Corporation shall forthwith either:

(i) Cause the closing of such Qualifying Merger or such Qualifying Sale, as applicable, to be postponed or delayed until such time as the requirements of this Section 4 have been complied with; or

(ii) Terminate or abandon such Qualifying Merger or such Qualifying Sale, as applicable, in which event (for the avoidance of doubt) the voting powers, if any, and the preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations or restrictions, if any, of Series A Preferred Stock shall, to the fullest extent permitted by applicable law, be the same as or revert to, as applicable, voting powers, if any, and the preferences and relative, participating, optional, special or other rights, if any, and the qualifications, limitations or restrictions, if any, existing prior to such Qualifying Merger or such Qualifying Sale, respectively.

Section 5. Voting.

(a) General. Except as provided by the Certificate of Incorporation or applicable law, each holder of a share of Series A Preferred Stock, as such, shall vote together with all other classes and series of stock of the Corporation as a single class on all actions to be taken by the stockholders of the Corporation and shall be entitled to cast the number of votes equal to the number of shares of Common Stock into which such share of Series A Preferred Stock could be converted pursuant to Section 7 (as of the record date for determining the stockholders entitled to vote) on all matters on which stockholders are generally entitled to vote; *provided, however*, to the fullest extent permitted by applicable law, in no event shall the holders of outstanding shares of Series A Preferred Stock be entitled to cast a number of votes exceeding, in the aggregate, 19.99% of the voting power of the then outstanding shares of capital stock of the Corporation (which, for the avoidance of doubt, shall include the Series A Preferred Stock).

(b) Protective Provisions. For so long as any shares of Series A Preferred Stock shall be outstanding, the Corporation shall not, directly or indirectly, by amendment, merger, consolidation or otherwise, without (in addition to any other vote required by the Certificate of Incorporation or applicable law) the prior vote or consent of the holders of at least ninety percent (90%) of the then outstanding shares of Series A Preferred Stock, voting or consenting separately as a single class, and any such act or transaction entered into without such vote or consent shall, to the fullest extent permitted by applicable law, be null and void *ab initio*, and of no force or effect:

(i) Amend, alter or repeal any provision of the Certificate of Incorporation or this Certificate of Designation if such amendment, alteration or repeal would alter or change the powers, preferences or special rights of the shares of Series A Preferred Stock so as to affect them adversely;

(ii) Create, or authorize the creation of, or issue any series of Series A Dividend Senior Stock, or reclassify any class or series of capital stock into any series of Series A Dividend Senior Stock;

(iii) Purchase or redeem, or permit any subsidiary of the Corporation to purchase or redeem, any shares of any Series A Dividend Junior Stock, Series A Liquidation Junior Stock, Series A Qualifying Merger Junior Stock or Series A Qualifying Sale Junior Stock, other than repurchases of shares of such capital stock from former directors, officers, employees, consultants or other persons performing services for the Corporation or any subsidiary of the Corporation in connection with the cessation of employment or service and for a purchase price per share of such capital stock not exceeding the original purchase price thereof;

(iv) Incur, or permit the Corporation's subsidiaries to incur, or issue, or permit the Corporation's subsidiaries to issue, any indebtedness for borrowed money (except payables and obligations incurred in the ordinary course of the Corporation's business), including obligations (whether or not contingent), under guaranties, or loans or debt securities, including equity-linked or convertible debt securities that, in total, results in gross proceeds to the Corporation of \$20.0 million or greater;

(v) Declare or pay any cash dividend on any Series A Dividend Junior Stock; or

(vi) Enter into, or permit the Corporation's subsidiaries to enter into, any agreement, arrangement or understanding providing for any of the actions described in the aforesaid clauses (i) - (v).

Section 6. Intentionally Omitted.

Section 7. Optional Conversion.

(a) Optional Conversion. Each outstanding share of Series A Preferred Stock may be converted into such number of fully paid and nonassessable shares of Common Stock as determined by dividing the Series A Original Purchase Price by the Series A Conversion Price at any time or time to time by the holder thereof pursuant to this Section 7; *provided, however*, in no event shall outstanding shares of Series A Preferred Stock be converted into more than 19.99% of the outstanding shares of Common Stock.

(b) Mechanics of Optional Conversion. Any holder of an outstanding share or shares of Series A Preferred Stock desiring to convert such share or shares into shares of Common Stock pursuant to this Section 7(b) shall deliver (on a business day) written notice thereof to the principal office of the Corporation or of any transfer agent for Series A Preferred Stock specifying the number of outstanding shares of Series A Preferred Stock held by such holder proposed to be converted (if such notice is silent as to the number of outstanding shares of Series A Preferred Stock held by the holder and proposed to be converted pursuant to this Section 7(b), the notice shall be deemed to apply to all outstanding shares of Series A Preferred Stock held by such holder), together with the certificate or certificates representing the outstanding share or shares of Series A Preferred Stock proposed to be converted under this Section 7(b), duly indorsed for transfer to the Corporation (the business day on which such written notice and certificate or certificates are delivered to the Corporation as provided in this Section 7(b), the "**Series A Optional Conversion Date**").

(c) Delivery of Shares of Common Stock. The Corporation shall, as soon as practicable, and in no event later than two (2) Trading Days after the Series A Optional Conversion Date, issue and deliver to such holder of Series A Preferred Stock, or the nominee or nominees of such holder, a certificate or certificates representing the number of whole shares of Common Stock to which such holder shall be entitled pursuant to Section 7(a) and cash in lieu of any fractional shares of Common Stock to which such holder is entitled pursuant to Section 7(a), and the certificate or certificates representing the share or shares of Series A Preferred Stock so surrendered shall be cancelled. In the event that there shall have been surrendered a certificate or certificates representing shares of Series A Preferred Stock, only a portion of shall have been converted pursuant to this Section 7, then the Corporation shall also issue and deliver to such holder, or the nominee or nominees of such holder, a certificate or certificates representing the number of shares of Series A Preferred Stock which shall not have been converted pursuant to this Section 7.

(d) Effect of Conversion. Any conversion pursuant to this Section 7 shall be deemed to have been made immediately prior to the close of business on the Series A Optional Conversion Date and (i) the voting powers, if any, and the preferences and relative, participating, optional, special or other rights, if any, and the qualifications, limitations or restrictions, if any, of Series A Preferred Stock existing immediately prior to such time shall terminate and (ii) the person or persons entitled to receive a certificate or certificates representing shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of immediately prior to the close of business on the Series A Optional Conversion Date.

Section 8. Series A Conversion Price Adjustments. The Series A Conversion Price shall be subject to adjustment from time to time after the Series A Original Issue Date as follows:

(a) Split or Subdivision of Common Stock. In the event that, at any time or from time to time after the Series A Original Issue Date, a record date is fixed for the effectuation of a split or subdivision of outstanding shares of Common Stock, then, as of such record date, the Series A Conversion Price shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of each share of Series A Preferred Stock shall be increased in proportion to such increase of the aggregate number of shares of Common Stock outstanding.

(b) Combination of Common Stock. In the event that, at any time or from time to time after the Series A Original Issue Date, a record date is fixed for the effectuation of a combination of outstanding shares of Common Stock, then, as of such record date, the Series A Conversion Price shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of each share of Series A Preferred Stock shall be decreased in proportion to such decrease in outstanding shares of Common Stock.

(c) Reclassification or Recapitalization of Common Stock. In the event that, at any time or from time to time after the Series A Original Issue Date, there shall be a reclassification or recapitalization of outstanding shares of Common Stock (other than a split or subdivision provided for in Section 8(a)), a combination provided for in Section 8(b), a liquidation, dissolution or winding up of the Corporation, a Qualifying Merger or a Qualifying Sale), to the fullest extent permitted by applicable law, provision shall be made so that the holders of Series A Preferred Stock shall thereafter be entitled to receive upon conversion of Series A Preferred Stock the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock deliverable upon conversion would have been entitled on such reclassification or recapitalization. In any such case, appropriate adjustment shall, to the fullest extent permitted by applicable law, be made in the application of the provisions of this Section 8(c) with respect to the rights of the holders of Series A Preferred Stock after the reclassification or recapitalization to the end that the provisions of this Section 8(c) (including adjustment of the Series A Conversion Price then in effect and the number of shares received upon conversion of Series A Preferred Stock) shall be applicable after that event as nearly equivalently as may be practicable. The provisions of this Section 8(c) shall similarly apply to successive qualifying reclassifications or recapitalizations of outstanding shares of Common Stock (other than a split or subdivision provided for in Section 8(a)), a combination provided for in Section 8(b), a liquidation, dissolution or winding up of the Corporation, a Qualifying Merger or a Qualifying Sale).

(d) Certificate as to Adjustments. The Corporation shall, upon the written request delivered to the Corporation at the principal office of the Corporation at any time by any holder of Series A Preferred Stock, furnish or cause to be furnished to such holder a certificate setting forth (i) each adjustment and readjustment of the Series A Conversion Price made pursuant to this Section 8, (ii) the Series A Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other property that at the time would be received upon the conversion of a share of Series A Preferred Stock pursuant to Section 7.

Section 9. Reservation of Common Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of outstanding shares of Series A Preferred Stock pursuant to Section 7, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all shares of Series A Preferred Stock then outstanding; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all shares of Series A Preferred Stock then outstanding pursuant to Section 7 then, in addition to such other remedies as shall be available to the holders of Series A Preferred Stock, the Corporation shall, to the fullest extent permitted by applicable law, take such corporate action as may, in the opinion of its counsel, be necessary to increase the total number of authorized shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in reasonable best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation.

Section 10. Notices. Any notice required by the provisions of this Certificate of Designation to be given to a holder or holders of outstanding shares of Series A Preferred Stock shall be deemed given to each holder of record in any manner permitted under the DGCL.

Section 11. Redemption.

(a) Series A Corporation Redemption Date. Subject to applicable law, upon one or more business days established by the Board of Directors at any time and from time to time from and after the Series A Original Issue Date whether from Qualifying Financing Proceeds or otherwise, the Corporation may elect to redeem all or any portion of the issued and outstanding shares of Series A Preferred Stock (each such business day, a “**Series A Corporation Redemption Date**”) and without any action on the part of the Corporation or any holder of outstanding shares of Series A Preferred Stock. The date by which all of the issued and outstanding shares of Series A Preferred Stock shall be redeemed by the Corporation shall be no later than the one-year anniversary of the Series A Original Issue Date (the “**Outside Date**”); *provided that* the Outside Date shall be automatically extended by an additional three (3) month period if the Corporation has not as of such date closed upon one or more Equity Financings that, in total, result in gross proceeds to the Corporation of \$10.0 million or greater. In the event that a Series A Corporation Redemption Date is the Outside Date such redemption shall be for all of the then outstanding shares of Series A Preferred Stock. The aggregate number of shares of Series A Preferred Stock to be redeemed at any one time shall be effected *pro rata* based on the number of outstanding shares of Series A Preferred Stock held by a holder bears to the number of outstanding shares of Series A Preferred Stock held by all holders of Series A Preferred Stock. The Corporation shall provide on each Series A Corporation Redemption Date written notice to the holders of outstanding shares of Series A Preferred Stock of the Series A Corporation Redemption Date not less than ten (10) business days prior to the Series A Corporation Redemption Date setting forth (i) the Series A Corporation Redemption Date, (ii) the Series A Redemption Price and (iii) the aggregate number of outstanding shares of Series A Preferred Stock to be redeemed by the Corporation on such Series A Corporation Redemption Date.

(b) Payment of the Series A Redemption Price. The Series A Redemption Price shall be paid in cash in immediately available funds. Upon the Series A Corporation Redemption Date, the Corporation shall, except to the extent prohibited by Delaware law governing distributions to stockholders, and after establishing reasonable reserves for existing trade payables and other liabilities, apply all of the assets of the Corporation to the payment of the Series A Redemption Price to the holders of shares of Series A Preferred Stock entitled thereto, and to no other corporate purpose or purposes to the fullest extent permitted by applicable law.

(c) Delivery of the Series A Preference Price. The Corporation shall, as soon as practicable, and in no event later than three (3) Trading Days after the Series A Corporation Redemption Date, deliver the Series A Redemption Price in cash to the holders of shares of Series A Preferred Stock entitled thereto by wire transfer, to an account designated by the relevant holder by written notice delivered to the Corporation at the principal office of the Corporation or of any transfer agent for Series A Preferred Stock not less than two (2) business days prior to the Series A Corporation Redemption Date.

(d) Effect of Redemption. Redemption of one or more all of the outstanding shares of Series A Preferred Stock pursuant to this Section 11 shall be deemed to have been made immediately prior to the close of business on the Series A Corporation Redemption Date. From and after the Series A Corporation Redemption Date, each share of Series A Preferred Stock redeemed pursuant to this Section 11 shall no longer be deemed to be outstanding and all rights in respect of such share of Series A Preferred Stock shall cease, except for the right to receive the Series A Redemption Price.

Section 12. Redemption at the Option of a Holder.

(a) Qualifying Financing Period. Subject to applicable law, at any time from time to time during the five (5) Trading Day period following a holder's receipt of written notice pursuant to Section 12(b) or Section 12(c) (such period, the "**Qualifying Financing Period**"), each holder of an outstanding share or shares of Series A Preferred Stock shall have the right to cause the Corporation to redeem, solely and exclusively out of the then aggregate Qualifying Financing Proceeds, any or all of the outstanding shares of Series A Preferred Stock held by such holder at the Series A Redemption Price.

(b) Notice of Equity Financing. Not more than three (3) Trading Days after the occurrence of an Equity Financing, the Corporation shall deliver (on a business day) written notice to the holders of then outstanding shares of Series A Preferred Stock and make a public announcement, in each case, of (i) the date of the occurrence of an Equity Financing and (ii) the then aggregate Qualifying Financing Proceeds.

(c) Quarterly Notice of Equity Financings. From and after the occurrence of an Equity Financing, not more than three (3) Trading Days after each Series A Quarterly Dividend Payment Date following the date of the occurrence of the Equity Financing, the Corporation shall deliver (on a business day) written notice to the holders of the then outstanding shares of Series A Preferred Stock and make a public announcement, in each case, of then then aggregate Qualifying Financing Proceeds.

(d) Mechanics of Redemption upon a Qualifying Financing. A holder of an outstanding share or shares of Series A Preferred Stock desiring to cause the Corporation to redeem any or all of the outstanding shares of Series A Preferred Stock held by such holder pursuant to this Section 12 shall deliver (on a business day) written notice thereof to the principal office of the Corporation or of any transfer agent for Series A Preferred Stock any time during the Qualifying Financing Period specifying the number of shares of outstanding Series A Preferred Stock held by such holder proposed to be redeemed (if such notice is silent as to the number of outstanding shares of Series A Preferred Stock held by the holder and proposed to be redeemed pursuant to this Section 12, the notice shall be deemed to apply to all outstanding shares of Series A Preferred Stock held by such holder), together with the certificate or certificates representing the outstanding shares of Series A Preferred Stock proposed to be redeemed under this Section 12, duly indorsed for transfer to the Corporation (the business day on which such written notice and certificate or certificates are delivered to the Corporation pursuant to this Section 12(d), the "**Series A Optional Redemption Date**").

(e) Payment of the Series A Redemption Price. The Series A Redemption Price shall be paid in cash in immediately available funds. Upon the Series A Optional Redemption Date, the Corporation shall, except to the extent prohibited by Delaware law governing distributions to stockholders, apply all of the Qualifying Financing Proceeds to the payment of the Series A Redemption Price to the holders of outstanding shares of Series A Preferred Stock delivering a written notice and certificate or certificates pursuant to Section 12(d) during any Qualifying Financing Period, and to no other corporate purpose or purposes to the fullest extent permitted by applicable law. If the Qualifying Financing Proceeds available for distribution under Delaware law governing distributions to stockholders shall be insufficient to permit the payment of the Series A Redemption Price to all holders of outstanding shares of Series A Preferred Stock delivering a written notice and certificate or certificates pursuant to Section 12(d) during any Qualifying Financing Period, then the entire Qualifying Financing Proceeds available for distribution under Delaware law governing distributions to stockholders shall be utilized to redeem ratably among such holders of outstanding shares of Series A Preferred Stock.

(f) Delivery of the Series A Redemption Price. The Corporation shall, as soon as practicable, and in no event later than three (3) Trading Days after the Series A Optional Redemption Date, deliver the Series A Redemption Price in cash, to the holder of shares of Series A Preferred Stock entitled thereto by wire transfer, to an account designated by the relevant holder by in the written notice delivered by the holder pursuant to Section 12(d).

(g) Effect of Optional Redemption. Redemption of outstanding shares of Series A Preferred Stock pursuant to this Section 12 shall be deemed to have been made immediately prior to the close of business on the Series A Optional Redemption Date. From and after the Series A Optional Redemption Date, each share of Series A Preferred Stock redeemed pursuant to this Section 12 shall no longer be deemed to be outstanding and all rights in respect of such share of Series A Preferred Stock shall cease, except for the right to receive the Series A Redemption Price.

Section 13. Certificated or Uncertificated Shares of Series A Preferred Stock or Common Stock.

(a) Series A Preferred Stock. If at any time the Board of Directors shall have adopted a resolution or resolutions providing that shares of Series A Preferred Stock shall be uncertificated shares, such resolution or resolutions shall not apply to a share of Series A Preferred Stock represented by a certificate until such certificate is surrendered to the Corporation, and, from and after the effectiveness of such resolution or resolutions as to a share of Series A Preferred Stock, (i) provisions of this Certificate of Designation requiring the surrender of a certificate or certificates representing or formerly representing such shares by a holder shall instead require the delivery of an instruction with a request to register transfer of such shares to the Corporation and (ii) provisions of this Certificate of Designation requiring the delivery of a certificate or certificates representing such shares by the Corporation shall instead require the delivery of the notice contemplated by Section 151(f) of the DGCL.

(b) Common Stock. If at any time the Board of Directors shall have adopted a resolution or resolutions providing that shares of Common Stock shall be uncertificated shares, such resolution or resolutions shall not apply to a share of Common Stock represented by a certificate until such certificate is surrendered to the Corporation, and, from and after the effectiveness of such resolution or resolutions as to a share of Common Stock, provisions of this Certificate of Designation requiring the delivery of a certificate or certificates representing such shares by the Corporation shall instead require the delivery of the notice contemplated by Section 151(f) of the DGCL.

Section 14. Status of Converted, Redeemed or Repurchased Shares. If any share of Series A Preferred Stock is converted, redeemed, repurchased or otherwise acquired by the Corporation in any manner whatsoever, the share of Series A Preferred Stock so acquired shall, to the fullest extent permitted by applicable law, be retired and cancelled upon such acquisition, and shall not be reissued as a share of Series A Preferred Stock. Any share of Series A Preferred Stock so acquired shall, upon its retirement and cancellation, and upon the taking of any action required by applicable law, become an authorized but unissued share of Preferred Stock undesignated as to series and may be reissued a part of a new series of Preferred Stock, subject to the conditions and restrictions set forth in the Certificate of Incorporation or imposed by the DGCL.

Section 15. Waiver. The voting powers, if any, of the Series A Preferred Stock and the preferences and relative, participating, optional, special or other rights, if any, and the qualifications, limitations or restrictions, if any, of the Series A Preferred Stock may be waived as to all shares of Series A Preferred Stock in any instance (without the necessity of calling, noticing or holding a meeting of stockholders) by the consent or agreement of the holders of at least ninety percent (90%) of the then outstanding shares of Series A Preferred Stock, consenting or agreeing separately as a single class.”

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Designation of the Series A Convertible Preferred Stock of Jet.AI Inc. on this 10th day of August, 2023.

JET.AI INC.

By: /s/ Mike Winston

Name: Mike Winston

Title: Executive Chairman

AMENDMENT NO. 1 TO CERTIFICATE OF DESIGNATION
OF
SERIES A CONVERTIBLE PREFERRED STOCK
OF
JET.AI INC.

(Pursuant to Section 151 of the General Corporation Law of the State of Delaware)

Jet.AI Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter, the “**Corporation**”), hereby certifies that:

1. This Amendment No. 1 to the Certificate of Designation of Series A Convertible Preferred Stock shall be effective as of the time of filing by the Delaware Secretary of State.
2. The following resolution was duly adopted by the Board of Directors of the Corporation (or a duly authorized committee thereof) as required by Section 151 of the General Corporation Law of the State of Delaware (the “**DGCL**”).
3. The Corporation and holders of at least ninety percent (90%) of the outstanding shares of Series A Preferred Stock have approved this amendment.

NOW, THEREFORE, BE IT RESOLVED, Section 2(t) of the Certificate of Designations is amended and restated as follows:

“**Series A Conversion Price**” shall mean 100% of the VWAP of the Common Stock during the five (5) Trading Days immediately preceding, but not including, the date of conversion, as adjusted pursuant to Section 8, *provided, however*, that in no event shall outstanding shares of Series A Preferred Stock be converted into more than 19.99% of the outstanding shares of Common Stock as of the date of issuance, until such time as the Company obtains the approval of its shareholders to issue in excess of such 19.99% in accordance with the rules and regulations of the Nasdaq Stock Market. If, at any time while the Series A Preferred Stock is outstanding, the Company sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or enters into any agreement to issue, regardless of whether issued or not, or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any person to acquire shares of Common Stock at an effective price per share that is lower than the then Series A Conversion Price (such lower price, the “**Base Conversion Price**” and such issuances, collectively, a “**Dilutive Issuance**”) (if the holder of the Common Stock so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Series A Conversion Price, such issuance shall be deemed to have occurred for less than the Series A Conversion Price on such date of the Dilutive Issuance), then simultaneously with the consummation (or, if earlier, the announcement) of each Dilutive Issuance the Series A Conversion Price shall be reduced to equal the Base Conversion Price. If the Company enters into a variable rate transaction, the Company shall be deemed to have issued Common Stock at the lowest possible conversion price at which such securities may be converted or exercised. The Company shall notify the Holder in writing, no later than the trading day following the issuance of any Common Stock subject to this subsection, indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the “**Dilutive Issuance Notice**”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice, upon the occurrence of any Dilutive Issuance, the Holder is entitled to convert its Series A Preferred Stock based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Conversion Price in the Notice of Conversion.”

RESOLVED FURTHER, that Section 7(a) of the Certificate of Designations is amended and restated as follows:

“(a) Optional Conversion. Each outstanding share of Series A Preferred Stock may be converted into such number of fully paid and nonassessable shares of Common Stock as determined by dividing the Series A Original Purchase Price by the Series A Conversion Price at any time or time to time by the holder thereof pursuant to this Section 7; *provided, however*, in no event shall outstanding shares of Series A Preferred Stock be converted into more than 19.99% of the outstanding shares of Common Stock until such time as the Company obtains the approval of its shareholders to issue in excess of such 19.99% in accordance with the rules and regulations of the Nasdaq Stock Market.”

IN WITNESS WHEREOF, the undersigned has executed this Amendment No. 1 to Certificate of Designation of the Series A Convertible Preferred Stock of Jet.AI Inc. on this 15th day of July, 2024.

JET.AI INC.

By: /s/ Mike Winston

Name: Mike Winston

Title: Interim CEO

**CERTIFICATE OF DESIGNATIONS OF
SERIES B CONVERTIBLE PREFERRED STOCK OF
JET.AI INC.**

I, Michael Winston, hereby certify that I am the Interim Chief Executive Officer of Jet.AI Inc. (the “**Company**”), a corporation organized and existing under the Delaware General Corporation Law (the “**DGCL**”), and further do hereby certify:

That pursuant to the authority expressly conferred upon the Board of Directors of the Company (the “**Board**”) by the Company’s Certificate of Incorporation, as amended (the “**Certificate of Incorporation**”), the Board on March 28, 2024 adopted the following resolution creating a series of preferred stock designated as “**Series B Convertible Preferred Stock**”, none of which shares have been issued:

RESOLVED, that pursuant to the authority vested in the Board, in accordance with the provisions of the Certificate of Incorporation, a series of preferred stock, par value \$0.0001 per share, of the Company be and hereby is created, and that the designation and number of shares thereof and the voting and other powers, preferences and relative, participating, optional or other rights of the shares of such series and the qualifications, limitations and restrictions thereof are as follows:

TERMS OF SERIES B CONVERTIBLE PREFERRED STOCK

1. Designation and Number of Shares. There shall hereby be created and established a series of preferred stock of the Company designated as “Series B Convertible Preferred Stock” (the “**Preferred Shares**”). The authorized number of Preferred Shares shall be five thousand (5,000) shares. Each Preferred Share shall have a par value of \$0.0001. Capitalized terms not defined herein shall have the meaning as set forth in Section 31 below.

2. Ranking. Except to the extent that the holders of at least a majority of the outstanding Preferred Shares (the “**Required Holders**”) expressly consent to the creation of Senior Preferred Stock (as defined below) in accordance with Section 16, all shares of capital stock of the Company shall be junior in rank to all Preferred Shares with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (such junior stock is referred to herein collectively as “**Junior Stock**”), other than the Company’s Series A Convertible Preferred Stock, par value \$0.0001 per share, and Series A-1 Convertible Preferred Stock, par value \$0.0001 per share, which shall rank *pari passu* with the Preferred Shares with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company. The rights of all such shares of capital stock of the Company shall be subject to the rights, powers, preferences and privileges of the Preferred Shares. Without limiting any other provision of this Certificate of Designations, without the prior express consent of the Required Holders, voting separate as a single class, the Company shall not hereafter authorize or issue any additional or other shares of capital stock that is (i) of senior rank to the Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (collectively, the “**Senior Preferred Stock**”) or (ii) any Junior Stock having a maturity date or any other date requiring redemption or repayment of such shares of Junior Stock that is prior to the first anniversary of the Initial Issuance Date. In the event of the merger or consolidation of the Company with or into another corporation, the Preferred Shares shall maintain their relative rights, powers, designations, privileges and preferences provided for herein and no such merger or consolidation shall result inconsistent therewith.

3. Dividends. From and after the first date of issuance of any Preferred Shares (the “**Initial Issuance Date**”), each holder of a Preferred Share (each, a “**Holder**” and collectively, the “**Holders**”) shall be entitled to receive dividends (“**Dividends**”), which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in shares of Common Stock or, at the option of the Company, cash on the Stated Value of such Preferred Share at the Dividend Rate, which shall be cumulative and shall continue to accrue daily whether or not declared and whether or not in any fiscal year there shall be net profits or surplus available for the payment of dividends in such fiscal year. Dividends on the Preferred Shares shall commence accruing on the Initial Issuance Date and shall be computed on the basis of a 360-day year and twelve 30-day months. Accrued and unpaid Dividends shall be payable by way of inclusion of the Dividends in the Conversion Amount on each Conversion Date in accordance with Section 4(c)(i) or upon any redemption in accordance with Section 11 or upon any required payment upon any Bankruptcy Triggering Event. From and after the occurrence and during the continuance of any Triggering Event, the Dividend Rate shall automatically be increased to ten percent (10.0%) per annum. In the event that such Triggering Event is subsequently cured, the adjustment referred to in the preceding sentence shall cease to be effective as of the calendar day immediately following the date of such cure; **provided**, that the Dividends as calculated and unpaid at such increased rate during the continuance of such Triggering Event shall continue to apply to the extent relating to the days after the occurrence of such Triggering Event through and including the date of such cure of such Triggering Event.

4. Conversion. At any time after the Initial Issuance Date, each Preferred Share shall be convertible into validly issued, fully paid and non-assessable shares of Common Stock (as defined below), on the terms and conditions set forth in this Section 4. No Holder may deliver another Conversion Notice while an existing Conversion Notice remains outstanding. The Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer, stamp, issuance and similar taxes, costs and expenses (including, without limitation, fees and expenses of the Transfer Agent (as defined below)) that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Preferred Shares.

(a) [Reserved]

(b) Conversion Rate. The number of shares of Common Stock issuable upon conversion of any Preferred Share shall be determined by dividing (x) the Conversion Amount of such Preferred Share by (y) the Conversion Price (the “**Conversion Rate**”):

(i) “**Conversion Amount**” means, with respect to each Preferred Share, as of the applicable date of determination, the sum of (1) the Stated Value thereof plus (2) the Additional Amount thereon and any accrued and unpaid Late Charges (as defined below in Section 24(c)) with respect to such Stated Value and Additional Amount as of such date of determination.

(ii) “**Conversion Price**” has the meaning set forth in Section 31, subject to further adjustment as provided herein.

(c) Mechanics of Conversion. The conversion of each Preferred Share shall be conducted in the following manner:

(i) Optional Conversion. To convert a Preferred Share into shares of Common Stock on any date, a Holder shall deliver (whether via facsimile, electronic mail or otherwise), for receipt on or prior to 11:59 p.m., New York time, on such date, a copy of an executed notice of conversion of the share(s) of Preferred Shares subject to such conversion in the form attached hereto as **Exhibit I** (the “**Conversion Notice**”, and the date of the delivery of such Conversion Notice, the “**Conversion Date**”) to the Company, which shall specify the Conversion Date. If required by Section 4(c)(iii), within two (2) Trading Days following delivery of the Conversion Notice, such Holder shall surrender to a nationally recognized overnight delivery service for delivery to the Company the original certificates, if any, representing the Preferred Shares (the “**Preferred Share Certificates**”) so converted as aforesaid (or an indemnification undertaking with respect to the Preferred Shares in the case of its loss, theft or destruction as contemplated by Section 18(b)). On or before the second (2nd) Trading Day following the date of receipt of a Conversion Notice, the Company shall transmit by facsimile or electronic mail an acknowledgment of confirmation and representation as to whether such shares of Common Stock may then be resold pursuant to Rule 144 or an effective and available registration statement, in the form attached hereto as **Exhibit II**, of receipt of such Conversion Notice to such Holder and the Company’s transfer agent (the “**Transfer Agent**”), which confirmation shall constitute an instruction to the Transfer Agent (“**Conversion Instruction**”) to process such Conversion Notice in accordance with the terms herein. As and to the extent that such shares of Common Stock may not be resold pursuant to Rule 144 or an effective and available registration statement or the issuance of such shares would violate the beneficial ownership limitations of Section 4(d), the Conversion Notice shall be null and void and no Conversion Instruction shall be required with respect to such shares. On or before the second (2nd) Trading Day following each date on which the Company has received a Conversion Notice (or such earlier date as required pursuant to the 1934 Act or other applicable law, rule or regulation for the settlement of a trade initiated on the applicable Conversion Date of such shares of Common Stock issuable pursuant to such Conversion Notice) (the “**Share Delivery Deadline**”), the Company shall (1) provided that the Transfer Agent is participating in The Depository Trust Company’s (“**DTC**”) Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock to which such Holder shall be entitled pursuant to such conversion to such Holder’s or its designee’s balance account with DTC through its Deposit/Withdrawal at Custodian system, or (2) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, shall credit such aggregate number of shares of Common Stock to which such Holder shall be entitled pursuant to such conversion to such Holder’s or its designee’s balance account with the Transfer Agent. If the number of Preferred Shares represented by the Preferred Share Certificate(s), if any, submitted for conversion pursuant to Section 4(c)(iii) is greater than the number of Preferred Shares being converted, then, at the Holder’s request, the Company shall, as soon as practicable and in no event later than two (2) Trading Days after receipt of the Preferred Share Certificate(s) and at its own expense, issue and deliver to such Holder (or its designee) a new Preferred Share Certificate (in accordance with Section 18(d)) representing the number of Preferred Shares not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of Preferred Shares shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date. In the event the Company is unable to deliver shares of Common Stock issuable upon a conversion of Preferred Shares to a Holder that would otherwise be issuable upon delivery of a Conversion Notice because of the application of the Exchange Limitation (as defined below), the Company shall deliver to such Holder within two (2) Trading Days following delivery of a Conversion Notice a bank check or wire transfer in the amount of the product of (I) the number of such shares of Common Stock that would otherwise be delivered, multiplied by (II) the difference of the VWAP of the Common Stock on the date of such Conversion Notice minus the Conversion Price; provided, the Holder shall be permitted to deliver only two (2) Conversion Notices per calendar month during any such period.

(ii) Company's Failure to Timely Convert. If the Company shall fail, for any reason or for no reason, on or prior to the applicable Share Delivery Deadline, either (I) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, to issue and deliver to such Holder (or its designee) a certificate for the number of shares of Common Stock to which such Holder is entitled and register such shares of Common Stock on the Company's share register or, if the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, to credit such Holder's or its designee's balance account with DTC for such number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion of any Conversion Amount (as the case may be) or (II) if after the date on which the registration statement covering the resale of the shares of Common Stock that are the subject of the Conversion Notice (the "**Unavailable Conversion Shares**") initially becomes effective, such registration statement is not available for the resale of such Unavailable Conversion Shares and the Company fails to promptly, but in no event later than as required pursuant to the Securities Purchase Agreement (x) notify such Holder and (y) deliver the shares of Common Stock electronically without any restrictive legend by crediting such aggregate number of shares of Common Stock to which such Holder is entitled pursuant to such exercise to such Holder's or its designee's balance account with DTC through its Deposit/Withdrawal At Custodian system (the event described in the immediately foregoing clause (II) is hereinafter referred to as a "**Notice Failure**" and together with the event described in clause (I) above, a "**Conversion Failure**"), then, in addition to all other remedies available to such Holder, (X) the Company shall pay in cash to such Holder on each day after the Share Delivery Deadline that the issuance of such shares of Common Stock is not timely effected an amount equal to 2% of the product of (A) the sum of the number of shares of Common Stock not issued to such Holder on or prior to the Share Delivery Deadline and to which such Holder is entitled, multiplied by (B) any closing trading price of the Common Stock selected by such Holder in writing as in effect at any time during the period beginning on the applicable Conversion Date and ending on the applicable Share Delivery Deadline, or (Y) such Holder, upon written notice to the Company, may void its Conversion Notice with respect to, and retain or have returned, as the case may be, all, or any portion, of such Preferred Shares that has not been converted pursuant to such Conversion Notice; provided that the voiding of an Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 4(c)(ii) or otherwise. In addition to the foregoing, if on or prior to the Share Delivery Deadline, either (A) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, the Company shall fail to issue and deliver to such Holder (or its designee) a certificate and register such shares of Common Stock on the Company's share register or, if the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, the Transfer Agent shall fail to credit the balance account of such Holder or such Holder's designee, as applicable, with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder or pursuant to the Company's obligation pursuant to clause (II) below or (B) a Notice Failure occurs, and if on or after such Share Delivery Deadline such Holder purchases (in an open market transaction or otherwise) shares of Common Stock corresponding to all or any portion of the number of shares of Common Stock issuable upon such conversion that such Holder is entitled to receive from the Company and has not received from the Company in connection with such Conversion Failure or Notice Failure, as applicable (a "**Buy-In**"), then, in addition to all other remedies available to such Holder, the Company shall, within two (2) Business Days after receipt of such Holder's request and in such Holder's discretion, either: (I) pay cash to such Holder in an amount equal to such Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of such Holder) (the "**Buy-In Price**"), at which point the Company's obligation to so issue and deliver such certificate (and to issue such shares of Common Stock) or credit to the balance account of such Holder or such Holder's designee, as applicable, with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate, or (II) promptly honor its obligation to so issue and deliver to such Holder a certificate or certificates representing such shares of Common Stock or credit the balance account of such Holder or such Holder's designee, as applicable, with DTC for the number of shares of Common Stock to which such Holder is entitled upon such Holder's conversion hereunder (as the case may be) and pay cash to such Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (x) such number of shares of Common Stock multiplied by (y) the lowest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date of the applicable Conversion Notice and ending on the date of such issuance and payment under this clause (II). Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity, including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock (or to electronically deliver such shares of Common Stock) upon the conversion of any Preferred Shares as required pursuant to the terms hereof. Notwithstanding anything herein to the contrary, with respect to any given Notice Failure and/or Conversion Failure, this Section 4(c)(ii) shall not apply to a Holder to the extent the Company has already paid such amounts in full to such Holder with respect to such Notice Failure and/or Conversion Failure, as applicable, pursuant to the analogous sections of the Securities Purchase Agreement.

(iii) Registration; Book-Entry. At the time of issuance of any Preferred Shares hereunder, the applicable Holder shall receive such Preferred Shares in Book-Entry form unless the Holder requests by written request (including by electronic-mail) to the Company to receive such Preferred Shares in the form of one or more Preferred Share Certificates. The Company (or the Transfer Agent, as transfer agent and registrar for the Preferred Shares) shall maintain a register (the “**Register**”) for the recordation of the names and addresses of the Holders of each Preferred Share and the Stated Value of the Preferred Shares and whether the Preferred Shares are held by such Holder in Preferred Share Certificates or in Book-Entry form (the “**Registered Preferred Shares**”). The entries in the Register shall be conclusive and binding for all purposes absent manifest error. The Company and each Holder of the Preferred Shares shall treat each Person whose name is recorded in the Register as the owner of a Preferred Share for all purposes (including, without limitation, the right to receive payments and Dividends hereunder) notwithstanding notice to the contrary. A Registered Preferred Share may be assigned, transferred or sold only by registration of such assignment or sale on the Register. Upon its receipt of a written request to assign, transfer or sell one or more Registered Preferred Shares by such Holder thereof and an opinion of counsel reasonably satisfactory to the Company, the Company shall record the information contained therein in the Register and issue one or more new Registered Preferred Shares in the same aggregate Stated Value as the Stated Value of the surrendered Registered Preferred Shares to the designated assignee or transferee pursuant to Section 18, provided that if the Company does not so record an assignment, transfer or sale (as the case may be) of such Registered Preferred Shares within two (2) Business Days of receipt of such a request and opinion of counsel, then the Register shall be automatically deemed updated to reflect such assignment, transfer or sale (as the case may be). Except as set forth above, following conversion of any Preferred Shares in accordance with the terms hereof, the applicable Holder shall not be required to physically surrender such Preferred Shares held in the form of a Preferred Share Certificate to the Company unless (A) the full or remaining number of Preferred Shares represented by the applicable Preferred Share Certificate are being converted (in which event such certificate(s) shall be delivered to the Company as contemplated by this Section 4(c)(iii)) or (B) such Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of Preferred Shares upon physical surrender of the applicable Preferred Share Certificate. Each Holder and the Company shall maintain records showing the Stated Value, Dividends and Late Charges converted and/or paid (as the case may be) and the dates of such conversions and/or payments (as the case may be) or shall use such other method, reasonably satisfactory to such Holder and the Company, so as not to require physical surrender of a Preferred Share Certificate upon conversion. If the Company does not update the Register to record such Stated Value, Dividends and Late Charges converted and/or paid (as the case may be) and the dates of such conversions and/or payments (as the case may be) within two (2) Business Days of such occurrence, then the Register shall be automatically deemed updated to reflect such occurrence. In the event of any dispute or discrepancy, such records of such Holder establishing the number of Preferred Shares to which the record holder is entitled shall be controlling and determinative in the absence of manifest error. A Holder and any transferee or assignee, by acceptance of a certificate, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of any Preferred Shares, the number of Preferred Shares represented by such certificate may be less than the number of Preferred Shares stated on the face thereof. Each Preferred Share Certificate shall bear the following legend:

ANY TRANSFEREE OR ASSIGNEE OF THIS CERTIFICATE SHOULD CAREFULLY REVIEW THE TERMS OF THE CORPORATION'S CERTIFICATE OF DESIGNATIONS RELATING TO THE SHARES OF SERIES B PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE, INCLUDING SECTION 4(c)(iii) THEREOF. THE NUMBER OF SHARES OF SERIES B PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE MAY BE LESS THAN THE NUMBER OF SHARES OF SERIES B PREFERRED STOCK STATED ON THE FACE HEREOF PURSUANT TO SECTION 4(c)(iii) OF THE CERTIFICATE OF DESIGNATIONS RELATING TO THE SHARES OF SERIES B PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE.

(iv) Pro Rata Conversion; Disputes. In the event that the Company receives a Conversion Notice from more than one Holder for the same Conversion Date and the Company can convert some, but not all, of such Preferred Shares submitted for conversion, the Company shall convert from each Holder electing to have Preferred Shares converted on such date a pro rata amount of such Holder's Preferred Shares submitted for conversion on such date based on the number of Preferred Shares submitted for conversion on such date by such Holder relative to the aggregate number of Preferred Shares submitted for conversion on such date. In the event of a dispute as to the number of shares of Common Stock issuable to a Holder in connection with a conversion of Preferred Shares, the Company shall issue to such Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 23.

(d) Limitation on Beneficial Ownership. The Company shall not effect the conversion of any of the Preferred Shares held by a Holder, and such Holder shall not have the right to convert any of the Preferred Shares held by such Holder pursuant to the terms and conditions of this Certificate of Designations and any such conversion shall be null and void and treated as if never made, to the extent that after giving effect to such conversion, such Holder together with the other Attribution Parties collectively would beneficially own in excess of 4.99% (the "**Maximum Percentage**") of the shares of Common Stock outstanding immediately after giving effect to such conversion. The Holder shall notify the Company upon any request for a conversion of the number of shares that such Holder together with the other Attribution Parties collectively beneficially own on the date the request for Conversion is provided to the Company as well as the Holder's determination of the Reported Outstanding Share Number (as defined below) and shall advise the Company of any increase in such beneficial ownership thereafter until the Conversion has been affected. For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by such Holder and the other Attribution Parties shall include the number of shares of Common Stock held by such Holder and all other Attribution Parties plus the number of shares of Common Stock issuable upon conversion of the Preferred Shares with respect to which the determination of such sentence is being made, but shall exclude shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted Preferred Shares beneficially owned by such Holder or any of the other Attribution Parties and (B) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any convertible notes, convertible preferred stock or warrants, including the Preferred Shares) beneficially owned by such Holder or any other Attribution Party subject to a limitation on conversion or exercise analogous to the limitation contained in this Section 4(d). For purposes of this Section 4(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the 1934 Act. For purposes of determining the number of outstanding shares of Common Stock a Holder may acquire upon the conversion of such Preferred Shares without exceeding the Maximum Percentage, such Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other public filing with the SEC, as the case may be, (y) a more recent public announcement by the Company or (z) any other written notice by the Company or the Transfer Agent, if any, setting forth the number of shares of Common Stock outstanding (the "**Reported Outstanding Share Number**"). If the Company receives a Conversion Notice from a Holder at a time when the actual number of outstanding shares of Common Stock is less than the Reported Outstanding Share Number, the Company shall notify such Holder in writing of the number of shares of Common Stock then outstanding and, to the extent that such Conversion Notice would otherwise cause such Holder's beneficial ownership, as determined pursuant to this Section 4(d), to exceed the Maximum Percentage, such Holder must notify the Company of a reduced number of shares of Common Stock to be purchased pursuant to such Conversion Notice. For any reason at any time, upon the written or oral request of any Holder, the Company shall within one (1) Business Day confirm orally and in writing or by electronic mail to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including such Preferred Shares, by such Holder and any other Attribution Party since the date as of which the Reported Outstanding Share Number was reported. In the event that the issuance of shares of Common Stock to a Holder upon conversion of such Preferred Shares results in such Holder and the other Attribution Parties being deemed to beneficially own, in the aggregate, more than the Maximum Percentage of the number of outstanding shares of Common Stock (as determined under Section 13(d) of the 1934 Act), the number of shares so issued by which such Holder's and the other Attribution Parties' aggregate beneficial ownership exceeds the Maximum Percentage (the "**Excess Shares**") shall be deemed null and void and shall be cancelled ab initio, and such Holder shall not have the power to vote or to transfer the Excess Shares. Upon delivery of a written notice to the Company, any Holder may from time to time increase (with such increase not effective until the sixty-first (61st) day after delivery of such notice) or decrease the Maximum Percentage of such Holder to any other percentage not in excess of 9.99% as specified in such notice; provided that (i) any such increase in the Maximum Percentage will not be effective until the sixty-first (61st) day after such notice is delivered to the Company and (ii) any such increase or decrease will apply only to such Holder and the other Attribution Parties and not to any other Holder that is not an Attribution Party of such Holder. For purposes of clarity, the shares of Common Stock issuable to a Holder pursuant to the terms of this Certificate of Designations in excess of the Maximum Percentage shall not be deemed to be beneficially owned by such Holder for any purpose including for purposes of Section 13(d) or Rule 16a-1(a)(1) of the 1934 Act. In addition to the Maximum Percentage described above and notwithstanding anything to the contrary in this Certificate of Designations, the Company shall not under any circumstances issue shares of Common Stock issuable upon conversion of the Preferred Shares in amount exceeding 19.9% of total number of shares of Common Stock outstanding on the Initial Issuance Date (the "**Exchange Limitation**"), unless the Company elects to seek and actually receives shareholder approval. No prior inability to convert such Preferred Shares pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of convertibility. The provisions of this paragraph shall be construed and implemented in a manner other than in strict conformity with the terms of this Section 4(d) to the extent necessary to correct this paragraph (or any portion of this paragraph) which may be defective or inconsistent with the intended beneficial ownership limitation contained in this Section 4(d) or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitation contained in this paragraph may not be waived and shall apply to a successor holder of such Preferred Shares.

(e) Right of Conversion.

(i) Conversion. Subject to Section 4(d), at the option of any Holder, such Holder may convert all, or any Conversion Amount of, Preferred Shares into shares of validly issued, fully paid and non-assessable Common Stock at the Conversion Price.

(ii) Mechanics of Conversion. On any Conversion Date, a Holder may voluntarily convert any Conversion Amount of Preferred Shares pursuant to Section 4(c), subject to the following:

a. Pre-Settlement. No later than two (2) Trading Days after each Conversion Date, or in the event such Conversion Shares are being resold pursuant to Rule 144 within four (4) Trading Days after such Conversion Date and the Holder provides any information reasonably requested by the Company (the “**Pre-Settlement Conversion Share Delivery Deadline**”), the Company shall (A) transmit by electronic mail an acknowledgment of confirmation and representation, in the form attached hereto as Exhibit II as and to the extent set forth in Section 4(c) above, and (B) cause the Transfer Agent to deliver electronically via Deposit/Withdrawal at Custodian system to such Holder such number of Conversion Shares (the “**Pre-Settlement Conversion Shares**”) equal to the product of (A) the quotient of (y) the Conversion Amount, divided by (z) the Pre-Settlement Conversion Price, and as to which such Holder shall be the owner thereof as of such time of delivery of such Pre-Settlement Conversion Shares. The “**Pre-Settlement Conversion Price**” means 90% of the Closing Sale Price on the date immediately preceding the Conversion Date. All such determinations to be appropriately adjusted for any share split, share dividend, share combination or other similar transaction during any such measuring period. A Holder shall have the right to request additional Pre-Settlement Conversion Shares during the Conversion Measuring Period at any time there is an anticipated shortfall determined in such Holder’s sole discretion.

b. Settlement. No later than two (2) Trading Days after the Conversion Measuring Period (the “**Conversion Settlement Date**”), (I) the Company shall (A) transmit by electronic mail an acknowledgment of confirmation and representation, in the form attached hereto as Exhibit II, and (B) cause the Transfer Agent to deliver to such Holder such number of Conversion Shares (the “**Settlement Conversion Shares**”) equal to the Conversion Amount divided by the Conversion Price; provided, however, that the number of Conversion Shares to be delivered by the Conversion Settlement Date shall be reduced by the number of Pre-Settlement Conversion Shares delivered and (II) the Holder shall deliver (whether via facsimile, electronic mail or otherwise), for receipt on or prior to 11:59 p.m., New York time, on such date, a copy of an executed notice of settlement conversion of the share(s) of Preferred Shares subject to such settlement conversion in the form attached hereto as **Exhibit III** to the Company. Notwithstanding anything herein to the contrary, if the number of Pre-Settlement Conversion Shares delivered to such Holder exceeds the number of Settlement Conversion Shares, then such Holder shall within two (2) Trading Days return such excess Pre-Settlement Conversion Shares to the Company (or the Company’s transfer agent on behalf of the Company); provided that any such Pre-Settlement Conversion Shares may, at the option of such Holder, instead of being returned, be applied to any subsequent conversion prior to the date such return would otherwise be due. For the sake of clarity, such Holder shall be required to return any excess Pre-Settlement Conversion Share to the Company when all Preferred Shares are converted.

(f) Mandatory Conversion. On or prior to the tenth (10th) Trading Day after the Initial Issuance Date of any Preferred Shares (the “**Mandatory Conversion Date**”), each outstanding Preferred Share shall automatically convert into that number of shares of Common Stock determined by dividing the Stated Value of such Preferred Share by the Conversion Price on the Mandatory Conversion Date (the “**Mandatory Conversion**”), provided there is no Triggering Event or default under the Securities Purchase Agreement and subject to the limitations set forth in Section 4(d). To effect the Mandatory Conversion, a Holder shall not be required to surrender the applicable Preferred Share Certificates. On or before the second (2nd) Trading Day following the Mandatory Conversion Date, provided that the registration statement covering the resale of shares of Common Stock is and remains effective, the Company shall (1) provided that the Transfer Agent is participating in DTC’s Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock to which such Holder shall be entitled pursuant to such conversion to such Holder’s or its designee’s balance account with DTC through its Deposit/Withdrawal at Custodian system, or (2) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, upon the request of such Holder, issue and deliver (via reputable overnight courier) to the address as specified in the Register, a certificate, registered in the name of such Holder or its designee, for the number of shares of Common Stock to which such Holder shall be entitled. For purposes of clarification, a Mandatory Conversion shall be subject to the provisions of Sections 4(e)(i) and (ii).

5. Triggering Event Redemptions.

(a) Triggering Event. Each of the following events shall constitute a “**Triggering Event**” and each of the events in clauses 5(a)(viii), 5(a)(ix), and 5(a)(x), shall constitute a “**Bankruptcy Triggering Event**”:

(i) the Company’s (A) failure to cure a Conversion Failure by delivery of the required number of shares of Common Stock within five (5) Trading Days after the applicable Conversion Date or (B) written notice to any holder of Preferred Shares by any executive officer of the Company, including, without limitation, by way of public announcement, at any time, of its intention not to comply, as required, with a request for conversion of any Preferred Shares into shares of Common Stock that is requested in accordance with the provisions of this Certificate of Designations, other than pursuant to the terms hereof;

(ii) except to the extent the Company is in compliance with Section 10(b) below, at any time following the tenth (10th) consecutive Business Day after notice has been given by a Holder to the Company that a Holder’s Authorized Share Allocation (as defined in Section 10(a) below) is less than the sum of 125% of the number of shares of Common Stock that such Holder would be entitled to receive upon a conversion, in full, of all of the Preferred Shares then held by such Holder (without regard to any limitations on conversion set forth in this Certificate of Designations);

(iii) the Board fails to declare any Dividend to be paid in accordance with Section 3;

(iv) receipt of notice given by a Holder to the Company of the Company’s failure to pay to any Holder any Dividend (whether or not declared by the Board) or any other amount when and as due under this Certificate of Designations (including, without limitation, the Company’s failure to pay any redemption payments or amounts hereunder), the Securities Purchase Agreement or any other Transaction Document or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby (in each case, whether or not permitted pursuant to the DGCL), except, in the case of a failure to pay Dividends and Late Charges when and as due, in each such case only if such failure remains uncured for a period of at least five (5) Trading Days;

(v) receipt of notice given by a Holder to the Company that the Company fails to remove any restrictive legend on any certificate or any shares of Common Stock issued to the applicable Holder upon conversion or exercise (as the case may be) of any Securities (as defined in the Securities Purchase Agreement) acquired by such Holder under the Securities Purchase Agreement as and when required by such Securities or the Securities Purchase Agreement, unless otherwise then prohibited by applicable federal securities laws, and any such failure remains uncured for at least five (5) Business Days;

(vi) the occurrence of any default (that has not been cured within, if capable of curing, within twenty (20) Business Days of the occurrence) under, redemption of or acceleration prior to maturity of at least an aggregate of \$500,000 of Indebtedness (as defined in the Securities Purchase Agreement) of the Company or any of its Subsidiaries, other than with respect to any Preferred Shares;

(vii) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors shall be instituted by or against the Company or any Subsidiary and, if instituted against the Company or any Subsidiary by a third party, shall not be dismissed within sixty (60) days of their initiation;

(viii) the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree, order, judgment or other similar document in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any Subsidiary in furtherance of any such action or the taking of any action by any Person to commence a Uniform Commercial Code foreclosure sale or any other similar action under federal, state or foreign law;

(ix) the entry by a court of (i) a decree, order, judgment or other similar document in respect of the Company or any Subsidiary of a voluntary or involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or (ii) a decree, order, judgment or other similar document adjudging the Company or any Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking liquidation, reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable federal, state or foreign law or (iii) a decree, order, judgment or other similar document appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree, order, judgment or other similar document or any such other decree, order, judgment or other similar document unstayed and in effect for a period of sixty (60) consecutive days;

(x) a judgment or judgments in a court or courts of final determination for the payment of money aggregating in excess of \$500,000 are rendered against the Company and/or any of its Subsidiaries and which judgments are not, within sixty (60) days after the entry thereof, bonded, discharged, settled or stayed pending appeal, or are not discharged within thirty (30) days after the expiration of such stay; provided, however, any judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the \$500,000 amount set forth above so long as the Company provides each Holder a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to each Holder) to the effect that such judgment is covered by insurance or an indemnity;

(xi) other than as specifically set forth in another clause of this Section 5(a), the Company or any Subsidiary breaches any representation or warranty in any material respect (other than representations or warranties subject to material adverse effect or materiality, which may not be breached in any respect) or any covenant or other term or condition of any Transaction Document, except, in the case of a breach of a covenant or other term or condition that is curable, only if such breach remains uncured for a period of five (5) consecutive Trading Days;

(xii) a false or inaccurate certification (including a false or inaccurate deemed certification) by the Company as to whether any Triggering Event has occurred;

(xiii) any breach or failure in any respect by the Company or any Subsidiary to comply with any provision of Section 13 of this Certificate of Designations;

(xiv) any Material Adverse Effect (as defined in the Securities Purchase Agreement) occurs that has not been cured, if capable of curing, within five (5) Trading Days of the occurrence;

(xv) failure to have an effective registration statement covering the resale of shares of Common Stock upon conversion of the Preferred Shares, which failure continues for a period of forty (40) days; or

(xvi) any provision of any Transaction Document shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof shall be contested, directly or indirectly, by the Company or any Subsidiary, or a proceeding shall be commenced by the Company or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof or the Company or any of its Subsidiaries shall deny in writing that it has any liability or obligation purported to be created under one or more Transaction Documents.

(b) Notice of a Triggering Event; Redemption Right. Upon the occurrence of a Triggering Event with respect to the Preferred Shares, the Company shall within one (1) Business Day deliver written notice thereof via facsimile or electronic mail and overnight courier (with next day delivery specified) (a “**Triggering Event Notice**”) to each Holder. At any time after the earlier of a Holder’s receipt of a Triggering Event Notice and such Holder becoming aware of a Triggering Event (such earlier date, the “**Triggering Event Right Commencement Date**”) and ending (such ending date, the “**Triggering Event Right Expiration Date**”, and each such period, an “**Triggering Event Redemption Right Period**”) on the twentieth (20th) Trading Day after the later of (x) the date such Triggering Event occurs and (y) such Holder’s receipt of a Triggering Event Notice that includes (I) a reasonable description of the applicable Triggering Event, (II) a certification as to whether, in the opinion of the Company, such Triggering Event is capable of being cured and, if applicable, a reasonable description of any existing plans of the Company to cure such Triggering Event and (III) a certification as to the date the Triggering Event occurred and, if cured on or prior to the date of such Triggering Event Notice, the applicable Triggering Event Right Expiration Date, such Holder may require the Company to redeem (unless such Triggering Event has been cured on or prior to the Triggering Event Right Expiration Date) all or any of the Preferred Shares by delivering written notice thereof (the “**Triggering Event Redemption Notice**”) to the Company, which Triggering Event Redemption Notice shall indicate the number of the Preferred Shares such Holder is electing to redeem. Each of the Preferred Shares subject to redemption by the Company pursuant to this Section 5(b) shall be redeemed by the Company at a price equal to the greater of (i) the product of (A) the Conversion Amount to be redeemed multiplied by (B) the Redemption Premium and (ii) the product of (X) the Conversion Rate with respect to the Conversion Amount in effect at such time as such Holder delivers a Triggering Event Redemption Notice multiplied by (Y) the product of (1) the Redemption Premium multiplied by (2) the VWAP of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Triggering Event and ending on the Trading Date prior to the date the Company makes the entire payment required to be made under this Section 5(b) (the “**Triggering Event Redemption Price**”). Redemptions required by this Section 5(b) shall be made in accordance with the provisions of Section 11. To the extent redemptions required by this Section 5(b) are deemed or determined by a court of competent jurisdiction to be prepayments of the Preferred Shares by the Company, such redemptions shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 5(b), but subject to Section 4(d), until the Triggering Event Redemption Price (together with any Late Charges thereon) is paid in full, the Conversion Amount submitted for redemption under this Section 5(b) (together with any Late Charges thereon) may be converted, in whole or in part, by such Holder into Common Stock pursuant to the terms of this Certificate of Designations. In the event of the Company’s redemption of any of the Preferred Shares under this Section 5(b), a Holder’s damages would be uncertain and difficult to estimate because of the parties’ inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for such Holder. Accordingly, any redemption premium due under this Section 5(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of such Holder’s actual loss of its investment opportunity and not as a penalty. Any redemption upon a Triggering Event shall not constitute an election of remedies by the applicable Holder or any other Holder, and all other rights and remedies of each Holder shall be preserved.

(c) Mandatory Redemption upon Bankruptcy Triggering Event. Notwithstanding anything to the contrary herein, and notwithstanding any conversion that is then required or in process, upon any Bankruptcy Triggering Event, the Company shall immediately redeem, in cash, each of the Preferred Shares then outstanding at a redemption price equal to the applicable Triggering Event Redemption Price (calculated as if such Holder shall have delivered the Triggering Event Redemption Notice immediately prior to the occurrence of such Bankruptcy Triggering Event), without the requirement for any notice or demand or other action by any Holder or any other person or entity, provided that a Holder may, in its sole discretion, waive such right to receive payment upon a Bankruptcy Triggering Event, in whole or in part, and any such waiver shall not affect any other rights of such Holder or any other Holder hereunder, including any other rights in respect of such Bankruptcy Triggering Event, any right to conversion, and any right to payment of such Triggering Event Redemption Price or any other Redemption Price, as applicable.

6. Rights Upon Fundamental Transactions.

(a) Assumption. The Company shall not enter into or be party to a Fundamental Transaction unless (i) the Successor Entity assumes in writing all of the obligations of the Company under this Certificate of Designations and the other Transaction Documents in accordance with the provisions of this Section 6(a) pursuant to written agreements in form and substance satisfactory to the Required Holders and approved by the Required Holders prior to such Fundamental Transaction, including agreements to deliver to each holder of Preferred Shares in exchange for such Preferred Shares a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Certificate of Designations, including, without limitation, having a stated value and dividend rate equal to the stated value and dividend rate of the Preferred Shares held by the Holders and having similar ranking to the Preferred Shares, and satisfactory to the Required Holders and (ii) the Successor Entity (including its Parent Entity) is a publicly traded corporation whose shares of common stock are quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Certificate of Designations and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Certificate of Designations and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein and therein. In addition to the foregoing, upon consummation of a Fundamental Transaction, the Successor Entity shall deliver to each Holder confirmation that there shall be issued upon conversion or redemption of the Preferred Shares at any time after the consummation of such Fundamental Transaction, in lieu of the shares of Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 7 and 15, which shall continue to be receivable thereafter)) issuable upon the conversion or redemption of the Preferred Shares prior to such Fundamental Transaction, such shares of the publicly traded common stock (or their equivalent) of the Successor Entity (including its Parent Entity) which each Holder would have been entitled to receive upon the happening of such Fundamental Transaction had all the Preferred Shares held by each Holder been converted immediately prior to such Fundamental Transaction (without regard to any limitations on the conversion of the Preferred Shares contained in this Certificate of Designations), as adjusted in accordance with the provisions of this Certificate of Designations. Notwithstanding the foregoing, such Holder may elect, at its sole option, by delivery of written notice to the Company to waive this Section 6(a) to permit the Fundamental Transaction without the assumption of the Preferred Shares. The provisions of this Section 6 shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the conversion or redemption of the Preferred Shares.

(b) Notice of a Change of Control Redemption Right. No sooner than twenty (20) Trading Days nor later than ten (10) Trading Days prior to the consummation of a Change of Control (the "**Change of Control Date**"), but not prior to the public announcement of such Change of Control, the Company shall deliver written notice thereof via facsimile or electronic mail and overnight courier to each Holder (a "**Change of Control Notice**"). At any time during the period beginning after a Holder's receipt of a Change of Control Notice or such Holder becoming aware of a Change of Control if a Change of Control Notice is not delivered to such Holder in accordance with the immediately preceding sentence (as applicable) and ending on twenty (20) Trading Days after the later of (A) the date of consummation of such Change of Control or (B) the date of receipt of such Change of Control Notice or (C) the date of the announcement of such Change of Control, such Holder may require the Company to redeem all or any portion of such Holder's Preferred Shares by delivering written notice thereof ("**Change of Control Redemption Notice**") to the Company, which Change of Control Redemption Notice shall indicate the number of Preferred Shares such Holder is electing to have the Company redeem. Each Preferred Share subject to redemption pursuant to this Section 6(b) shall be redeemed by the Company in cash at a price equal to the greatest of (i) the product of (w) the Change of Control Redemption Premium multiplied by (y) the Conversion Amount of the Preferred Shares being redeemed, (ii) the product of (x) the Change of Control Redemption Premium multiplied by (y) the product of (A) the Conversion Amount of the Preferred Shares being redeemed multiplied by (B) the quotient determined by dividing (I) the greatest Closing Sale Price of the shares of Common Stock during the period beginning on the date immediately preceding the earlier to occur of (1) the consummation of the applicable Change of Control and (2) the public announcement of such Change of Control and ending on the date such Holder delivers the Change of Control Redemption Notice by (II) the Conversion Price then in effect and (iii) the product of (y) the Change of Control Redemption Premium multiplied by (z) the product of (A) the Conversion Amount of the Preferred Shares being redeemed multiplied by (B) the quotient of (I) the aggregate cash consideration and the aggregate cash value of any non-cash consideration per share of Common Stock to be paid to such holders of the shares of Common Stock upon consummation of such Change of Control (any such non-cash consideration constituting publicly-traded securities shall be valued at the highest of the Closing Sale Price of such securities as of the Trading Day immediately prior to the consummation of such Change of Control, the Closing Sale Price of such securities on the Trading Day immediately following the public announcement of such proposed Change of Control and the Closing Sale Price of such securities on the Trading Day immediately prior to the public announcement of such proposed Change of Control) divided by (II) the Conversion Price then in effect (the "**Change of Control Redemption Price**"). Redemptions required by this Section 6(b) shall have priority to payments to all other stockholders of the Company other than holders of Parity Stock in connection with such Change of Control. To the extent redemptions required by this Section 6(b) are deemed or determined by a court of competent jurisdiction to be prepayments of the Preferred Shares by the Company, such redemptions shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 6(b), but subject to Section 4(d), until the applicable Change of Control Redemption Price (together with any Late Charges thereon) is paid in full to the applicable Holder, the Preferred Shares submitted by such Holder for redemption under this Section 6(b) may be converted, in whole or in part, by such Holder into Common Stock pursuant to Section 4 or in the event the Conversion Date is after the consummation of such Change of Control, stock or equity interests of the Successor Entity substantially equivalent to the Company's shares of Common Stock pursuant to Section 6(a). In the event of the Company's redemption of any of the Preferred Shares under this Section 6(b), such Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for a Holder. Accordingly, any redemption premium due under this Section 6(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of such Holder's actual loss of its investment opportunity and not as a penalty. The Company shall make payment of the applicable Change of Control Redemption Price concurrently with the consummation of such Change of Control if a Change of Control Redemption Notice is received prior to the consummation of such Change of Control and within two (2) Trading Days after the Company's receipt of such notice otherwise (the "**Change of Control Redemption Date**"). Redemptions required by this Section 6 shall be made in accordance with the provisions of Section 11.

7. Rights Upon Issuance of Purchase Rights and Other Corporate Events.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 8 and Section 15 below, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to all or substantially all of the record holders of any class of Common Stock (the "**Purchase Rights**"), then each Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of all the Preferred Shares (without taking into account any limitations or restrictions on the convertibility of the Preferred Shares and assuming for such purpose that all the Preferred Shares were converted at the Conversion Price as of the applicable record date) held by such Holder immediately prior to the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights; provided, however, to the extent that such Holder's right to participate in any such Purchase Right would result in such Holder and the other Attribution Parties exceeding the Maximum Percentage, then such Holder shall not be entitled to participate in such Purchase Right to such extent of the Maximum Percentage (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Purchase Right (and beneficial ownership) to such extent of any such excess) and such Purchase Right to such extent shall be held in abeyance (and, if such Purchase Right has an expiration date, maturity date or other similar provision, such term shall be extended by such number of days held in abeyance, if applicable) for the benefit of such Holder until such time or times, if ever, as its right thereto would not result in such Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times such Holder shall be granted such right (and any Purchase Right granted, issued or sold on such initial Purchase Right or on any subsequent Purchase Right held similarly in abeyance (and, if such Purchase Right has an expiration date, maturity date or other similar provision, such term shall be extended by such number of days held in abeyance, if applicable)) to the same extent as if there had been no such limitation.

(b) Other Corporate Events. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a "**Corporate Event**"), the Company shall make appropriate provision to ensure that each Holder will thereafter have the right, at such Holder's option, to receive upon a conversion of all the Preferred Shares held by such Holder (i) in addition to the shares of Common Stock receivable upon such conversion, such securities or other assets to which such Holder would have been entitled with respect to such shares of Common Stock had such shares of Common Stock been held by such Holder upon the consummation of such Corporate Event (without taking into account any limitations or restrictions on the convertibility of the Preferred Shares set forth in this Certificate of Designations) or (ii) in lieu of the shares of Common Stock otherwise receivable upon such conversion, such securities or other assets received by the holders of shares of Common Stock in connection with the consummation of such Corporate Event in such amounts as such Holder would have been entitled to receive had the Preferred Shares held by such Holder initially been issued with conversion rights for the form of such consideration (as opposed to shares of Common Stock) at a conversion rate for such consideration commensurate with the Conversion Rate. Provision made pursuant to the preceding sentence shall be in a form and substance satisfactory to the Required Holders. The provisions of this Section 7 shall apply similarly and equally to successive Corporate Events and shall be applied without regard to any limitations on the conversion or redemption of the Preferred Shares set forth in this Certificate of Designations.

8. Rights Upon Issuance of Other Securities.

(a) Adjustment of Conversion Price upon Subdivision or Combination of Common Stock. Without limiting any provision of Section 6 or Section 8(a), if the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or other similar transaction) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the number of Conversion Shares issuable upon conversion of Preferred Shares immediately prior to such subdivision will be proportionately reduced. Without limiting any provision of Section 6 or Section 8(a), if the Company at any time on or after the Subscription Date combines (by any stock combination, recapitalization or other similar transaction) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the number of Conversion Shares issuable upon conversion of Preferred Shares immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 8(b) shall become effective immediately after the effective date of such subdivision or combination.

(b) Other Events. In the event that the Company (or any Subsidiary) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect any Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 8 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Board shall in good faith determine and implement an appropriate adjustment in the Conversion Price so as to protect the rights of such Holder, provided that no such adjustment pursuant to this Section 8(b) will increase the Conversion Price as otherwise determined pursuant to this Section 8, provided further that if such Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Board and such Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding absent manifest error and whose fees and expenses shall be borne by the Company.

(c) Calculations. All calculations under this Section 8 shall be made by rounding to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(d) Voluntary Adjustment by Company. Subject to the rules and regulations of the Principal Market, the Company may at any time any Preferred Shares remain outstanding, with the prior written consent of the Required Holders, reduce the then current Conversion Price to any amount and for any period of time deemed appropriate by the Board.

9. Noncircumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws (as defined in the Securities Purchase Agreement) or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Certificate of Designations, and will at all times in good faith carry out all the provisions of this Certificate of Designations and take all action as may be required to protect the rights of the Holders hereunder. Without limiting the generality of the foregoing or any other provision of this Certificate of Designations or the other Transaction Documents, the Company (a) shall not increase the par value of any shares of Common Stock receivable upon the conversion of any Preferred Shares above the Conversion Price then in effect, (b) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the conversion of Preferred Shares and (c) shall, so long as any Preferred Shares are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Preferred Shares, the maximum number of shares of Common Stock as shall from time to time be necessary to effect the conversion of the Preferred Shares then outstanding (without regard to any limitations on conversion contained herein). Notwithstanding anything herein to the contrary, if after the sixty (60) calendar day anniversary of the Initial Issuance Date, each Holder is not permitted to convert such Holder's Preferred Shares in full for any reason (other than pursuant to restrictions set forth in Section 4(d) hereof), the Company shall use its best efforts to promptly remedy such failure, including, without limitation, obtaining such consents or approvals as necessary to effect such conversion into shares of Common Stock.

10. Authorized Shares.

(a) Reservation. So long as any Preferred Shares remain outstanding, the Company shall at all times upon notice from the Holder reserve at least 200% of the number of shares of Common Stock as shall from time to time be necessary to effect the conversion of all of the Preferred Shares then outstanding (without regard to any limitations on conversions) (the “**Required Reserve Amount**”). The Required Reserve Amount (including, without limitation, each increase in the number of shares so reserved) shall be allocated pro rata among the Holders based on the number of the Preferred Shares held by each Holder on the Initial Issuance Date or increase in the number of reserved shares, as the case may be (the “**Authorized Share Allocation**”). In the event that a Holder shall sell or otherwise transfer any of such Holder’s Preferred Shares, each transferee shall be allocated a pro rata portion of such Holder’s Authorized Share Allocation. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Preferred Shares shall be allocated to the remaining Holders of Preferred Shares, pro rata based on the number of the Preferred Shares then held by the Holders.

(b) Insufficient Authorized Shares. If, notwithstanding Section 10(a) and not in limitation thereof, at any time while any of the Preferred Shares remain outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon conversion of the Preferred Shares at least a number of shares of Common Stock equal to the Required Reserve Amount (an “**Authorized Share Failure**”), then the Company shall immediately take all action necessary to increase the Company’s authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for the Preferred Shares then outstanding (or deemed outstanding pursuant to Section 10(a) above). Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders, if required, for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders’ approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal (or, if a majority of the voting power then in effect of the capital stock of the Company consents to such increase, in lieu of such proxy statement, deliver to the stockholders of the Company an information statement that has been filed with (and either approved by or not subject to comments from) the SEC with respect thereto). In the event that the Company is prohibited from issuing shares of Common Stock to a Holder upon any conversion due to the failure by the Company to have sufficient shares of Common Stock available out of the authorized but unissued shares of Common Stock (such unavailable number of shares of Common Stock, the “**Authorized Failure Shares**”), in lieu of delivering such Authorized Failure Shares to such Holder, the Company shall pay cash in exchange for the redemption of such portion of the Conversion Amount of the Preferred Shares convertible into such Authorized Failure Shares at a price equal to the sum of (i) the product of (x) such number of Authorized Failure Shares and (y) the greatest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date such Holder delivers the applicable Conversion Notice with respect to such Authorized Failure Shares to the Company and ending on the date of such issuance and payment under this Section 10(a); and (ii) to the extent such Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Holder of Authorized Failure Shares, any brokerage commissions and other out-of-pocket expenses, if any, of such Holder incurred in connection therewith. Nothing contained in Section 10(a) or this Section 10(b) shall limit any obligations of the Company under any provision of the Securities Purchase Agreement.

11. Redemptions.

(a) General. If a Holder has submitted a Triggering Event Redemption Notice in accordance with Section 5(b), the Company shall deliver the applicable Triggering Event Redemption Price to such Holder in cash within five (5) Business Days after the Company's receipt of such Holder's Triggering Event Redemption Notice. If a Holder has submitted a Change of Control Redemption Notice in accordance with Section 6(b), the Company shall deliver the applicable Change of Control Redemption Price to such Holder in cash concurrently with the consummation of such Change of Control if such notice is received prior to the consummation of such Change of Control and within five (5) Business Days after the Company's receipt of such notice otherwise. Notwithstanding anything herein to the contrary, in connection with any redemption hereunder at a time a Holder is entitled to receive a cash payment under any of the other Transaction Documents, at the option of such Holder delivered in writing to the Company, the applicable Redemption Price hereunder shall be increased by the amount of such cash payment owed to such Holder under such other Transaction Document and, upon payment in full or conversion in accordance herewith, shall satisfy the Company's payment obligation under such other Transaction Document. In the event of a redemption of less than all of the Preferred Shares, the Company shall promptly cause to be issued and delivered to such Holder a new Preferred Share Certificate (in accordance with Section 18) (or evidence of the creation of a new Book-Entry) representing the number of Preferred Shares which have not been redeemed. In the event that the Company does not pay the applicable Redemption Price to a Holder within the time period required for any reason (including, without limitation, to the extent such payment is prohibited pursuant to the DGCL), at any time thereafter and until the Company pays such unpaid Redemption Price in full, such Holder shall have the option, in lieu of redemption, to require the Company to promptly return to such Holder all or any of the Preferred Shares that were submitted for redemption and for which the applicable Redemption Price (together with any Late Charges thereon) has not been paid. Upon the Company's receipt of such notice from a Holder, (x) the applicable Redemption Notice shall be null and void with respect to such Preferred Shares, and (y) the Company shall immediately return the applicable Preferred Share Certificate, or issue a new Preferred Share Certificate (in accordance with Section 18(d)), to such Holder (unless the Preferred Shares are held in Book-Entry form, in which case the Company shall deliver evidence to such Holder that a Book-Entry for such Preferred Shares then exists), and in each case the Additional Amount of such Preferred Shares shall be increased by an amount equal to the difference between (1) the applicable Redemption Price (as the case may be, and as adjusted pursuant to this Section 11, if applicable) minus (2) the Stated Value portion of the Conversion Amount submitted for redemption. A Holder's delivery of a notice voiding a Redemption Notice and exercise of its rights following such notice shall not affect the Company's obligations to make any payments of Late Charges which have accrued prior to the date of such notice with respect to the Preferred Shares subject to such notice.

(b) Redemption by Multiple Holders. Upon the Company's receipt of a Redemption Notice from any Holder for redemption or repayment as a result of an event or occurrence substantially similar to the events or occurrences described in Section 5(b) or Section 6(b), the Company shall immediately, but no later than one (1) Business Day after its receipt thereof, forward to each other Holder by facsimile or electronic mail a copy of such notice. If the Company receives one or more Redemption Notices, during the seven (7) Business Day period beginning on and including the date which is two (2) Business Days prior to the Company's receipt of the initial Redemption Notice and ending on and including the date which is two (2) Business Days after the Company's receipt of the initial Redemption Notice and the Company is unable to redeem all of the Conversion Amount of such Preferred Shares designated in such initial Redemption Notice and such other Redemption Notices received during such seven (7) Business Day period, then the Company shall redeem a pro rata amount from each Holder based on the Stated Value of the Preferred Shares submitted for redemption pursuant to such Redemption Notices received by the Company during such seven (7) Business Day period.

(c) Company Optional Redemption. At any time after the Initial Issuance Date, the Company shall have the right to redeem all or any portion of the Preferred Shares then outstanding (the "**Company Optional Redemption Amount**") on the Company Optional Redemption Date (each as defined below) (a "**Company Optional Redemption**"). The Preferred Shares subject to redemption pursuant to this Section 11(c) shall be redeemed by the Company in cash at a price (the "**Company Optional Redemption Price**") equal to 110% of the Stated Value plus the Additional Amount as of the Company Optional Redemption Date. The Company may exercise its right to require redemption under this Section 11(c) by delivering a written notice thereof by facsimile or electronic mail and overnight courier to all, but not less than all, of the Holders (the "**Company Optional Redemption Notice**") and the date all of the Holders received such notice is referred to as the "**Company Optional Redemption Notice Date**"). Any Company Optional Redemption Notice shall be irrevocable. The Company Optional Redemption Notice shall (x) state the date on which the Company Optional Redemption shall occur (the "**Company Optional Redemption Date**") which date shall not be less than ten (10) Business Days following the Company Optional Redemption Notice Date, and (y) state the aggregate Conversion Amount of the Preferred Shares which is being redeemed in such Company Optional Redemption from such Holder and all of the other Holders of the Preferred Shares (which shall be allocated, pro rata, to each Holder) pursuant to Section 11(c) on the Company Optional Redemption Date. All Conversion Amounts converted by a Holder after the Company Optional Redemption Notice Date shall reduce the Company Optional Redemption Amount of the Preferred Shares of such Holder required to be redeemed on the Company Optional Redemption Date. In the event of the Company's redemption of any of the Preferred Shares under this Section 11(c), a Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for such Holder. Accordingly, any redemption premium due under Section 11(c) is intended by the parties to be, and shall be deemed, a reasonable estimate of such Holder's actual loss of its investment opportunity and not as a penalty. For purposes of clarification, a Company Optional Redemption shall be subject to the applicable provisions of Section 11(a).

12. Voting Rights. Subject to the limitations specified in Section 4(d) hereof, holders of Preferred Shares shall have the right to vote on all matters presented to the stockholders for approval together with the shares of Common Stock, voting together as a single class, on an "as converted" basis using the Conversion Price as set forth in Section 4(b)(ii) hereof (rounded down to the nearest whole number and using the record date for determining the stockholders of the Company eligible to vote on such matters), except as required by law (including without limitation, the DGCL) or as otherwise expressly provided in the Certificate of Incorporation or this Certificate of Designations. Holders of the Preferred Shares shall be entitled to written notice of all stockholder meetings or written consents (and copies of proxy materials and other information sent to stockholders) with respect to which they would be entitled to vote, which notice would be provided pursuant to the Company's bylaws the DGCL. For the sake of clarity, the number of votes the Preferred Shares are entitled to shall be determined by using the Conversion Price set forth in Section 4(b)(ii), and always subject to the limitations set forth in Section 4(d) hereof.

13. Covenants.

(a) Restriction on Redemption and Cash Dividends. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, repurchase or declare or pay any cash dividend or distribution on any of its capital stock (other than as required by the Certificate of Designations or the terms of such capital stock or as mutually agreed with the Required Holders).

(b) Restriction on Transfer of Assets. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, sell, lease, license, assign, transfer, spin-off, split-off, close, convey or otherwise dispose of any assets or rights of the Company or any Subsidiary owned or hereafter acquired whether in a single transaction or a series of related transactions, other than (i) sales, leases, licenses, assignments, transfers, conveyances and other dispositions of such assets or rights by the Company and its Subsidiaries in the ordinary course of business consistent with its past practice and (ii) sales of inventory and product in the ordinary course of business, including, but not limited to, the sale or license of the Company's software in the ordinary course of business consistent with its past practice.

(c) Change in Nature of Business. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by or publicly contemplated to be conducted by the Company and each of its Subsidiaries on the Subscription Date or any business substantially related or incidental thereto. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, modify its or their corporate structure or purpose.

(d) Preservation of Existence, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(e) Maintenance of Properties, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply, and cause each of its Subsidiaries to comply, at all times with the provisions of all leases to which it is a party as lessee or under which it occupies property, so as to prevent any loss or forfeiture thereof or thereunder.

(f) Maintenance of Intellectual Property. The Company will, and will cause each of its Subsidiaries to, take all action necessary or advisable to maintain all of the Intellectual Property Rights of the Company and/or any of its Subsidiaries that are necessary or material to the conduct of its business in full force and effect.

(g) Maintenance of Insurance. The Company and each of its Subsidiaries will be insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged.

(h) Transactions with Affiliates. Without the consent of the Required Holders, the Company shall not, nor shall it permit any of its Subsidiaries to, enter into, renew, extend or be a party to, any transaction or series of related transactions (including, without limitation, the purchase, sale, lease, transfer or exchange of property or assets of any kind or the rendering of services of any kind) with any affiliate, except transactions existing on the Initial Issuance Date or entered into in the ordinary course of business in a manner and to an extent consistent with past practice and necessary or desirable for the prudent operation of its business, for fair consideration and on terms no less favorable to it or its Subsidiaries than would be obtainable in a comparable arm's length transaction with a Person that is not an affiliate thereof.

(i) Restricted Issuances. The Company shall not, directly or indirectly, without the prior written consent of the Required Holders, (i) issue any Preferred Shares (other than as contemplated by the Securities Purchase Agreement and this Certificate of Designations) or (ii) issue any other securities that would cause a breach or default under this Certificate of Designations.

(j) Independent Investigation. At the request of any Holder either (x) at any time when a Triggering Event has occurred and is continuing, (y) upon the occurrence of an event that with the passage of time or giving of notice would constitute a Triggering Event or (z) at any time such Holder reasonably believes a Triggering Event may have occurred or be continuing, the Company shall hire an independent, reputable investment bank selected by the Company and approved by such Holder to investigate as to whether any breach of the Certificate of Designations has occurred (the "**Independent Investigator**"). If the Independent Investigator determines that such breach of the Certificate of Designations has occurred, the Independent Investigator shall notify the Company of such breach and the Company shall deliver written notice to each Holder of such breach. In connection with such investigation, the Independent Investigator may, during normal business hours, inspect all contracts, books, records, personnel, offices and other facilities and properties of the Company and its Subsidiaries and, to the extent available to the Company after the Company uses reasonable efforts to obtain them, the records of its legal advisors and accountants (including the accountants' work papers) and any books of account, records, reports and other papers not contractually required of the Company to be confidential or secret, or subject to attorney-client or other evidentiary privilege, and the Independent Investigator may make such copies and inspections thereof as the Independent Investigator may reasonably request. The Company shall furnish the Independent Investigator with such financial and operating data and other information with respect to the business and properties of the Company as the Independent Investigator may reasonably request. The Company shall permit the Independent Investigator to discuss the affairs, finances and accounts of the Company with, and to make proposals and furnish advice with respect thereto to, the Company's officers, directors, key employees and independent public accountants or any of them (and by this provision the Company authorizes said accountants to discuss with such Independent Investigator the finances and affairs of the Company and any Subsidiaries), all at such reasonable times, upon reasonable notice, and as often as may be reasonably requested.

14. Liquidation, Dissolution, Winding-Up. In the event of a Liquidation Event, the Holders shall be entitled to receive in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its stockholders (the “**Liquidation Funds**”), before any amount shall be paid to the holders of any of shares of Junior Stock, but pari passu with any Parity Stock then outstanding, an amount per Preferred Share equal to the greater of (A) 100% of Stated Value of such Preferred Share and (B) the amount per share such Holder would receive if such Holder converted such Preferred Share into Common Stock immediately prior to the date of such payment, provided that if the Liquidation Funds are insufficient to pay the full amount due to the Holders and holders of shares of Parity Stock, then each Holder and each holder of Parity Stock shall receive a percentage of the Liquidation Funds equal to the full amount of Liquidation Funds payable to such Holder and such holder of Parity Stock as a liquidation preference, in accordance with their respective certificate of designations (or equivalent), as a percentage of the full amount of Liquidation Funds payable to all holders of Preferred Shares and all holders of shares of Parity Stock. To the extent necessary, the Company shall cause such actions to be taken by each of its Subsidiaries so as to enable, to the maximum extent permitted by law, the proceeds of a Liquidation Event to be distributed to the Holders in accordance with this Section 14. All the preferential amounts to be paid to the Holders under this Section 14 shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any Liquidation Funds of the Company to the holders of shares of Junior Stock in connection with a Liquidation Event as to which this Section 14 applies.

15. Distribution of Assets. In addition to any adjustments pursuant to Section 7(a) and Section 8, if the Company shall declare or make any dividend or other distributions of its assets (or rights to acquire its assets) to any or all holders of shares of Common Stock, by way of return of capital or otherwise (including without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (the “**Distributions**”), then each Holder, as holders of Preferred Shares, will be entitled to such Distributions as if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of the Preferred Shares (without taking into account any limitations or restrictions on the convertibility of the Preferred Shares and assuming for such purpose that the Preferred Share was converted at the Conversion Price as of the applicable record date) immediately prior to the date on which a record is taken for such Distribution or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for such Distributions (provided, however, that to the extent that such Holder’s right to participate in any such Distribution would result in such Holder and the other Attribution Parties exceeding the Maximum Percentage, then such Holder shall not be entitled to participate in such Distribution to such extent of the Maximum Percentage (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Distribution (and beneficial ownership) to such extent of any such excess) and the portion of such Distribution shall be held in abeyance for the benefit of such Holder until such time or times as its right thereto would not result in such Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times, if any, such Holder shall be granted such Distribution (and any Distributions declared or made on such initial Distribution or on any subsequent Distribution held similarly in abeyance) to the same extent as if there had been no such limitation).

16. Vote to Change the Terms of or Issue Preferred Shares. In addition to any other rights provided by law, except where the vote or written consent of the holders of a greater number of shares is required by law or by another provision of the Certificate of Incorporation, without first obtaining the affirmative vote at a meeting duly called for such purpose or the written consent without a meeting of the Required Holders, voting together as a single class, the Company shall not: (a) amend or repeal any provision of, or add any provision to, its Certificate of Incorporation or bylaws, or file any certificate of designations or certificate of amendment of any series of shares of preferred stock, if such action would adversely alter or change in any respect the preferences, rights, privileges or powers, or restrictions provided for the benefit of the Preferred Shares hereunder, regardless of whether any such action shall be by means of amendment to the Certificate of Incorporation or by merger, consolidation or otherwise; (b) increase or decrease (other than by conversion) the authorized number of Preferred Shares; (c) without limiting any provision of Section 2, create or authorize (by reclassification or otherwise) any new class or series of Senior Preferred Stock or Parity Stock; (d) purchase, repurchase or redeem any shares of Junior Stock (other than pursuant to the terms of the Company's equity incentive plans and options and other equity awards granted under such plans (that have in good faith been approved by the Board)); (e) without limiting any provision of Section 2, pay dividends or make any other distribution on any shares of any Junior Stock; (f) issue any Preferred Shares other than as contemplated hereby or pursuant to the Securities Purchase Agreement; or (g) without limiting any provision of Section 9, whether or not prohibited by the terms of the Preferred Shares, circumvent a right of the Preferred Shares hereunder.

17. Transfer of Preferred Shares. A Holder may transfer some or all of its Preferred Shares without the consent of the Company, upon giving five (5) Business Days' notice to the Company.

18. Reissuance of Preferred Share Certificates and Book Entries.

(a) Transfer. If any Preferred Shares are to be transferred, the applicable Holder shall surrender the applicable Preferred Share Certificate to the Company (or, if the Preferred Shares are held in Book-Entry form, a written instruction letter to the Company), whereupon the Company will forthwith issue and deliver upon the order of such Holder a new Preferred Share Certificate (in accordance with Section 18(d)) (or evidence of the transfer of such Book-Entry), registered as such Holder may request, representing the outstanding number of Preferred Shares being transferred by such Holder and, if less than the entire outstanding number of Preferred Shares is being transferred, a new Preferred Share Certificate (in accordance with Section 18(d)) to such Holder representing the outstanding number of Preferred Shares not being transferred (or evidence of such remaining Preferred Shares in a Book-Entry for such Holder). Such Holder and any assignee, by acceptance of the Preferred Share Certificate or evidence of Book-Entry issuance, as applicable, acknowledge and agree that, by reason of the provisions of Section 4(c)(ii) following conversion or redemption of any of the Preferred Shares, the outstanding number of Preferred Shares represented by the Preferred Shares may be less than the number of Preferred Shares stated on the face of the Preferred Shares.

(b) Lost, Stolen or Mutilated Preferred Share Certificate. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of a Preferred Share Certificate (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the applicable Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of such Preferred Share Certificate, the Company shall execute and deliver to such Holder a new Preferred Share Certificate (in accordance with Section 18(d)) representing the applicable outstanding number of Preferred Shares.

(c) Preferred Share Certificate and Book-Entries Exchangeable for Different Denominations and Forms. Each Preferred Share Certificate is exchangeable, upon the surrender hereof by the applicable Holder at the principal office of the Company, for a new Preferred Share Certificate or Preferred Share Certificate(s) or new Book-Entry (in accordance with Section 18(d)) representing, in the aggregate, the outstanding number of the Preferred Shares in the original Preferred Share Certificate, and each such new Preferred Share Certificate and/or new Book-Entry, as applicable, will represent such portion of such outstanding number of Preferred Shares from the original Preferred Share Certificate as is designated in writing by such Holder at the time of such surrender. Each Book-Entry may be exchanged into one or more new Preferred Share Certificates or split by the applicable Holder by delivery of a written notice to the Company into two or more new Book-Entries (in accordance with Section 18(d)) representing, in the aggregate, the outstanding number of the Preferred Shares in the original Book-Entry, and each such new Book-Entry and/or new Preferred Share Certificate, as applicable, will represent such portion of such outstanding number of Preferred Shares from the original Book-Entry as is designated in writing by such Holder at the time of such surrender.

(d) Issuance of New Preferred Share Certificate or Book-Entry. Whenever the Company is required to issue a new Preferred Share Certificate or a new Book-Entry pursuant to the terms of this Certificate of Designations, such new Preferred Share Certificate or new Book-Entry (i) shall represent, as indicated on the face of such Preferred Share Certificate or in such Book-Entry, as applicable, the number of Preferred Shares remaining outstanding (or in the case of a new Preferred Share Certificate or new Book-Entry being issued pursuant to Section 18(a) or Section 18(c), the number of Preferred Shares designated by such Holder) which, when added to the number of Preferred Shares represented by the other new Preferred Share Certificates or other new Book-Entry, as applicable, issued in connection with such issuance, does not exceed the number of Preferred Shares remaining outstanding under the original Preferred Share Certificate or original Book-Entry, as applicable, immediately prior to such issuance of new Preferred Share Certificate or new Book-Entry, as applicable, and (ii) shall have an issuance date, as indicated on the face of such new Preferred Share Certificate or in such new Book-Entry, as applicable, which is the same as the issuance date of the original Preferred Share Certificate or in such original Book-Entry, as applicable.

19. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Certificate of Designations shall be cumulative and in addition to all other remedies available under this Certificate of Designations and any of the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit any Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Certificate of Designations. The Company covenants to each Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by a Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). No failure on the part of a Holder to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by such Holder of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. In addition, the exercise of any right or remedy of any Holder at law or equity or under Preferred Shares or any of the documents shall not be deemed to be an election of such Holder's rights or remedies under such documents or at law or equity. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holders and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, each Holder shall be entitled, in addition to all other available remedies, to specific performance and/or temporary, preliminary and permanent injunctive or other equitable relief from any court of competent jurisdiction in any such case without the necessity of proving actual damages and without posting a bond or other security. The Company shall provide all information and documentation to a Holder that is requested by such Holder to enable such Holder to confirm the Company's compliance with the terms and conditions of this Certificate of Designations.

20. Payment of Collection, Enforcement and Other Costs. If (a) any Preferred Shares are placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or a Holder otherwise takes action to collect amounts due under this Certificate of Designations with respect to the Preferred Shares or to enforce the provisions of this Certificate of Designations or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Certificate of Designations, then the Company shall pay the costs incurred by such Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, attorneys' fees and disbursements. The Company expressly acknowledges and agrees that no amounts due under this Certificate of Designations with respect to any Preferred Shares shall be affected, or limited, by the fact that the purchase price paid for each Preferred Share was less than the original Stated Value thereof.

21. Construction; Headings. This Certificate of Designations shall be deemed to be jointly drafted by the Company and the Holders and shall not be construed against any such Person as the drafter hereof. The headings of this Certificate of Designations are for convenience of reference and shall not form part of, or affect the interpretation of, this Certificate of Designations. Unless the context clearly indicates otherwise, each pronoun herein shall be deemed to include the masculine, feminine, neuter, singular and plural forms thereof. The terms "including," "includes," "include" and words of like import shall be construed broadly as if followed by the words "without limitation." The terms "herein," "hereunder," "hereof" and words of like import refer to this entire Certificate of Designations instead of just the provision in which they are found. Unless expressly indicated otherwise, all section references are to sections of this Certificate of Designations. Terms used in this Certificate of Designations and not otherwise defined herein, but defined in the other Transaction Documents, shall have the meanings ascribed to such terms on the Initial Issuance Date in such other Transaction Documents unless otherwise consented to in writing by the Required Holders.

22. Failure or Indulgence Not Waiver. No failure or delay on the part of a Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party. This Certificate of Designations shall be deemed to be jointly drafted by the Company and all Holders and shall not be construed against any Person as the drafter hereof. Notwithstanding the foregoing, nothing contained in this Section 22 shall permit any waiver of any provision of Section 4(d).

23. Dispute Resolution.

(a) Submission to Dispute Resolution.

(i) In the case of a dispute relating to a Closing Sale Price, a Conversion Price, a VWAP or a fair market value or the arithmetic calculation of a Conversion Rate, or the applicable Redemption Price (as the case may be) (including, without limitation, a dispute relating to the determination of any of the foregoing), the Company or the applicable Holder (as the case may be) shall submit the dispute to the other party via facsimile or electronic mail (A) if by the Company, within two (2) Business Days after the occurrence of the circumstances giving rise to such dispute or (B) if by such Holder at any time after such Holder learned of the circumstances giving rise to such dispute. If such Holder and the Company are unable to promptly resolve such dispute relating to such Closing Sale Price, such Conversion Price, such VWAP or such fair market value, or the arithmetic calculation of such Conversion Rate or such applicable Redemption Price (as the case may be), at any time after the second (2nd) Business Day following such initial notice by the Company or such Holder (as the case may be) of such dispute to the Company or such Holder (as the case may be), then such Holder may, at its sole option, select an independent, reputable investment bank to resolve such dispute.

(ii) Such Holder and the Company shall each deliver to such investment bank (A) a copy of the initial dispute submission so delivered in accordance with the first sentence of this Section 23 and (B) written documentation supporting its position with respect to such dispute, in each case, no later than 5:00 p.m. (New York time) by the fifth (5th) Business Day immediately following the date on which such Holder selected such investment bank (the “**Dispute Submission Deadline**”) (the documents referred to in the immediately preceding clauses (A) and (B) are collectively referred to herein as the “**Required Dispute Documentation**”) (it being understood and agreed that if either such Holder or the Company fails to so deliver all of the Required Dispute Documentation by the Dispute Submission Deadline, then the party who fails to so submit all of the Required Dispute Documentation shall no longer be entitled to (and hereby waives its right to) deliver or submit any written documentation or other support to such investment bank with respect to such dispute and such investment bank shall resolve such dispute based solely on the Required Dispute Documentation that was delivered to such investment bank prior to the Dispute Submission Deadline). Unless otherwise agreed to in writing by both the Company and such Holder or otherwise requested by such investment bank, neither the Company nor such Holder shall be entitled to deliver or submit any written documentation or other support to such investment bank in connection with such dispute (other than the Required Dispute Documentation).

(iii) The Company and such Holder shall cause such investment bank to determine the resolution of such dispute and notify the Company and such Holder of such resolution no later than ten (10) Business Days immediately following the Dispute Submission Deadline. The fees and expenses of such investment bank shall be borne solely by the Company, and such investment bank’s resolution of such dispute shall be final and binding upon all parties absent manifest error.

(b) Miscellaneous. The Company expressly acknowledges and agrees that (i) this Section 23 constitutes an agreement to arbitrate between the Company and each Holder (and constitutes an arbitration agreement) under § 7501, et seq. of the New York Civil Practice Law and Rules (“**CPLR**”) and that any Holder is authorized to apply for an order to compel arbitration pursuant to CPLR § 7503(a) in order to compel compliance with this Section 23, (ii) a dispute relating to a Conversion Price includes, without limitation, disputes as to (A) whether an issuance or sale or deemed issuance or sale of Common Stock occurred under Section 8(a), (B) the consideration per share at which an issuance or deemed issuance of Common Stock occurred, (C) whether any issuance or sale or deemed issuance or sale of Common Stock was an issuance or sale or deemed issuance or sale of Excluded Securities, (D) whether an agreement, instrument, security or the like constitutes an Option or Convertible Security and (E) whether a Dilutive Issuance occurred, (iii) the terms of this Certificate of Designations and each other applicable Transaction Document shall serve as the basis for the selected investment bank’s resolution of the applicable dispute, such investment bank shall be entitled (and is hereby expressly authorized) to make all findings, determinations and the like that such investment bank determines are required to be made by such investment bank in connection with its resolution of such dispute and in resolving such dispute such investment bank shall apply such findings, determinations and the like to the terms of this Certificate of Designations and any other applicable Transaction Documents, (iv) the applicable Holder (and only such Holder with respect to disputes solely relating to such Holder), in its sole discretion, shall have the right to submit any dispute described in this Section 23 to any state or federal court sitting in The City of New York, Borough of Manhattan in lieu of utilizing the procedures set forth in this Section 23 and (v) nothing in this Section 23 shall limit such Holder from obtaining any injunctive relief or other equitable remedies (including, without limitation, with respect to any matters described in this Section 23).

24. Notices; Currency; Payments.

(a) Notices. The Company shall provide each Holder of Preferred Shares with prompt written notice of all actions taken pursuant to the terms of this Certificate of Designations, including in reasonable detail a description of such action and the reason therefor. Whenever notice is required to be given under this Certificate of Designations, unless otherwise provided herein, such notice must be in writing and shall be given in accordance with Section 9(f) of the Securities Purchase Agreement. The Company shall provide each Holder with prompt written notice of all actions taken pursuant to this Certificate of Designations, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company shall give written notice to each Holder (i) immediately upon any adjustment of the Conversion Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any grant, issuances, or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to such Holder.

(b) Currency. All dollar amounts referred to in this Certificate of Designations are in United States Dollars (“**U.S. Dollars**”), and all amounts owing under this Certificate of Designations shall be paid in U.S. Dollars. All amounts denominated in other currencies (if any) shall be converted into the U.S. Dollar equivalent amount in accordance with the Exchange Rate on the date of calculation. “**Exchange Rate**” means, in relation to any amount of currency to be converted into U.S. Dollars pursuant to this Certificate of Designations, the U.S. Dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation (it being understood and agreed that where an amount is calculated with reference to, or over, a period of time, the date of calculation shall be the final date of such period of time).

(c) Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Certificate of Designations, unless otherwise expressly set forth herein, such payment shall be made in lawful money of the United States of America by wire transfer of immediately available funds pursuant to wire transfer instructions that Holder shall provide to the Company in writing from time to time. Whenever any amount expressed to be due by the terms of this Certificate of Designations is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day. Any amount due under the Transaction Documents which is not paid when due shall result in a late charge being incurred and payable by the Company in an amount equal to interest on such amount at the rate of ten percent (10%) per annum from the date such amount was due until the same is paid in full (“**Late Charge**”).

25. Waiver of Notice. To the extent permitted by law, the Company hereby irrevocably waives demand, notice, presentment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Certificate of Designations and the Securities Purchase Agreement.

26. Governing Law. This Certificate of Designations shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Certificate of Designations shall be governed by, the internal laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Delaware. Except as otherwise required by Section 23 above, any dispute that arises under or in any way related to this Agreement shall be settled by arbitration. All actions or proceedings arising hereunder and/or in connection with this Agreement or the breach thereof shall be submitted to Judicial Arbitration and Mediation Services (“JAMS”) for binding arbitration under its Comprehensive Arbitration Rules and Procedures if the matter in dispute is over \$250,000, or under JAMS’ Streamlined Arbitration Rules and Procedures if the matter in dispute is \$250,000 or less (as applicable, the “Rules”) to be held solely in Las Vegas, Nevada. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS CERTIFICATE OF DESIGNATIONS OR ANY TRANSACTION CONTEMPLATED HEREBY.**

27. Judgment Currency.

(a) If for the purpose of obtaining or enforcing judgment against the Company in any court in any jurisdiction it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 27 referred to as the “**Judgment Currency**”) an amount due in U.S. dollars under this Certificate of Designations, the conversion shall be made at the Exchange Rate prevailing on the Trading Day immediately preceding:

(i) the date actual payment of the amount due, in the case of any proceeding in the courts of New York or in the courts of any other jurisdiction that will give effect to such conversion being made on such date: or

(ii) the date on which the foreign court determines, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 27(a)(ii) being hereinafter referred to as the “**Judgment Conversion Date**”).

(b) If in the case of any proceeding in the court of any jurisdiction referred to in Section 27(a)(ii) above, there is a change in the Exchange Rate prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the applicable party shall pay such adjusted amount as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the Exchange Rate prevailing on the date of payment, will produce the amount of US dollars which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the Exchange Rate prevailing on the Judgment Conversion Date.

(c) Any amount due from the Company under this provision shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of this Certificate of Designations.

28. Severability. If any provision of this Certificate of Designations is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Certificate of Designations so long as this Certificate of Designations as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

29. Maximum Payments. Without limiting Section 9(d) of the Securities Purchase Agreement, nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the applicable Holder and thus refunded to the Company.

30. Stockholder Matters: Amendment.

(a) Stockholder Matters. Any stockholder action, approval or consent required, desired or otherwise sought by the Company pursuant to the DGCL, the Certificate of Incorporation, this Certificate of Designations or otherwise with respect to the issuance of Preferred Shares may be effected by written consent of the Company's stockholders or at a duly called meeting of the Company's stockholders, all in accordance with the applicable rules and regulations of the DGCL. This provision is intended to comply with the applicable sections of the DGCL permitting stockholder action, approval and consent affected by written consent in lieu of a meeting.

(b) Amendment. Except for Section 4(d), which may not be amended or waived hereunder, this Certificate of Designations or any provision hereof may be amended by obtaining the affirmative vote at a meeting duly called for such purpose, or written consent without a meeting in accordance with the DGCL, of the Required Holders, voting separate as a single class, and with such other stockholder approval, if any, as may then be required pursuant to the DGCL and the Certificate of Incorporation.

31. Certain Defined Terms. For purposes of this Certificate of Designations, the following terms shall have the following meanings:

(a) "**1934 Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

(b) “**Additional Amount**” means, as of the applicable date of determination, with respect to each Preferred Share, all declared and unpaid Dividends on such Preferred Share.

(c) “**Adjustment Right**” means any right granted with respect to any securities issued in connection with, or with respect to, any issuance or sale (or deemed issuance or sale in accordance with Section 8(a)) of shares of Common Stock (other than rights of the type described in Section 7(a) hereof) that could result in a decrease in the net consideration received by the Company in connection with, or with respect to, such securities (including, without limitation, any cash settlement rights, cash adjustment or other similar rights).

(d) “**Affiliate**” or “**Affiliated**” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that “control” of a Person means the power directly or indirectly either to vote 10% or more of the stock having ordinary voting power for the election of directors of such Person or direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

(e) “**Approved Stock Plan**” means any employee benefit plan or agreement which has been approved by the Board prior to or subsequent to the Closing Date (as defined in the Securities Purchase Agreement) pursuant to which shares of Common Stock and standard options to purchase Common Stock may be issued to any employee, officer, consultant or director for services provided to the Company in their capacity as such.

(f) “**Attribution Parties**” means, collectively, the following Persons and entities: (i) any investment vehicle, including, any funds, feeder funds or managed accounts, currently, or from time to time after the Initial Issuance Date, directly or indirectly managed or advised by a Holder’s investment manager or any of its Affiliates or principals, (ii) any direct or indirect Affiliates of such Holder or any of the foregoing, (iii) any Person acting or who could be deemed to be acting as a Group together with such Holder or any of the foregoing and (iv) any other Persons whose beneficial ownership of the Company’s Common Stock would or could be aggregated with such Holder’s and the other Attribution Parties for purposes of Section 13(d) of the 1934 Act. For clarity, the purpose of the foregoing is to subject collectively such Holder and all other Attribution Parties to the Maximum Percentage.

(g) “**Black Scholes Consideration Value**” means the value of the applicable Option, Convertible Security or Adjustment Right (as the case may be) as of the date of issuance thereof calculated using the Black Scholes Option Pricing Model obtained from the “OV” function on Bloomberg utilizing (i) an underlying price per share equal to the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the public announcement of the execution of definitive documents with respect to the issuance of such Option, Convertible Security or Adjustment Right (as the case may be), (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of such Option, Convertible Security or Adjustment Right (as the case may be) as of the date of issuance of such Option, Convertible Security or Adjustment Right (as the case may be), (iii) a zero cost of borrow and (iv) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the date of issuance of such Option, Convertible Security or Adjustment Right (as the case may be).

(h) “**Bloomberg**” means Bloomberg L.P.

(i) “**Book-Entry**” means each entry on the Register evidencing one or more Preferred Shares held by a Holder in lieu of a Preferred Share Certificate issuable hereunder.

(j) “**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to “stay at home”, “shelter-in-place”, “non-essential employee” or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York generally are open for use by customers on such day.

(k) “**Change of Control**” means any Fundamental Transaction other than (i) any merger of the Company or any of its, direct or indirect, wholly-owned Subsidiaries with or into any of the foregoing Persons, (ii) any reorganization, recapitalization or reclassification of the shares of Common Stock in which holders of the Company’s voting power immediately prior to such reorganization, recapitalization or reclassification continue after such reorganization, recapitalization or reclassification to hold publicly traded securities and, directly or indirectly, are, in all material respects, the holders of the voting power of the surviving entity (or entities with the authority or voting power to elect the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities) after such reorganization, recapitalization or reclassification or (iii) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of Incorporation of the Company or any of its Subsidiaries.

(l) “**Change of Control Redemption Premium**” means 110%.

(m) “**Closing Sale Price**” means, for any security as of any date, the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price then the last trade price of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last trade price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the ask prices of any market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Required Holder. If the Company and the Required Holders are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 23. All such determinations shall be appropriately adjusted for any stock splits, stock dividends, stock combinations, recapitalizations or other similar transactions during such period.

(n) “**Closing Date**” shall have the meaning set forth in the Securities Purchase Agreement, which date is the date the Company initially issued the Preferred Shares pursuant to the terms of the Securities Purchase Agreement.

(o) “**Common Stock**” means (i) the Company’s shares of common stock, \$0.0001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(p) “**Common Stock Equivalents**” means any Convertible Securities or warrant, Option or other right to subscribe for or purchase additional shares of Common Stock other than Excluded Securities or any Convertible Securities.

(q) “**Contingent Obligation**” means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any Indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(r) “**Conversion Price**” means, with respect to any Conversion that price which shall be 90% (or, if (x) the Common Stock is suspended from trading on or delisted from the Principal Market at any time after the Initial Issuance Date (whether or not subsequently cured), 80%) of the lowest daily VWAP of the Common Stock during the period beginning on the Trading Day immediately after the day on which the applicable Holder receives the shares of Common Stock issuable upon conversion of the Preferred Shares (“**Conversion Shares**”) and ending on the Trading Day on which the aggregate dollar volume of the Common Stock traded on the Principal Market exceeds the product of the Conversion Amount set forth on the applicable Conversion Notice multiplied by seven (7), subject to a five (5) Trading Day minimum (such period, the “**Conversion Measuring Period**”); provided, however, that each day on which (i) the Common Stock has been suspended for trading on all Eligible Markets, (ii) Conversion Shares cannot be sold by the Holder because of violation of Section 32 by the Company, or (iii) Conversion Shares are not delivered after the Share Delivery Deadline, shall be excluded from the Conversion Measuring Period. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction that proportionately decreases or increases the Common Stock during such Conversion Measuring Period.

(s) “**Convertible Securities**” means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(t) “**Dilutive Issuance**” means if the Company issues or sells, or is deemed to have issued or sold, any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding any Excluded Securities issued or sold or deemed to have been issued or sold) for a consideration per share less than a price equal to the Conversion Price in effect immediately prior to such issue or sale or deemed issuance or sale.

(u) “**Dividend Rate**” means zero (0%) per annum, as may be adjusted from time to time in accordance with Section 3.

(v) **“Eligible Market”** means The New York Stock Exchange, the NYSE American, the Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market.

(w) **“Event Market Price”** means, with respect to any Stock Combination Event Date, 100% of the quotient determined by dividing (x) the sum of the VWAP of the Common Stock for each of the five (5) lowest Trading Days including the Trading Day immediately preceding the sixteenth (16th) Trading Day after such Stock Combination Event Date, divided by (y) five (5).

(x) **“Excluded Securities”** means (i) shares of Common Stock or standard options to purchase Common Stock issued to directors, officers, employees or consultants of the Company for services rendered to the Company in their capacity as such pursuant to an Approved Stock Plan (as defined above), provided that (A) all such issuances (taking into account the shares of Common Stock issuable upon exercise of such options) after the Subscription Date pursuant to this clause (i) do not, in the aggregate, exceed more than 15% of the Common Stock issued and outstanding immediately prior to the Closing Date (as defined in the Securities Purchase Agreement) and (B) the exercise price of any such options is not lowered, none of such options are amended to increase the number of shares issuable thereunder and none of the terms or conditions of any such options are otherwise materially changed in any manner that adversely affects any of the Buyers (as defined in the Securities Purchase Agreement); (ii) shares of Common Stock issued upon the conversion or exercise of Convertible Securities or Options (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) issued prior to the Subscription Date, provided that the conversion or exercise price of any such Convertible Securities or Options (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) is not lowered (other than in accordance with the terms thereof in effect as of the Subscription Date) from the conversion or exercise price in effect as of the Subscription Date (whether pursuant to the terms of such Convertible Securities or Options or otherwise), none of such Convertible Securities or Options (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) are amended to increase the number of shares issuable thereunder and none of the terms or conditions of any such Convertible Securities or Options (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) are otherwise materially changed in any manner that adversely affects any of the Buyers; (iii) the shares of Common Stock issuable upon conversion of the Preferred Shares or otherwise pursuant to the terms of this Certificate of Designations; provided, that the terms of this Certificate of Designations are not amended, modified or changed on or after the Subscription Date (other than antidilution adjustments pursuant to the terms thereof in effect as of the Subscription Date); (iv) shares of Common Stock issued upon the conversion or exercise of Options (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) in connection with the issuance of non-convertible debt securities by the Company; (v) shares of Common Stock issued in connection with (A) a “Draw Down” as such term is defined pursuant to that certain Share Purchase Agreement dated as of August 4, 2021 by and among the Company, Gem Global Yield LLC SCS and Gem Yield Bahamas Limited or (B) the exercise of the Warrant by and between the Company and Gem Yield Bahamas Limited, as amended by the Warrant Agreement Amendment by and between the Company and Gem Yield Bahamas Limited; (vi) securities issued pursuant to the Transaction Documents; and (vii) securities issued by the Company in connection with strategic license agreements, mergers, acquisitions, purchases or leases of assets, partnering arrangements, joint ventures, strategic alliances or other commercial relationships (including to persons who are customers and suppliers of the Company) relating to the operation of the Company’s business, so long as such issuances are not primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

(y) “**Fundamental Transaction**” means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity (excluding a merger consummated solely to effect a change of name or domicile of the Company), or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its “significant subsidiaries” (as defined in Rule 1-02 of Regulation S-X) to one or more Subject Entities, or (iii) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its Common Stock be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding shares of Common Stock, (y) 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of shares of Common Stock such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (iv) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby all such Subject Entities, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding shares of Common Stock, (y) at least 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all the Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such stock purchase agreement or other business combination were not outstanding; or (z) such number of shares of Common Stock such that the Subject Entities become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (v) reorganize, recapitalize or reclassify its Common Stock, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to be or become the “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding shares of Common Stock, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock not held by all such Subject Entities as of the date of this Certificate of Designations calculated as if any shares of Common Stock held by all such Subject Entities were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock or other equity securities of the Company sufficient to allow such Subject Entities to effect a statutory short form merger or other transaction requiring other stockholders of the Company to surrender their shares of Common Stock without approval of the stockholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

(z) “**GAAP**” means United States generally accepted accounting principles, consistently applied.

(aa) “**Group**” means a “group” as that term is used in Section 13(d) of the 1934 Act and as defined in Rule 13d-5 thereunder.

(bb) “**Indebtedness**” means of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, including, without limitation, “capital leases” in accordance with United States generally accepted accounting principles consistently applied for the periods covered thereby (other than trade payables entered into in the ordinary course of business consistent with past practice), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with United States generally accepted accounting principles, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, deed of trust, lien, pledge, charge, security interest or other encumbrance of any nature whatsoever in or upon any property or assets (including accounts and contract rights) with respect to any asset or property owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above.

(cc) “**Intellectual Property Rights**” means, with respect to the Company and its Subsidiaries, all of their rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, original works of authorship, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and other intellectual property rights and all applications and registrations therefor.

(dd) “**Liquidation Event**” means, whether in a single transaction or series of transactions, the voluntary or involuntary liquidation, dissolution or winding up of the Company or such Subsidiaries the assets of which constitute all or substantially all of the assets of the business of the Company and its Subsidiaries, taken as a whole.

(ee) “**Material Adverse Effect**” means any material adverse effect on the business in excess of \$5,000,000, properties, assets, liabilities, operations, results of operations, condition (financial or otherwise) or prospects of the Company and its Subsidiaries, if any, individually or taken as a whole, or on the transactions contemplated hereby or on the other Transaction Documents (as defined below), or by the agreements and instruments to be entered into in connection therewith or on the authority or ability of the Company to perform its obligations under the Transaction Documents.

(ff) “**Options**” means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(gg) “**Parent Entity**” of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(hh) “**Parity Stock**” shares of capital stock of the Company that ranks pari passu with the Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company.

(ii) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(jj) “**Principal Market**” means, as of any time of determination, the principal trading market, if any, in which the shares of Common Stock then trade.

(kk) “**Redemption Notices**” means, collectively, the Triggering Event Redemption Notices, the Change of Control Redemption Notices and the Company Optional Redemption Notices, and each of the foregoing, individually, a “**Redemption Notice**.”

(ll) “**Redemption Premium**” means 110%.

(mm) “**Redemption Prices**” means, collectively, any Triggering Event Redemption Price, the Change of Control Redemption Price and the Company Optional Redemption Price, and each of the foregoing, individually, a “**Redemption Price**.”

(nn) “**SEC**” means the United States Securities and Exchange Commission or the successor thereto.

(oo) “**Securities Purchase Agreement**” means that certain securities purchase agreement by and among the Company and the initial holders of Preferred Shares, dated as of the Subscription Date, as may be amended from time in accordance with the terms thereof.

(pp) “**Stated Value**” shall mean \$10,000 per share, subject to adjustment for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications, combinations, subdivisions or other similar events occurring after the Initial Issuance Date with respect to the Preferred Shares.

(qq) “**Stock Combination Event**” means any stock split, stock dividend, stock combination recapitalization or other similar transaction involving the Common Stock.

(rr) “**Stock Combination Event Date**” means the date of a Stock Combination Event.

(ss) “**Subscription Date**” means March 28, 2024.

(tt) “**Subject Entity**” means any Person, Persons or Group or any Affiliate or associate of any such Person, Persons or Group.

(uu) “**Subsidiaries**” shall have the meaning as set forth in the Securities Purchase Agreement.

(vv) “**Successor Entity**” means the Person (or, if so elected by the Required Holders, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Required Holders, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(ww) “**Trading Day**” means, as applicable, (x) with respect to all price or trading volume determinations relating to the Common Stock, any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that “Trading Day” shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the applicable Holder or (y) with respect to all determinations other than price determinations relating to the Common Stock, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(xx) “**Transaction Documents**” means the Securities Purchase Agreement, this Certificate of Designations and each of the other agreements and instruments entered into or delivered by the Company or any of the Holders in connection with the transactions contemplated by the Securities Purchase Agreement, all as may be amended from time to time in accordance with the terms thereof.

(yy) “**VWAP**” means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market (or, if the Principal Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded), during the period beginning at 9:30 a.m., New York time, and ending at 4:00 p.m., New York time, as reported by Bloomberg through its “VAP” function (set to 09:30 start time and 16:00 end time) or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30 a.m., New York time, and ending at 4:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Required Holders. If the Company and the Required Holders are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 23. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, recapitalization or other similar transaction during such period.

32. Disclosure. Upon receipt or delivery by the Company of any notice (other than a Conversion Notice) in accordance with the terms of this Certificate of Designations, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries, the Company shall on or prior to 9:00 am, New York city time on the Business Day immediately following such notice delivery date, publicly disclose such material, non-public information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, non-public information relating to the Company or any of its Subsidiaries, the Company so shall indicate to a Holder explicitly in writing in such notice (or immediately upon receipt of notice from such Holder, as applicable), and in the absence of any such written indication in such notice (or notification from the Company immediately upon receipt of notice from such Holder), such Holder shall be entitled to presume that information contained in the notice does not constitute material, non-public information relating to the Company or any of its Subsidiaries. Nothing contained in this Section 32 shall limit any obligations of the Company, or any rights of any Holder, under Section 4(i) of the Securities Purchase Agreement.

33. Absence of Trading and Disclosure Restrictions. The Company acknowledges and agrees that no Holder is a fiduciary or agent of the Company and that each Holder shall have no obligation to (a) maintain the confidentiality of any information provided by the Company or (b) refrain from trading any securities while in possession of such information in the absence of a written non-disclosure agreement signed by an officer of such Holder that explicitly provides for such confidentiality and trading restrictions. In the absence of such an executed, written non-disclosure agreement, the Company acknowledges that each Holder may freely trade in any securities issued by the Company, may possess and use any information provided by the Company in connection with such trading activity, and may disclose any such information to any third party.

* * * * *

IN WITNESS WHEREOF, the Company has caused this Certificate of Designations of Series B Convertible Preferred Stock of Jet.AI Inc. to be signed by its Interim Chief Executive Officer on this 28th day of March, 2024.

/s/ Michael Winston

Name: Michael Winston

Title: Interim Chief Executive Officer

EXHIBIT I

**JET.AI INC.
CONVERSION NOTICE**

Reference is made to the Certificate of Designations of the Series B Convertible Preferred Stock of Jet.AI Inc. (the "**Certificate of Designations**"). In accordance with and pursuant to the Certificate of Designations, the undersigned hereby elects to convert the number of shares of Series B Convertible Preferred Stock, \$0.0001 par value per share (the "**Preferred Shares**"), of Jet.AI Inc. a Delaware corporation (the "**Company**"), indicated below into shares of common stock, \$0.0001 par value per share (the "**Common Stock**"), of the Company, as of the date specified below.

Conversion Date:

Aggregate number of Preferred Shares to be converted:

Number of Preferred Shares remaining after conversion:

Conversion Amount:

Pre-Settlement Conversion Price:

Pre-Settlement Conversion Shares:

Actual number of Pre-Settlement Conversion Shares to be Issued as of the date of this Notice¹

Amount of Additional Pre-Settlement Conversion Shares requested at the election of Ionic during the Conversion Measuring Period for this Notice:

Balance of Pre-Settlement Conversion Shares Issuable after the date of this Notice:

Please issue the Common Stock into which the applicable Preferred Shares are being converted to Holder, or for its benefit, as follows:

DTC Participant:

DTC Number:

Account Number:

IONIC VENTURES, LLC

Name: Brendan O'Neil

Title: Authorized Signatory

Phone#: 415-999-2132

¹ Actual number may be less than total amount issuable due to 4.99% ownership blocker.

EXHIBIT II

ACKNOWLEDGMENT

Date: _____, 20__

The Company hereby (a) acknowledges this Conversion Notice, (b) certifies that the above indicated number of shares of Common Stock [are][are not] eligible to be resold by the Holder either (i) pursuant to Rule 144 (subject to the Holder's execution and delivery to the Company of a customary 144 representation letter) or (ii) an effective and available registration statement and (c) hereby directs _____ to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from the Company and acknowledged and agreed to by _____.

JET.AI INC.

By: _____
Name:
Title:

EXHIBIT III

**JET.AI INC.
CONVERSION SETTLEMENT NOTICE**

Reference is made to the Certificate of Designations of the Series B Convertible Preferred Stock of Jet.AI Inc. (the “**Certificate of Designations**”). In accordance with and pursuant to the Certificate of Designations, the undersigned hereby elects to convert the number of shares of Series B Convertible Preferred Stock, \$0.0001 par value per share (the “**Preferred Shares**”), of Jet.AI Inc. a Delaware corporation (the “**Company**”), indicated below into shares of common stock, \$0.0001 par value per share (the “**Common Stock**”), of the Company, as of the date specified below.

FINAL SETTLEMENT OF SERIES B CONVERSION NOTICE

Conversion Date:

Conversion Amount:

Conversion Measurement Period dates:

Start Date:

End Date:

Lowest daily VWAP in Conversion Measurement Period:

Conversion Price:

Conversion Settlement Date:

Settlement Conversion Shares:

Pre-Settlement Conversion Shares previously issued:

Total additional shares owed:

Settlement Conversion Shares to be issued on this Notice¹:

Settlement Conversion Shares remaining to be issued:

Please issue the Common Stock into which the applicable Preferred Shares are being converted to Holder, or for its benefit, as follows:

DTC Participant:

DTC Number:

Account Number:

IONIC VENTURES, LLC

Name: Brendan O’Neil

Title: Authorized Signatory

Phone#: 415-999-2132

¹ Actual number may be less than total amount issuable due to 4.99% ownership blocker.

**AMENDMENT NO. 1 TO CERTIFICATE OF DESIGNATIONS
OF
SERIES B CONVERTIBLE PREFERRED STOCK
OF
JET.AI INC.**

(Pursuant to Section 151 of the General Corporation Law of the State of Delaware)

Jet.AI Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter, the “**Corporation**”), hereby certifies that:

1. This Amendment to the Certificate of Designations of Series B Convertible Preferred Stock shall be effective as of the time of filing by the Delaware Secretary of State.
2. The following resolution was duly adopted by the Board of Directors of the Corporation (or a duly authorized committee thereof) as required by Section 151 of the General Corporation Law of the State of Delaware (the “**DGCL**”).
3. The Corporation and holders of at least ninety percent (90%) of the outstanding shares of Series B Preferred Stock have approved this amendment.

NOW, THEREFORE, BE IT RESOLVED, Section 31(r) of the Certificate of Designations is amended and restated as follows:

“(r) “**Conversion Price**” means, with respect to any Conversion that price which shall be the lower of (A) \$2.50, or (B) 90% (or, if (x) the Common Stock is suspended from trading on or delisted from the Principal Market at any time after the Initial Issuance Date (whether or not subsequently cured), 80%) of the lowest daily VWAP of the Common Stock during the period beginning on the Trading Day immediately after the day on which the applicable Holder receives the shares of Common Stock issuable upon conversion of the Preferred Shares (“**Conversion Shares**”) and ending on the Trading Day on which the aggregate dollar volume of the Common Stock traded on the Principal Market exceeds the product of the Conversion Amount set forth on the applicable Conversion Notice multiplied by seven (7), subject to a five (5) Trading Day minimum (such period, the “**Conversion Measuring Period**”); provided, however, that each day on which (i) the Common Stock has been suspended for trading on all Eligible Markets, (ii) Conversion Shares cannot be sold by the Holder because of violation of Section 32 by the Company, or (iii) Conversion Shares are not delivered after the Share Delivery Deadline, shall be excluded from the Conversion Measuring Period. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction that proportionately decreases or increases the Common Stock during such Conversion Measuring Period.”

IN WITNESS WHEREOF, the undersigned has executed this Amendment to Certificate of Designations of the Series B Convertible Preferred Stock of Jet.AI Inc. on this 14th day of February, 2025.

JET.AI INC.

By: /s/ Mike Winston
Name: Mike Winston
Title: Interim CEO

JET.AI INC.

(a Delaware corporation)

BYLAWS

As Adopted August 10, 2023 and

As Effective August 10, 2023

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JET.AI INC.

(a Delaware corporation)

BYLAWS

As Adopted [●], 2023 and

As Effective [●], 2023

ARTICLE I

STOCKHOLDERS

1.1 Annual Meetings.

An annual meeting of stockholders shall be held for the election of directors at such date and time as the Board of Directors (the “*Board*”) of Jet.AI Inc. (the “*Corporation*”) shall each year fix. The meeting may be held either at a place, within or without the State of Delaware as permitted by the Delaware General Corporation Law (the “*DGCL*”), or by means of remote communication as the Board in its sole discretion may determine. Any proper business may be transacted at the annual meeting. The Corporation may postpone, reschedule, adjourn, recess or cancel any annual meeting of stockholders previously scheduled.

1.2 Special Meetings.

Special meetings of stockholders for any purpose or purposes shall be called in the manner set forth in the Certificate of Incorporation of the Corporation (as the same may be amended and/or restated from time to time, the “*Certificate of Incorporation*”). The special meeting may be held either at a place, within or without the State of Delaware, or by means of remote communication as the Board in its sole discretion may determine. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of the meeting. The Corporation may postpone, reschedule, adjourn, recess or cancel any annual meeting of stockholders previously scheduled.

1.3 Notice of Meetings.

Notice of all meetings of stockholders shall be given in writing or by electronic transmission in the manner provided by applicable law (including, without limitation, as set forth in Section 7.1.1 of these Bylaws) stating the date, time and place, if any, of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting. In the case of a special meeting, such notice shall also set forth the purpose or purposes for which the meeting is called. Unless otherwise required by applicable law or the Certificate of Incorporation, notice of any meeting of stockholders shall be given not less than ten (10), nor more than sixty (60), days before the date of the meeting to each stockholder of record entitled to vote at such meeting.

1.4 **Adjournments; Postponements.**

The chairperson of the meeting shall have the power to adjourn or postpone the meeting to another time, date and place (if any). Whether or not a quorum is present, any meeting of stockholders, annual or special, may be adjourned from time to time for any reasonable purpose and to any other time or place (if any) at which a meeting of stockholders may be held under these Bylaws, by the chairperson of the meeting or the Board. When a meeting is adjourned to another time or place (if any), (including an adjournment taken to address a technical failure to convene or continue a meeting using remote communication) unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if (i) the time, date and place (if any) thereof and the means of remote communication (if any) by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, are (a) announced at the meeting at which the adjournment is taken, (b) displayed during the time scheduled for the meeting on the same electronic network used to enable stockholders and proxy holders to participate in the meeting by means of remote communication or (c) set forth in the notice of meeting given in accordance with these Bylaws; and (ii) the date is not more than thirty (30) days after the date for which the meeting was originally noticed. If the adjournment is more than thirty (30) days after the date for which the meeting was originally noticed, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting in accordance with these Bylaws. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting. If after the adjournment the Board fixes a new record date, notice of the time, date and place (if any) of the adjourned meeting shall be sent to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting. To the fullest extent permitted by law, the Board may postpone, reschedule or cancel any previously scheduled special or annual meeting of stockholders before it is to be held, regardless of whether any notice or public disclosure with respect to any such meeting has been sent or made pursuant to Section 1.3 hereof or otherwise, in which case notice shall be provided to the stockholders of the new date, time and place, if any, of the meeting as provided in Section 1.3 above.

1.5 **Quorum.**

Except as otherwise provided by applicable law, the Certificate of Incorporation or these Bylaws, at each meeting of stockholders the holders of a majority of the voting power of the shares of stock issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business; *provided, however,* that where a separate vote by a class or classes or series of stock is required by applicable law or the Certificate of Incorporation, the holders of a majority of the voting power of the shares of such class or classes or series of the stock issued and outstanding and entitled to vote on such matter, present in person or represented by proxy at the meeting, shall constitute a quorum entitled to take action with respect to the vote on such matter. If a quorum shall fail to attend any meeting, the chairperson of the meeting or, if directed to be voted on by the chairperson of the meeting, the holders of a majority of the voting power of the shares entitled to vote who are present in person or represented by proxy at the meeting may adjourn the meeting. Shares of the Corporation's stock belonging to the Corporation (or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation are held, directly or indirectly, by the Corporation), shall neither be entitled to vote nor be counted for quorum purposes; *provided, however,* that the foregoing shall not limit the right of the Corporation or any other corporation to vote any shares of the Corporation's stock held by it in a fiduciary capacity and to count such shares for purposes of determining a quorum. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

1.6 Organization.

Meetings of stockholders shall be presided over by (a) such person as the Board may designate, or (b) in such person's absence, the Executive Chairman of the Board, or (c) in such person's absence, the Lead Independent Director, or, (d) in such person's absence, the Chief Executive Officer of the Corporation, or (e) in such person's absence, by a Vice President. Such person shall be the chairperson of the meeting and, subject to Section 1.10 of these Bylaws, shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seems to such person to be in order. The Secretary of the Corporation shall act as the secretary of the meeting, but in such person's absence the chairperson of the meeting may appoint any person to act as the secretary of the meeting.

1.7 Voting; Proxies.

Each stockholder of record entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy. Such a proxy may be prepared, transmitted and delivered in any manner permitted by applicable law. A proxy may be executed in writing (or by an electronic transmission permitted by applicable law, including Rule 14a-19 under the Securities Exchange Act of 1934, as amended (such act, and the rules and regulations promulgated thereunder, the "*Exchange Act*") by the stockholder, or by such stockholder's duly authorized attorney in fact. A proxy may be in the form of an electronic transmission that sets forth or is submitted with information from which it can be determined the identity of the stockholder granting such authorization, and that the transmission was authorized by the stockholder. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a revocation of the proxy or a new proxy bearing a later date. Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board.

Except as may be required in the Certificate of Incorporation, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Unless otherwise provided by applicable law, rule or regulation applicable to the Corporation or its securities, the rules or regulations of any stock exchange applicable to the Corporation, the Certificate of Incorporation or these Bylaws, every matter other than the election of directors shall be decided by the affirmative vote of the holders of a majority of the voting power of the shares of stock entitled to vote on such matter that are present in person or represented by proxy at the meeting and are voted for or against the matter (or if there are two (2) or more classes or series of stock entitled to vote as separate classes, then in the case of each class or series, the holders of a majority of the voting power of the shares of stock of that class or series present in person or represented by proxy at the meeting voting for or against such matter).

1.8 Fixing Date for Determination of Stockholders of Record.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which shall not be more than sixty (60) days prior to such action. If no such record date is fixed by the Board, then the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

1.9 List of Stockholders Entitled to Vote.

The Secretary shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting (*provided, however*, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth (10th) day before the meeting date), arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least ten (10) days prior to the meeting, (a) on a reasonably accessible electronic network as permitted by applicable law (*provided* that the information required to gain access to the list is provided with the notice of the meeting), or (b) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. Except as otherwise provided by law, the list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.10 Inspectors of Elections.

1.10.1 Applicability. Unless otherwise required by the Certificate of Incorporation or by the DGCL, the following provisions of this Section 1.10 shall apply only if and when the Corporation has a class of voting stock that is: (a) listed on a national securities exchange; (b) authorized for quotation on an interdealer quotation system of a registered national securities association; or (c) held of record by more than two thousand (2,000) stockholders. In all other cases, observance of the provisions of this Section 1.10 shall be optional, and at the discretion of the Board.

1.10.2 Appointment. The Corporation shall, in advance of any meeting of stockholders, appoint one (1) or more inspectors of election to act at the meeting and make a written report thereof. The Corporation may designate one (1) or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one (1) or more inspectors to act at the meeting.

1.10.3 Inspector's Oath. Each inspector of election, before entering upon the discharge of such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability.

1.10.4 Duties of Inspectors. At a meeting of stockholders, the inspectors of election shall (a) ascertain the number of shares outstanding and the voting power of each share, (b) determine the shares represented at a meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period of time a record of the disposition of any challenges made to any determination by the inspectors, and (e) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

1.10.5 Opening and Closing of Polls. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced by the chairperson of the meeting at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware, upon application by a stockholder, shall determine otherwise.

1.10.6 Determinations. In determining the validity and counting of proxies and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in connection with proxies pursuant to Section 211(a)(2)b.(i) of the DGCL, or in accordance with Sections 211(e) or 212(c)(2) of the DGCL, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors at the time they make their certification of their determinations pursuant to this Section 1.10 shall specify the precise information considered by them, including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors' belief that such information is accurate and reliable.

1.11 **Notice of Stockholder Business; Nominations.**

1.11.1 **Annual Meeting of Stockholders.**

(a) Nominations of persons for election to the Board and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only: (i) pursuant to the Corporation's notice of such meeting (or any supplement thereto), (ii) by or at the direction of the Board or any committee thereof or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice provided for in this Section 1.11 (the "**Record Stockholder**"), who is entitled to vote at such meeting and who complies with the notice and other procedures set forth in this Section 1.11 in all applicable respects. For the avoidance of doubt, the foregoing clause (iii) shall be the exclusive means for a stockholder to make nominations or propose business (other than business included in the Corporation's proxy materials pursuant to Rule 14a-8 under the Exchange Act at an annual meeting of stockholders), and such stockholder must fully comply with the notice and other procedures set forth in this Section 1.11 to make such nominations or propose business before an annual meeting.

(b) For nominations or other business to be properly brought before an annual meeting by a Record Stockholder pursuant to Section 1.11.1(a) of these Bylaws:

(i) the Record Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and provide any updates or supplements to such notice at the times and in the forms required by this Section 1.11;

(ii) such other business (other than the nomination of persons for election to the Board) must otherwise be a proper matter for stockholder action;

(iii) if the Proposing Person (as defined below) has provided the Corporation with a Solicitation Notice (as defined below), such Proposing Person must, in the case of a proposal other than the nomination of persons for election to the Board, have delivered a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such Proposing Person to be sufficient to elect the nominee or nominees proposed to be nominated by such Record Stockholder, and must, in either case, have included in such materials the Solicitation Notice; and

(iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this Section 1.11, the Proposing Person proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 1.11.

To be timely, a Record Stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred and twentieth (120th) day, prior to the first anniversary of the preceding year's annual meeting; *provided, however*, that in the event that no annual meeting was held during the preceding year or the date of the annual meeting is more than thirty (30) days before, or more than sixty (60) days after, such anniversary date, to be timely, the notice by the Record Stockholder must be delivered (A) no earlier than the close of business on the one hundred and twentieth (120th) day prior to such annual meeting and (B) no later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which Public Announcement (as defined below) of the date of such meeting is first made by the Corporation. In no event shall an adjournment or postponement of an annual meeting for which notice has been given commence a new time period (or extend any time period) for providing the Record Stockholder's notice. Such Record Stockholder's notice shall set forth:

(x) as to each person whom the Record Stockholder proposes to nominate for election or reelection as a director:

(i) the name, age, business address and residence address of such person;

(ii) the principal occupation or employment of such nominee;

(iii) the class, series and number of any shares of stock of the Corporation that are beneficially owned or owned of record by such person or any Associated Person (as defined in Section 1.11.3(c));

(iv) the date or dates such shares were acquired and the investment intent of such acquisition;

(v) all other information relating to such person that would be required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or would be otherwise required, in each case pursuant to and in accordance with Section 14(a) (or any successor provision) under the Exchange Act and the rules and regulations thereunder (including such person's written consent to being named in the proxy statement as a nominee, to the public disclosure of information regarding or related to such person provided to the Corporation by such person or otherwise pursuant to this Section 1.11 and to serving as a director if elected); and

(vi) whether such person meets the independence requirements of the stock exchange upon which the Corporation's common stock is primarily traded.

(y) as to any other business that the Record Stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these Bylaws, the text of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such Proposing Person, including any anticipated benefit to any Proposing Person therefrom; and

(z) as to the Proposing Person giving the notice:

(i) the current name and address of such Proposing Person, including, if applicable, their name and address as they appear on the Corporation's stock ledger, if different;

(ii) the class or series and number of shares of stock of the Corporation that are directly or indirectly owned of record or beneficially owned by such Proposing Person, including any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future;

(iii) whether and the extent to which any derivative interest in the Corporation's equity securities (including without limitation any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of shares of the Corporation or otherwise, and any cash-settled equity swap, total return swap, synthetic equity position or similar derivative arrangement, as well as any rights to dividends on the shares of any class or series of shares of the Corporation that are separated or separable from the underlying shares of the Corporation) or any short interest in any security of the Corporation (for purposes of this bylaw a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any increase or decrease in the value of the subject security, including through performance-related fees) is held directly or indirectly by or for the benefit of such Proposing Person, including without limitation whether and the extent to which any ongoing hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including without limitation any short position or any borrowing or lending of shares) has been made, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such Proposing Person with respect to any share of stock of the Corporation;

(iv) any other material relationship between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation, on the other hand;

(v) any direct or indirect material interest in any material contract or agreement with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement);

(vi) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) (or any successor provision) under the Exchange Act and the rules and regulations thereunder (the disclosures to be made pursuant to the foregoing clauses (iv) through (vi) are referred to as "**Disclosable Interests**"). For purposes hereof Disclosable Interests shall not include any information with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner;

(vii) such Proposing Person's written consent to the public disclosure of information provided to the Corporation pursuant to this Section 1.11;

(viii) a complete written description of any agreement, arrangement or understanding (whether oral or in writing) (including any knowledge that another person or entity is Acting in Concert (as defined in Section 1.11.3(c)) with such Proposing Person) between or among such Proposing Person, any of its respective affiliates or associates and any other person Acting in Concert with any of the foregoing persons;

(ix) as to each person whom such Proposing Person proposes to nominate for election or re-election as a director, any agreement, arrangement or understanding of such person with any other person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director known to such Proposing Person after reasonable inquiry;

(x) a representation that the Record Stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination;

(xi) a representation whether such Proposing Person intends (or is part of a group that intends) to deliver a proxy statement or form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees in accordance with Rule 14a-19 under the Exchange Act (an affirmative statement of such intent being a "*Solicitation Notice*"); and

(xii) any proxy, contract, arrangement, or relationship pursuant to which the Proposing Person has a right to vote, directly or indirectly, any shares of any security of the Corporation.

A stockholder providing written notice required by this Section 1.11 will update and supplement such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for the meeting and (ii) the close of business on the fifth (5th) business day prior to the meeting and, in the event of any adjournment or postponement thereof, the close of business on the fifth (5th) business day prior to such adjourned or postponed meeting. In the case of an update and supplement pursuant to clause (i) of the foregoing sentence, such update and supplement will be received by the Secretary of the Corporation at the principal executive office of the Corporation not later than five (5) business days after the record date for the meeting, and in the case of an update and supplement pursuant to clause (ii) of the foregoing sentence, such update and supplement will be received by the Secretary of the Corporation at the principal executive office of the Corporation not later than two (2) business days prior to the date for the meeting, and, in the event of any adjournment or postponement thereof, two (2) business days prior to such adjourned or postponed meeting.

(c) Notwithstanding anything in the second sentence of Section 1.11.1(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no Public Announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board at least ninety (90) days prior to the first anniversary of the preceding year's annual meeting (or, if the annual meeting is held more than thirty (30) days before or sixty (60) days after such anniversary date, at least ninety (90) days prior to such annual meeting), a stockholder's notice required by this Section 1.11 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation no later than the close of business on the tenth (10th) day following the day on which such Public Announcement is first made by the Corporation.

(d) Notwithstanding anything in Section 1.11 or any other provision of these Bylaws to the contrary, any person who has been determined by a majority vote of the directors then in office to have violated Section 2.11 of these Bylaws or a Board Confidentiality Policy (as defined below) while serving as a director of the Corporation in the preceding five (5) years shall be ineligible to be nominated or serve as a member of the Board, absent a prior waiver for such nomination or service approved by the affirmative vote of two-thirds of the directors then in office.

(e) Notwithstanding anything in Section 1.11 or any other provision of these Bylaws to the contrary, unless otherwise required by law, (i) no stockholder making such a nomination shall solicit proxies in support of director nominees other than the Corporation's nominees unless such stockholder has complied with Rule 14a-19 under the Exchange Act in connection with the solicitation of such proxies, including the provision to the Corporation of notices required thereunder in a timely manner unless the information required by Rule 14a-19(b) under the Exchange Act has been provided in a preliminary or definitive proxy statement previously filed by such person and (ii) if any stockholder making such a nomination (A) provides notice pursuant to Rule 14a-19(b) under the Exchange Act, and (B) subsequently fails to comply with the requirements of Rule 14a-19 under the Exchange Act or any other rules and regulations thereunder, including the provision to the Corporation of notices required thereunder in a timely manner, then the Corporation shall disregard any proxies or votes solicited for any proposed nominees on the Corporation's proxy card other than the Corporation's nominees and such nomination shall be disregarded, notwithstanding that proxies in favor thereof may have been received by the Corporation. In addition, any stockholder that provides notice pursuant to Rule 14a-19(b) under the Exchange Act shall notify the Secretary within two (2) business days of any change in such stockholder's intent to solicit proxies from the holders of shares representing at least 67% of the voting power of shares entitled to vote on the election of directors in support of director nominees other than the Corporation's nominees. Upon request by the Corporation, if any stockholder making such a nomination provides notice pursuant to Rule 14a-19(b) under the Exchange Act, such stockholder shall deliver to the Corporation, no later than five (5) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) under the Exchange Act.

1.11.2 Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of such meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of such meeting (a) by or at the direction of the Board or any committee thereof or (b) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice of the special meeting, who shall be entitled to vote at the meeting and who complies with the notice and other procedures set forth in this Section 1.11 in all applicable respects. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one (1) or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by Section 1.11.1(b) of these Bylaws shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation (i) no earlier than the one hundred twentieth (120th) day prior to such special meeting and (ii) no later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

1.11.3 General.

(a) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.11 shall be eligible to be elected at a meeting of stockholders and serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.11. Except as otherwise provided by law or these Bylaws, the chairperson of the meeting shall have the power and duty to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.11 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 1.11, unless otherwise required by law, if the stockholder (or a Qualified Representative of the stockholder (as defined below)) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(b) Notwithstanding the foregoing provisions of this Section 1.11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 1.11 shall be deemed to affect any rights of (a) stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (b) the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation.

(c) For purposes of this Section 1.11 the following definitions shall apply:

(A) A person shall be deemed to be “**Acting in Concert**” with another person if such person knowingly acts (whether or not pursuant to an express agreement, arrangement or understanding) in concert with, or toward a common goal relating to the management, governance or control of the Corporation in substantial parallel with, such other person where (1) each person is conscious of the other person’s conduct or intent and this awareness is an element in their decision-making processes and (2) at least one additional factor suggests that such persons intend to act in concert or in substantial parallel, which such additional factors may include, without limitation, exchanging information (whether publicly or privately), attending meetings, conducting discussions or making or soliciting invitations to act in concert or in substantial parallel; provided, that a person shall not be deemed to be Acting in Concert with any other person solely as a result of the solicitation or receipt of revocable proxies or consents from such other person in response to a solicitation made pursuant to, and in accordance with, Section 14(a) (or any successor provision) of the Exchange Act by way of a proxy or consent solicitation statement filed on Schedule 14A. A person Acting in Concert with another person shall be deemed to be Acting in Concert with any third party who is also Acting in Concert with such other person;

(B) “**Associated Person**” shall mean with respect to any subject stockholder or other person (including any proposed nominee) (1) any person directly or indirectly controlling, controlled by or under common control with such stockholder or other person, (2) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder or other person, (3) any associate (as defined in Rule 405 under the Securities Act of 1933, as amended (the “**Securities Act**”)), of such stockholder or other person, and (4) any person directly or indirectly controlling, controlled by or under common control or Acting in Concert with any such Associated Person;

(C) “**Proposing Person**” shall mean (1) the stockholder providing the notice of business proposed to be brought before an annual meeting or nomination of persons for election to the Board at a stockholder meeting, (2) the beneficial owner or beneficial owners, if different, on whose behalf the notice of business proposed to be brought before the annual meeting or nomination of persons for election to the Board at a stockholder meeting is made, and (3) any Associated Person on whose behalf the notice of business proposed to be brought before the annual meeting or nomination of persons for election to the Board at a stockholder meeting is made;

(D) “**Public Announcement**” shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act; and

(E) to be considered a “*Qualified Representative*” of a stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as a proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction thereof, at the annual meeting; *provided, however*, that if the stockholder is (1) a general or limited partnership, any general partner or person who functions as a general partner of the general or limited partnership or who controls the general or limited partnership shall be deemed a Qualified Representative, (2) a corporation or a limited liability company, any officer or person who functions as the substantial equivalent of an officer of the corporation or limited liability company or any officer, director, general partner or person who functions as an officer, director or general partner of any entity ultimately in control of the corporation or limited liability company shall be deemed a Qualified Representative or (z) a trust, any trustee of such trust shall be deemed a Qualified Representative. The Secretary of the Corporation, or any other person who shall be appointed to serve as the secretary of the meeting, may require, on behalf of the Corporation, reasonable and appropriate documentation to verify the status of a person purporting to be a “Qualified Representative” for purposes hereof.

ARTICLE II

BOARD OF DIRECTORS

2.1 Number; Qualifications.

The total number of directors constituting the Board shall be fixed from time to time in the manner set forth in the Certificate of Incorporation. No decrease in the authorized number of directors constituting the Board shall shorten the term of any incumbent director. Directors need not be stockholders of the Corporation.

2.2 Election; Resignation; Removal; Vacancies.

Election of directors need not be by written ballot. Unless otherwise provided by the Certificate of Incorporation and subject to the special rights of holders of any series of Preferred Stock to elect directors, the directors shall be divided into three (3) classes, as nearly equal in number as possible, designated as Class I, Class II and Class III. Each director shall hold office until the annual meeting at which such director’s term expires and until such director’s successor is elected and qualified or until such director’s earlier death, resignation, disqualification or removal. Any director may resign by delivering a resignation in writing or by electronic transmission to the Corporation at its principal office or to the Executive Chairman of the Board, the Chief Executive Officer, or the Secretary. Such resignation shall be effective upon delivery unless it is specified to be effective at a later time or upon the happening of an event. Subject to the special rights of holders of any series of Preferred Stock to elect directors, directors may be removed only as provided by the Certificate of Incorporation and applicable law. All vacancies occurring in the Board and any newly created directorships resulting from any increase in the authorized number of directors shall be filled in the manner set forth in the Certificate of Incorporation.

2.3 Regular Meetings.

Regular meetings of the Board may be held at such places, within or without the State of Delaware, and at such times as the Board may from time to time determine. Notice of regular meetings need not be given if the date, times and places thereof are fixed by resolution of the Board.

2.4 Special Meetings.

Special meetings of the Board may be called by the Executive Chairman of the Board, the Chief Executive Officer, the Lead Independent Director or by resolution adopted by a majority of the directors then in office and may be held at any time, date or place, within or without the State of Delaware, as the person or persons calling the meeting shall fix. Notice of the time, date and place of such meeting shall be given, orally, in writing or by electronic transmission (including electronic mail), by the person or persons calling the meeting to all directors at least four (4) days before the meeting if the notice is mailed, or at least twenty-four (24) hours before the meeting if such notice is given by telephone, hand delivery, telegram, telex, mailgram, facsimile, electronic mail or other means of electronic transmission. Unless otherwise indicated in the notice, any and all business may be transacted at a special meeting.

2.5 Remote Meetings Permitted.

Members of the Board, or any committee of the Board, may participate in a meeting of the Board or such committee by means of conference telephone or other remote communications by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to conference telephone or other remote communications shall constitute presence in person at such meeting.

2.6 Quorum; Vote Required for Action.

At all meetings of the Board, two-thirds (2/3) of the directors then in office shall constitute a quorum for the transaction of business. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date or time without further notice thereof. Except as otherwise provided herein or in the Certificate of Incorporation, or required by law, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

2.7 Organization.

Meetings of the Board shall be presided over by (a) the Executive Chairman of the Board, or (b) in such person's absence, the Lead Independent Director, or (c) in such person's absence, by the Chief Executive Officer, or (d) in such person's absence, by a chairperson chosen by the Board at the meeting. The Secretary shall act as the secretary of the meeting, but in such person's absence the chairperson of the meeting may appoint any person to act as the secretary of the meeting.

2.8 Unanimous Action by Directors in Lieu of a Meeting.

Any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee, as applicable. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.9 **Powers.**

Except as otherwise provided by the Certificate of Incorporation or the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board.

2.10 **Compensation of Directors.**

Members of the Board, as such, may receive, pursuant to a resolution of the Board, fees and other compensation for their services as directors, including without limitation their services as members of committees of the Board.

2.11 **Confidentiality.**

Each director shall maintain the confidentiality of, and shall not share with any third party person or entity (including third parties that originally sponsored, nominated or designated such director (the "*Sponsoring Party*")), any non-public information learned in their capacities as directors, including communications among Board members in their capacities as directors. The Board may adopt a board confidentiality policy further implementing and interpreting this bylaw (a "*Board Confidentiality Policy*"). All directors are required to comply with this bylaw and any such Board Confidentiality Policy unless such director or the Sponsoring Party for such director has entered into a specific written agreement with the Corporation, in such case as approved by the Board, providing otherwise with respect to such confidential information.

ARTICLE III

COMMITTEES

3.1 **Committees.**

The Board may designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the Corporation. The Board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting of such committee who are not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in a resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers that may require it, but no such committee shall have the power or authority in reference to the following matters: (a) approving, adopting or recommending to the stockholders any action or matter (other than the election or removal of members of the Board) expressly required by the DGCL to be submitted to stockholders for approval or (b) adopting, amending or repealing any bylaw of the Corporation.

3.2 **Committee Rules.**

Each committee shall keep records of its proceedings and make such reports as the Board may from time to time request. Unless the Board otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules, each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article II of these Bylaws. Except as otherwise provided in the Certificate of Incorporation, these Bylaws or the resolution of the Board designating the committee, any committee may create one (1) or more subcommittees, each subcommittee to consist of one (1) or more members of the committee, and may delegate to any such subcommittee any or all of the powers and authority of the committee.

ARTICLE IV

OFFICERS; EXECUTIVE CHAIRMAN; LEAD INDEPENDENT DIRECTOR

4.1 **Generally.**

The officers of the Corporation shall consist of an Executive Chairman of the Board, a Chief Executive Officer, a Secretary and a Treasurer and may consist of such other officers, including, without limitation, a Chief Financial Officer and one (1) or more Vice Presidents, as may from time to time be appointed by the Board. All officers shall be elected by the Board; *provided, however*, that the Board may empower the Chief Executive Officer of the Corporation to appoint any officer other than the Chief Executive Officer, the Chief Financial Officer or the Treasurer. Except as otherwise provided by law, by the Certificate of Incorporation or these Bylaws, each officer shall hold office until such officer's successor is duly elected and qualified or until such officer's earlier resignation, death, disqualification or removal. Any number of offices may be held by the same person. Any officer may resign by delivering a resignation in writing or by electronic transmission to the Corporation at its principal office or to the Executive Chairman of the Board, the Chief Executive Officer or the Secretary. Such resignation shall be effective upon delivery unless it is specified to be effective at some later time or upon the happening of some later event. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled by the Board and the Board may, in its discretion, leave unfilled, for such period as it may determine, any offices. Each such successor shall hold office for the unexpired term of such officer's predecessor and until a successor is duly elected and qualified or until such officer's earlier resignation, death, disqualification or removal.

4.2 **Executive Chairman of the Board.**

Subject to the provisions of Section 2.7 of these Bylaws, the Executive Chairman of the Board shall have the power to preside at all meetings of the Board and shall have such other powers and duties as provided in these Bylaws and as the Board may from time to time prescribe.

The Executive Chairman is an executive officer of the Corporation with the authority and power to sign all instruments and to take all actions which an executive officer is authorized to perform by the Board of Directors or these Bylaws, and such other powers and duties as may be prescribed by the Board. In addition to compensation for service as a member of the Board, the Executive Chairman shall receive such compensation as shall be fixed from time to time by the Board or a committee thereof and shall not be prohibited from receiving any compensation by reason of the fact that such Executive Chairman also is a director of the Corporation.

4.3 **Lead Independent Director.**

The Board may, in its discretion, elect one of its Independent Directors (as defined below) to the position of lead independent director (such director, the “*Lead Independent Director*”). The Lead Independent Director shall preside at all meetings at which the Executive Chairman of the Board is not present and shall exercise such other powers and duties as may from time to time be assigned to such person by the Board or as prescribed by these Bylaws. For purposes of these Bylaws, “*Independent Director*” has the meaning ascribed to such term under the rules of the exchange upon which the Corporation’s common stock is primarily traded.

4.4 **Chief Executive Officer.**

Subject to the control of the Board and such supervisory powers, if any, as may be given by the Board, the powers and duties of the Chief Executive Officer of the Corporation are:

- (a) to act as the general manager and, subject to the control of the Board, to have general supervision, direction and control of the business and affairs of the Corporation;
- (b) subject to Section 1.6 of these Bylaws, to preside at all meetings of the stockholders;
- (c) subject to Section 1.2 of these Bylaws, to call special meetings of the stockholders to be held at such times and, subject to the limitations prescribed by law or by these Bylaws, at such places as the Chief Executive Officer shall deem proper;
- (d) to affix the signature of the Corporation to all deeds, conveyances, mortgages, guarantees, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board or which, in the judgment of the Chief Executive Officer, should be executed on behalf of the Corporation;
- (e) to sign certificates for shares of stock of the Corporation (if any); and
- (f) subject to the direction of the Board, to have general charge of the property of the Corporation and to supervise and control all officers, agents and employees of the Corporation.

The person holding the office of Chief Executive Officer shall be the President of the Corporation.

4.5 **Vice President.**

Each Vice President shall have all such powers and duties as are commonly incident to the office of Vice President or that are delegated to such Vice President by the Board or the Chief Executive Officer. A Vice President may be designated by the Board to perform the duties and exercise the powers of the Chief Executive Officer in the event of the Chief Executive Officer’s absence or disability.

4.6 Chief Financial Officer.

The person holding the office of Chief Financial Officer shall be the Treasurer of the Corporation unless the Board shall have designated another officer as the Treasurer of the Corporation. Subject to the direction of the Board and the Chief Executive Officer, the Chief Financial Officer shall perform all duties and have all powers that are commonly incident to the office of Chief Financial Officer, or as the Board may from time to time prescribe.

4.7 Treasurer.

The person holding the office of Treasurer shall have custody of all monies and securities of the Corporation. The Treasurer shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions. The Treasurer shall also perform such other duties and have such other powers as are commonly incident to the office of Treasurer, or as the Board or the Chief Executive Officer may from time to time prescribe.

4.8 Secretary.

The Secretary shall issue or cause to be issued all authorized notices for, and shall keep, or cause to be kept, minutes of all meetings of the stockholders and the Board. The Secretary shall have charge of the corporate minute books and similar records and shall perform such other duties and have such other powers as are commonly incident to the office of Secretary, or as the Board or the Chief Executive Officer may from time to time prescribe.

4.9 Delegation of Authority.

The Board may from time to time delegate the powers or duties of any officer of the Corporation to any other officers or agents of the Corporation, notwithstanding any provision hereof.

4.10 Removal.

Any officer of the Corporation shall serve at the pleasure of the Board and may be removed at any time, with or without cause, by the Board; *provided*, that if the Board has empowered the Chief Executive Officer to appoint any officer of the Corporation, then such officer may also be removed by the Chief Executive Officer. Such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation.

ARTICLE V

STOCK

5.1 Certificates; Uncertificated Shares.

The shares of capital stock of the Corporation shall be uncertificated shares; *provided, however*, that the resolution of the Board that the shares of capital stock of the Corporation shall be uncertificated shares shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation (or the transfer agent or registrar, as the case may be). Notwithstanding the foregoing, the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be certificated shares. Every holder of stock represented by certificates shall be entitled to have a certificate representing the number of shares registered in certificate form and signed by, or in the name of the Corporation, by the Executive Chairman of the Board, the Chief Executive Officer or a Vice President, and by the Treasurer or the Secretary of the Corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

5.2 Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates or Uncertificated Shares.

The Corporation may issue either of a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it and alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to agree to indemnify the Corporation and/or to give the Corporation a bond sufficient to indemnify it, against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

5.3 Other Regulations.

Subject to applicable law, the Certificate of Incorporation and these Bylaws, the issue, transfer, conversion and registration of shares represented by certificates and of uncertificated shares shall be governed by such other regulations as the Board may establish.

ARTICLE VI

INDEMNIFICATION

6.1 Indemnification of Officers and Directors; Termination of Proceeding.

The Corporation shall, to the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended, indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) (a "*Proceeding*"), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including, without limitation, attorneys' fees and disbursements and ERISA excise taxes), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any Proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any Proceeding, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be against or opposed to the best interests of the Corporation, and, with respect to any Proceeding, had reasonable cause to believe that such person's conduct was unlawful.

6.2 Indemnification of Officers and Directors; Liability.

The Corporation shall, to the fullest extent permitted by the DGCL, indemnify and hold harmless any person who was or is a party or is threatened to be made a party to or is otherwise involved in any Proceeding by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation and is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or employee benefit plan, against reasonable and documented out-of-pocket expenses (including, without limitation, attorneys' fees and disbursements, judgments, fines, ERISA excise taxes, damages, claims and penalties and amounts paid in settlement) actually and reasonably incurred by such person in connection with such Proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any Proceeding as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such Proceeding was brought shall determine.

6.3 Non-Exclusivity of Rights.

The rights conferred on any person in this Article VI shall not be exclusive of any other right that such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote or consent of stockholders or disinterested directors, or otherwise. Additionally, nothing in this Article VI shall limit the ability of the Corporation, in its discretion, to indemnify or advance expenses to persons whom the Corporation is not obligated to indemnify or advance expenses pursuant to this Article VI.

6.4 Indemnification Contracts.

The Board is authorized to cause the Corporation to enter into indemnification contracts with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing indemnification or advancement rights to such person. Such rights may be greater than those provided in this Article VI.

6.5 Insurance.

The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

ARTICLE VII

NOTICES

7.1 Notice.

7.1.1 Form and Delivery. Except as otherwise specifically required in these Bylaws (including, without limitation, Section 7.1.2 of these Bylaws) or by applicable law, all notices required to be given pursuant to these Bylaws shall be in writing and may (a) in every instance in connection with any delivery to a member of the Board, be effectively given by hand delivery (including use of a delivery service), by depositing such notice in the mail, postage prepaid, or by sending such notice by overnight express courier, facsimile, electronic mail or other form of electronic transmission and (b) be effectively delivered to a stockholder when given by hand delivery, by depositing such notice in the mail, postage prepaid or, if specifically consented to by the stockholder as described in Section 7.1.2 of these Bylaws, by sending such notice by facsimile, electronic mail or other form of electronic transmission. Any such notice shall be addressed to the person to whom notice is to be given at such person's address as it appears on the records of the Corporation. The notice shall be deemed given: (a) in the case of hand delivery, when received by the person to whom notice is to be given or by any person accepting such notice on behalf of such person; (b) in the case of delivery by mail, upon deposit in the mail; (c) in the case of delivery by overnight express courier, when dispatched; and (d) in the case of delivery via facsimile, electronic mail or other form of electronic transmission, at the time provided in Section 7.1.2 of these Bylaws.

7.1.2 Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation, or these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given in accordance with Section 232 of the DGCL. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (a) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices given by the Corporation in accordance with such consent and (b) such inability becomes known to the Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice; *provided, however*, that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given pursuant to this Section 7.1.2 shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of such posting and the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder.

7.1.3 Affidavit of Giving Notice. An affidavit of the Secretary or of the transfer agent or other agent of the Corporation that the notice has been given in writing or by a form of electronic transmission shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

7.2 Waiver of Notice.

Whenever notice is required to be given under any provision of the DGCL, the Certificate of Incorporation or these Bylaws, a written waiver of notice, signed by the person entitled to notice, or waiver by electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any waiver of notice.

ARTICLE VIII

INTERESTED DIRECTORS

8.1 Interested Directors.

No contract or transaction between the Corporation and one (1) or more of its members of the Board or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one (1) or more of its directors or officers are members of the board of directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof that authorizes the contract or transaction, or solely because such director's or officer's votes are counted for such purpose, if: (a) the material facts as to such director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; (b) the material facts as to such director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board, a committee thereof, or the stockholders.

8.2 Quorum.

Interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

ARTICLE IX

MISCELLANEOUS

9.1 **Fiscal Year.**

The fiscal year of the Corporation shall be determined by resolution of the Board.

9.2 **Seal.**

The Board may provide for a corporate seal, which may have the name of the Corporation inscribed thereon and shall otherwise be in such form as may be approved from time to time by the Board.

9.3 **Form of Records.**

Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on or by means of, or be in the form of any other information storage device or method, electronic or otherwise, *provided*, that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to any provision of the DGCL.

9.4 **Reliance Upon Books and Records.**

A member of the Board, or a member of any committee designated by the Board shall, in the performance of such person's duties, be fully protected in relying in good faith upon the books and records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

9.5 **Certificate of Incorporation Governs.**

In the event of any conflict between the provisions of the Certificate of Incorporation and Bylaws, the provisions of the Certificate of Incorporation shall govern.

9.6 **Severability.**

If any provision of these Bylaws shall be held to be invalid, illegal, unenforceable or in conflict with the provisions of the Certificate of Incorporation, then such provision shall nonetheless be enforced to the maximum extent possible consistent with such holding and the remaining provisions of these Bylaws (including without limitation, all portions of any section of these Bylaws containing any such provision held to be invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation, that are not themselves invalid, illegal, unenforceable or in conflict with the Certificate of Incorporation) shall remain in full force and effect.

9.7 **Time Periods.**

In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE X

AMENDMENT

The Board shall have the power to adopt, amend or repeal these Bylaws. Any adoption, amendment or repeal of these Bylaws by the Board shall require the approval of a majority of the directors then in office; *provided, however*, the amendment or repeal of Section 2.6 of these Bylaws shall require the approval of at least two-thirds (2/3) of the directors then in office. The stockholders shall also have power to adopt, amend or repeal these Bylaws; *provided, however*, that, notwithstanding any other provision of the Certificate of Incorporation (including any certificate of designation) or any provision of law that might otherwise permit a lesser or no vote, but in addition to any vote of the holders of any class or series of stock of the Corporation required by applicable law or by the Certificate of Incorporation (including any preferred stock issued pursuant to any certificate of designation), the affirmative vote of the holders of at least two-thirds (2/3) of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of these Bylaws; *provided, further*, that if two-thirds (2/3) of the directors then in office have approved such adoption, amendment or repeal of any provisions of these Bylaws, then only the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of these Bylaws.

CERTIFICATION OF BYLAWS

OF

JET.AI INC.

(a Delaware corporation)

I, Michael Winston, certify that I am Executive Chairman and Interim Chief Executive Officer of Jet.AI Inc., a Delaware corporation (the "**Corporation**"), that I am duly authorized to make and deliver this certification and that the attached Bylaws are a true and complete copy of the Bylaws of the Corporation in effect as of the date of this certificate.

Dated: August 10, 2023

/s/ Michael Winston

Name: Michael Winston

Title: Executive Chairman & Interim CEO

**AMENDMENT
TO THE BYLAWS OF
JET.AI INC.**

This Amendment (this "Amendment") to the Bylaws (the "Bylaws") of Jet.AI Inc., a Delaware corporation (the "Company"), is effective as of August 5, 2024, and is made pursuant to Article X of the Bylaws and Article VII of the Certificate of Incorporation of the Company.

1. Section 1.5 of Article I of the Bylaws is hereby amended and restated to read as follows:

Except as otherwise provided by applicable law, the Certificate of Incorporation or these Bylaws, at each meeting of stockholders the holders of one-third of the voting power of the shares of stock issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business; *provided, however*, that where a separate vote by a class or classes or series of stock is required by applicable law or the Certificate of Incorporation, the holders of one-third of the voting power of the shares of such class or classes or series of the stock issued and outstanding and entitled to vote on such matter, present in person or represented by proxy at the meeting, shall constitute a quorum entitled to take action with respect to the vote on such matter. If a quorum shall fail to attend any meeting, the chairperson of the meeting or, if directed to be voted on by the chairperson of the meeting, the holders of a majority of the voting power of the shares entitled to vote who are present in person or represented by proxy at the meeting may adjourn the meeting. Shares of the Corporation's stock belonging to the Corporation (or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation are held, directly or indirectly, by the Corporation), shall neither be entitled to vote nor be counted for quorum purposes; *provided, however*, that the foregoing shall not limit the right of the Corporation or any other corporation to vote any shares of the Corporation's stock held by it in a fiduciary capacity and to count such shares for purposes of determining a quorum. A quorum, once established at a meeting, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

2. Except as set forth in this Amendment, no terms or conditions of the Bylaws have changed. In the event of any inconsistencies between the terms of this Amendment and the Bylaws, the terms of this Amendment shall prevail.
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LIST OF SUBSIDIARIES OF JET.AI INC.

Subsidiary	Jurisdiction of Incorporation
Summerlin Aviation LLC	Delaware
Galilee LLC	Delaware
Jet Token Software Inc.	Delaware
Jet Token Management Inc.	California
Galilee 1 SPV LLC	Delaware
Cloudrise Ltd.	Israel
380 Software LLC*	Nevada

* 50/50 joint venture between Jet Token Management Inc. and Great Western Air LLC (d/b/a Cirrus Aviation Services).

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-281578 and 333-284504) and on Form S-8 (No. 333-284100) of Jet.AI Inc. (the "Company") of our report dated March 26, 2025, relating to the consolidated financial statements as of and for the years ended December 31, 2024 and 2023, which appears in this Form 10-K.

/s/Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
March 26, 2025

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

I, Michael Winston, certify that:

1. I have reviewed this annual report on Form 10-K of Jet.AI Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and 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 my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - 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 my 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: March 26, 2025

/s/ Michael Winston

Michael Winston
Executive Chairman and Interim Chief Executive Officer
(Principal Executive Officer)

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

I, George Murnane, certify that:

1. I have reviewed this annual report on Form 10-K of Jet.AI Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and 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 my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - 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 my 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: March 26, 2025

/s/ George Murnane
George Murnane
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Annual Report of Jet.AI Inc. (the "Company") on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Michael Winston, Executive Chairman and Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: March 26, 2025

/s/ Michael Winston

Michael Winston
Executive Chairman and Interim Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Annual Report of Jet.AI Inc. (the "Company") on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, George Murnane, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: March 26, 2025

/s/ George Murnane
George Murnane
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Jet.AI Inc.
Clawback Policy
Adopted: March 14, 2025

1. Purpose

- 1.1. This Clawback Policy (the “Policy”) is the compensation recovery policy of Jet.AI Inc. (the “Company”), adopted by the Company in accordance with the provisions of Rule 10D-1 promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 5608 of the Nasdaq Stock Market LLC Rules (“Rule 5608”). The Policy is established to provide a framework for the recovery of erroneously awarded compensation in accordance with applicable federal and state laws, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and regulations promulgated by the SEC. The Policy ensures alignment with the Company’s commitment to sound corporate governance, financial integrity, and accountability. This Policy is adopted as of March 14th, 2025 (the “Adoption Date”).

2. Scope

- 2.1. This Policy applies to all current and former executive officers of the Company, including the Company’s president, principal financial officer, principal accounting officer (or controller), any vice president in charge of a principal business unit, division, or function, and any other officer or individual who performs significant policy-making functions (collectively, “Covered Executives”).
- 2.2. Covered Compensation subject to this Policy includes any incentive-based compensation (including cash or equity) that is granted, earned, or vested based wholly or in part on the attainment of any financial reporting measure, received (a) after the individual began service as a Covered Executive, (b) during the three completed fiscal years immediately preceding the date the Company is required to prepare an accounting restatement, and (c) while the Company has a class of securities listed on a national securities exchange.

3. Triggering Events

- 3.1. The Company shall recover, in accordance with this Policy, any erroneously awarded incentive-based compensation received by a Covered Executive during the Recovery Period if the Company is required to prepare an accounting restatement due to the Company’s material noncompliance with any financial reporting requirement under the securities laws.
- 3.2. For purposes of this Policy, a restatement means either: (i) a restatement to correct an error in previously issued financial statements that is material to those financial statements, or (ii) a restatement that would result in a material misstatement if the error were corrected or left uncorrected in the current period.
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4. Recovery Process

- 4.1. **Determination of Recovery:** Upon identification of a Triggering Event, the Committee shall determine the amount of Covered Compensation that must be recovered and shall initiate recovery actions in a prompt and diligent manner.
- 4.2. **Timelines:** Recovery efforts shall begin no later than 90 days following the determination of the restatement requirement, unless impracticability applies as outlined in this Policy.
- 4.3. **Methods of Recovery:** The Company may recover erroneously awarded compensation through one or more of the following methods at the election of the Covered Executive:
 - Direct repayment by the affected Covered Executive;
 - Forfeiture of outstanding awards or cancellation of unvested awards;
 - Setoff against future compensation or awards, to the extent permitted by law.

5. Procedural Safeguards

- 5.1. **Notice:** The Company shall provide written notice to the affected individual, specifying the Triggering Event, the amount of Covered Compensation subject to recovery, and the proposed method of recovery. All actions or proceedings arising in connection with this Clawback Policy may be submitted to Judicial Arbitration and Mediation Services (“JAMS”) for binding arbitration under its Comprehensive Arbitration Rules and Procedures if the matter in dispute is over \$250,000, or under JAMS’ Streamlined Arbitration Rules and Procedures if the matter in dispute is \$250,000 or less (as applicable, the “Rules”) to be held solely in Las Vegas, Nevada and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
- 5.2. **Opportunity to Respond:** The affected individual shall have fifteen (15) business days from receipt of notice to submit a written response to the Committee, which shall be considered in good faith prior to finalizing the recovery decision.
- 5.3. **Compliance with Law:** Recovery actions shall be conducted in compliance with applicable employment, contract, and labor laws, including any limitations on retroactive adjustments to compensation.

6. Discretion of the Committee

- 6.1. The Committee, or the full Board of Directors if delegated such authority, may, in its sole discretion, waive or modify the recovery of Covered Compensation in exceptional circumstances where recovery would be impracticable, unduly burdensome, or contrary to the best interests of the Company or its shareholders.
 - 6.2. Any exercise of discretion under this Section shall be documented in writing, consistent with the fiduciary duties of the Committee or Board, and disclosed as required by SEC regulations or other applicable laws.
-

7. Confidentiality and Non-Retaliation

- 7.1. All proceedings related to the enforcement of this Policy shall be treated as confidential to the extent permitted by law, and information shall be disclosed only to those with a legitimate need to know.
- 7.2. The Company strictly prohibits retaliation against any individual who, in good faith, reports a potential Triggering Event or participates in the recovery process. Such protections extend to whistleblowers under applicable federal and state laws.

8. Data Privacy

- 8.1. The Company shall process personal information related to the administration of this Policy in compliance with applicable data privacy laws, including the collection, use, and storage of data necessary to enforce recovery actions.

9. Administration and Oversight

- 9.1. The Committee is responsible for overseeing the implementation and enforcement of this Policy, subject to review by the full Board of Directors as necessary.
- 9.2. The Committee may delegate administrative duties to management or external advisors, provided that final decisions regarding recovery remain with the Committee.

10. Amendments and Compliance

- 10.1. This Policy may be amended by mutual consent to ensure continued compliance with applicable laws, regulations, and corporate governance best practices.
- 10.2. In the event of any conflict between this Policy and mandatory legal requirements, including SEC rules or listing standards, the latter shall prevail.

11. Exceptions to Recovery of Erroneously Awarded Compensation

- 11.1. Notwithstanding the foregoing, the Company will not be required to recover erroneously awarded compensation in compliance with this Policy to the extent that the Compensation Committee determines that recovery would be impracticable, and the conditions of one of the following three recovery scenarios are met:
 - 11.1.1. If the probable cost of recovering erroneously awarded compensation—such as legal, arbitration, or litigation fees paid to third parties—would be greater than the amount to be recovered, the Company may determine that recovery is impractical. However, before making this determination not to recover the compensation, the Company must make a reasonable internal (i.e. low cost) effort to recover the compensation, document these efforts, and submit the documentation to NASDAQ if required.
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- 11.1.2. Recovery would violate home country law where that law was adopted prior to November 28, 2022 (the date the SEC published Rule 10D-1 under the Exchange Act). Before concluding that it would be impracticable to recover any amount of erroneously awarded compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation, and must provide such opinion to Nasdaq.
- 11.1.3. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to the Company's employees, to fail to meet the requirements of 26 U.S.C. § 401(a)(13) or 26 U.S.C. § 411(a) and regulations thereunder.

12. Interpretation

- 12.1. This Policy shall be interpreted in a manner that is consistent with Rule 10D-1 under the Exchange Act, Rule 5608, and any related rules or regulations adopted by the SEC or Nasdaq (the "Applicable Rules") as well as any other applicable law. To the extent the Applicable Rules require recovery of incentive-based compensation in additional circumstances beyond those specified above, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover incentive-based compensation to the fullest extent required by the Applicable Rules.

13. Acknowledgement

- 13.1. Each executive officer subject to this Policy shall sign and return to the Company the Acknowledgement Form attached hereto as Exhibit A, pursuant to which the executive officer agrees to be bound by and to comply with the terms and conditions of this Policy, (i) within 60 calendar days of the Adoption Date of this Policy, or (ii) within 30 calendar days after the date the individual becomes an executive officer, whichever is later.

Reviewed and Adopted: March 14th, 2025

Exhibit A

JET.AI INC.
CLAWBACK POLICY
ACKNOWLEDGMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Clawback Policy (the "*Policy*") of Jet.AI Inc. (the "*Company*").

The undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any erroneously awarded compensation (as described in the Policy) to the Company to the extent required by, and in a manner consistent with, the Policy.

Executive Officer:

Signature

Printed Name

Title or Position

Date
