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, 2023

OR

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

Commission file number 001-39668

Archer Aviation Inc.

(Exact name of registrant as specified in its charter)

Delaware	**85-2730902**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
190 West Tasman Drive, San Jose, CA	**95134**
(Address of principal executive offices)	(Zip Code)

(650) 272-3233

Registrant's telephone number, including area code

N/A

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant 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 check mark 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 stock held by non-affiliates of the registrant as of June 30, 2023, the last business date of the registrant’s recently completed second fiscal quarter, was approximately $839.9 million, based on the closing price reported for such date on the New York Stock Exchange.

As of February 23, 2024, the number of shares of the registrant’s Class A common stock outstanding was 272,319,871, and the number of shares of the registrant’s Class B common stock outstanding was 38,254,915.

Documents Incorporated by Reference

Part III of this Form 10-K (the “Annual Report”) incorporates by reference certain information from the Registrant's Definitive Proxy Statement (“Proxy Statement”) relating to the 2024 Annual Meeting of Stockholders or an amendment to this report under cover of Form 10-K/A to be filed within 120 days of the end of its fiscal year ended December 31, 2023.

Archer Aviation Inc.
10-K
For the Fiscal Year Ended December 31, 2023

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

RISK FACTOR SUMMARY

Our business is subject to numerous risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in this Annual Report. You should carefully consider these risks and uncertainties when investing in our Class A common stock. Some of the principal risks and uncertainties include the following:

- We are an early-stage company with a history of losses, and we expect to incur significant expenses and continuing losses for the foreseeable future.
- We are still developing our eVTOL aircraft, have not yet obtained FAA certification of our eVTOL aircraft under development and we have yet to manufacture or deliver any aircraft to customers, which makes evaluating our business and future prospects difficult and increases the risk of investment.
- Our business plan requires a significant amount of capital. In addition, our future capital needs may require us to issue additional equity or debt securities that may dilute our stockholders or introduce covenants that may restrict our operations or our ability to pay dividends.
- Failure to comply with the covenants in our Credit Agreement could result in our inability to borrow additional funds and adversely impact our business.
- The markets for our offerings are still in development, and if such markets do not materialize, or grow more slowly than we expect or fail to grow as large as we expect, our business, financial condition and results of operations could be harmed.
- The eVTOL aircraft industry may not continue to develop, eVTOL aircraft may not be adopted by the market, eVTOL aircraft may not be certified by government authorities or eVTOL aircraft may not be an attractive alternative to existing modes of transportation, any of which could adversely affect our prospects, business, financial condition and results of operations.
- Our future success depends on the continuing efforts of our key personnel and on our ability to attract and retain highly skilled personnel and senior management.
- We may be unable to manage our future growth effectively, which could make it difficult to execute our business strategy.
- Operation of aircraft involves a degree of inherent risk. We could suffer losses and adverse publicity stemming from any accident involving small aircraft, helicopters or charter flights and in particular from any accident involving eVTOL aircraft.
- We currently rely and will continue to rely on third-party partners to provide and store the parts and components required to manufacture our aircraft, and to supply critical components and systems, which exposes us to a number of risks and uncertainties outside our control.
- We are or may be subject to risks associated with strategic relationships or other opportunities and may not be able to identify adequate strategic relationship opportunities, or form strategic relationships, in the future.
- We are party to certain purchase agreements and other contract orders for our Midnight aircraft and the provision of related services that contain conditions with respect to the purchase of our aircraft or that require us to perform and provide certain deliverables. If the conditions to or performance obligations under such contracts are not met, or if such contracts are otherwise canceled, modified or delayed, our prospects, results of operations, liquidity and cash flow will be harmed.
- Some of the contract orders for our Midnight aircraft are with U.S. government entities, which are subject to unique risks.
- Our business may be adversely affected by the current global political and macroeconomic challenges, including the effects of inflation, rising interest rates or an economic downturn or recession.
- Our aerial ride sharing operations will initially be concentrated in a small number of urban areas, which makes our business particularly susceptible to infrastructure, economic, social, weather, regulatory conditions or other circumstances affecting these metropolitan areas.
- Our long-term success and ability to significantly grow our revenue will depend, in part, on our ability to establish and expand into international markets and/or expand market segments.
- If we experience harm to our reputation and brand, our business, financial condition and results of operations could be adversely affected.
- Our ability to effectively compete and generate revenue from our products and services depends upon our ability to distinguish our products and services from our competitors and their products and services.

- Our business may be adversely affected by labor and union activities.
- We expect that the purchase agreements with Archer Direct customers could be subject to indexed price escalation clauses which would subject us to losses if we have cost overruns or if increases in our costs exceed the applicable escalation rate.
- We have been, and may in the future be, adversely affected by health epidemics and pandemics, the duration and economic, governmental and social impact of which is difficult to predict, which may significantly harm our business, prospects, financial condition and operating results.
- Failure to comply with applicable laws and regulations relating to the aviation business in general and eVTOL aircraft specifically, could adversely affect our business and our financial condition.
- We are subject to cybersecurity risks to our operational systems, security systems, infrastructure, integrated software in our aircraft and customer data processed by us or third-party vendors.
- Failure to comply with laws and regulations relating to privacy, data protection and consumer protection, or the expansion of current laws and regulations or the enactment of new laws or regulations in these areas, could adversely affect our business and our financial condition.
- We currently have a subsidiary located outside of the United States and plan for international operations in the future, which could subject us to political, operational and regulatory challenges.
- We are subject to risks associated with climate change, including the potential increased impacts of severe weather events on our operations and infrastructure.
- We intend to retain certain personal information about our customers, employees or others that, if compromised, could harm our financial performance and results of operations or prospects.
- The requirements of being a public company may strain our resources, divert management’s attention and affect our ability to attract and retain additional executive management and qualified board members.
- We are, and may in the future become, subject to legal proceedings, which may be time-consuming and expensive and, if adversely determined, could delay, limit or prevent our ability to commercialize our aircraft or otherwise execute on our business plans.
- Our business may be adversely affected if we are unable to protect our intellectual property rights from unauthorized use by third parties.
- Our management team has limited experience managing a public company.
- Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against our directors, officers, other employees or stockholders for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware, which may have the effect of discouraging lawsuits against our directors, officers, other employees or stockholders.
- The warrants originally issued by Atlas are accounted for as liabilities and changes in the value of these warrants could have a material effect on our financial results.
- Changes in financial accounting standards may cause adverse unexpected fluctuations and affect our reported results of operations.
- The price of our Class A common stock and warrants may be volatile, and you could lose all or part of your investment as a result.
- The dual-class structure of our common stock has the effect of concentrating voting power with certain shareholders of our Class B common stock, which could limit other shareholders’ ability to influence the outcome of important transactions, including a change in control.
- Future sales, or the perception of future sales, by us or our stockholders in the public market could cause the market price for our Class A common stock to decline.

Part I

Item 1. Business

Overview

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

Midnight is designed to carry 4 passengers plus a pilot optimized for back-to-back short distance trips of around 20-miles, with minimal charging time between trips. We are working to certify Midnight with the Federal Aviation Administration ("FAA") so that we can then enter into commercial service as soon as possible. In August 2023, we received the Special Airworthiness Certificate from the FAA for our first Midnight aircraft and began its flight testing program in October 2023.

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

- **Safety.** High redundancy and simplified propulsion systems make for a significantly safer aircraft compared to a helicopter. Midnight has no single critical point of failure, meaning that should any single component fail, the aircraft can still safely complete its flight.

- **Low noise.** With its intended cruising altitude at approximately 2,000 feet, the design of Midnight is such that the noise that reaches the ground is expected to measure around 45 A-weighted decibels, approximately 100 times quieter than that of a helicopter. During forward flight, the aircraft's tilt propellers spin on axes that are aligned with the oncoming air flow, rather than edge-wise to the flow, as is the case with traditional helicopters - further decreasing noise levels. Since Archer's aircraft is spinning 12 small propellers rather than one large rotor, it can also spin them at significantly lower tip speeds, resulting in much lower noise levels.

- **Sustainable.** Midnight is all electric, resulting in zero operating emissions. Archer is committed to sourcing renewable energy wherever possible to power its aircraft. Archer's design and engineering teams are working to integrate materials into this aircraft that have their own unique sustainability stories.

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

Our Planned Lines of Business

Upon receipt of all necessary FAA certifications and any other government approvals necessary for us to manufacture and operate our aircraft, we intend to operate two complementary lines of business: a direct-to-consumer aerial ride share service ("Archer UAM") and the sale of our aircraft to other operators ("Archer Direct").

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

- **Archer Direct.** We also plan to selectively sell our aircraft to third parties. We have entered into a purchase agreement with United Airlines Inc. (“United”) for the conditional purchase of up to $1.0 billion worth of aircraft, with an option for another $500.0 million worth of aircraft (as amended, the “United Purchase Agreement”). In August 2023, we entered into two new contracts with the U.S. Air Force worth up to $142.0 million, which includes the purchase of aircraft, as well as the sharing of additional flight test data and certification related test reports, pilot training, and the development of maintenance and repair operations.

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

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

Manufacturing Operations & Supply Chain Build-Out

We are in the process of developing the infrastructure necessary to manufacture Midnight reliably, at scale, and in a cost effective manner. That involves two main aspects: developing the necessary component supply chain and building out our manufacturing operations.

With regards to the sourcing of our components, a key aspect of our strategy has been to focus our internal component development efforts on only the key enabling technologies like our electric propulsion system and flight control software. For those areas that are not differentiating technologies we aim to leverage the existing aerospace supply base to supply us with components that are already being used in certified aircraft today. Throughout 2023, we continued to expand our portfolio of suppliers that will provide us with components for Midnight. We have also matured the design, development and manufacturing capabilities for our aircraft and proprietary electric propulsion system.

With regards to our manufacturing operations, we completed the build out of a production facility in San Jose, California, which we will utilize to produce the initial Midnight aircraft used as part of our FAA certification program, as well as a high-volume production facility in Covington, Georgia. We have begun our Covington facility build-out and target substantial completion of the first phase in 2024, which is a 350,000 square-foot facility that is designed to be capable of supporting production of up to 650 aircraft per year. We are designing that facility so that it can be expanded to approximately 900,000 square feet to support our long-term production targets of over 2,000 aircraft per year. In connection with our Covington facility, we received an incentive package with the State of Georgia, Newton County and City of Covington, which included land conveyance, tax incentives and Georgia REBA grant. In October 2023, we entered into a credit agreement (the “Credit Agreement”) with Synovus Bank, the largest bank headquartered in the State of Georgia, for up to $65.0 million, which represents a substantial majority of the estimated total cost of construction for the first phase. For additional information regarding the Synovus credit agreement, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” As discussed in more detail below, we plan to work alongside Stellantis N.V. (“Stellantis”) on the build out and stand up this facility and our operations there.

Key Strategic Partners

Archer was founded with a focus on commercializing the eVTOL aircraft industry. As we prepare for commercialization, we continue to deepen our partnerships with our long-standing partners and develop new relationships with industry leaders in urban centers around the world.

Stellantis

In 2020, we established a key strategic relationship with Stellantis, one of the world’s leading automakers including brands Jeep®, Ram, Maserati, Dodge, and Chrysler. The goal was to allow us to leverage Stellantis’ deep manufacturing, supply chain, and design expertise in connection with our efforts to design, develop, and commercialize our eVTOL aircraft. In January 2023, we announced a significant expansion of our partnership by entering into a manufacturing collaboration arrangement and strategic funding agreement. As a result, Stellantis is working with us to stand up our manufacturing facility in Covington. This unique approach will continue to leverage each company's respective strengths and competencies in an effort to bring our Midnight aircraft to market at scale to support our commercialization plans. The goal over the long term is for Stellantis to mass produce our eVTOL aircraft as our contract manufacturer. In 2021, Stellantis invested in Archer as part of the Business Combination (as defined below) and has continued to increase its investment in Archer through its strategic funding agreement and open market purchases. In 2023, we drew down on $95.0 million of funding available under our strategic funding agreement and currently have $55.0 million available to draw down at our discretion, subject to achievement of a business milestone which we expect to occur in the first half of 2024.

United

In 2021, we established a key strategic relationship with United as part of the airline's broader effort to invest in emerging technologies that decarbonize air travel. The goal has been for United, as our flagship customer, to contribute its expertise in aircraft operations as we work together to commercialize our eVTOL aircraft. As part of establishing that relationship, we entered into a purchase agreement with United covering their purchase of up to $1.5 billion of our eVTOL aircraft. United has indicated its plans to acquire a fleet of our eVTOL aircraft that would be deployed in a manner to give their customers a quick, economical and low-carbon way to get to and from United's hub airports and commute in dense urban environments. United also invested in Archer as part of the Business Combination, as well as our private placement completed in August 2023.

Since 2021, we have also been working closely with United on commercialization efforts. In April 2022, we formed a joint eVTOL Advisory Committee to support operations of our eVTOL aircraft, including maintenance and operational standards and in August 2022, United paid us $10.0 million in pre-delivery payments for 100 aircraft covered under our purchase agreement. We've jointly announced two domestic UAM routes: Downtown Manhattan Heliport to Newark Liberty International Airport and O'Hare International Airport to Vertiport Chicago. Our shared purpose is connecting people, and we continue to work closely to ensure our eVTOL aircraft will amplify their broader efforts to do that in a sustainable way.

Market Opportunity

In 2023, 56% of the world's population lived in urban areas according to the World Bank, and their projection is that the urban population will double its current size by 2050 where nearly 7 of 10 people will live in cities.[1] This migration has led to unprecedented traffic congestion, with a noticeable struggle to scale ground infrastructure. A 2021 study by researchers from MIT concluded that ground-based ride share has intensified urban transport challenges since their debut in the U.S.[2] According to a 2021 report by Morgan Stanley, the urban air mobility sector's total addressable market is projected to reach $1 trillion globally by 2040 and then $9 trillion by 2050.[3] UAM offers a potential solution by expanding travel into the air. To date, the electrification of aircraft has lagged the adoption of electric automobiles in large part because of the greater technical challenges. However, over the last few years there have been significant advancements in the key enabling technologies for eVTOL aircraft, such as high-energy batteries and high-performance electric motors. We anticipate that the initial market opportunity will be focused in high-density metropolitan areas where traffic congestion is particularly acute and operating conditions are suitable for early eVTOL aircraft operations. While we believe the market for eVTOL aircraft and UAM services will be large, it remains undeveloped and there is no guarantee of future demand.

We believe the primary drivers for adoption of UAM services will be the time savings and value proposition offered by UAM relative to more traditional ground-based transportation options. We expect that the following additional factors will also impact the pace of adoption of UAM: regulatory requirements for eVTOL aircraft and UAM network operations, public acceptance of eVTOL aircraft (including perception regarding the safety of eVTOL aircraft) and access to the infrastructure necessary to enable UAM services. If the market for UAM does not develop as expected, this would impact our ability to generate revenue or grow our business.

For additional information, see "Risk Factors" in Part I, Item 1A of this Annual Report.

[1] "Urban Development Overview," by the World Bank, dated April 3, 2023, available at: https://www.worldbank.org/en/topic/urbandevelopment/overview.
[2] "Impacts of transportation network companies on urban mobility," by Nature Sustainability, dated February 1, 2021, available at: https://www.nature.com/articles/s41893-020-00678-z.
[3] "eVTOL/Urban Air Mobility TAM Update," by Morgan Stanley, dated May 6, 2021, available at: https://advisor.morganstanley.com/the-busot-group/documents/field/b/bu/busot-group/Electric%20Vehicles.pdf.

Competition

We believe our main sources of competition fall into three categories:

- ground-based vehicle transportation, including personal vehicles and ride-sharing services;
- other eVTOL manufacturers and UAM service providers; and
- existing incumbent aircraft and helicopter charter services.

We believe the primary competitive factors between us and other eVTOL manufacturers and UAM service providers will be the following:

- eVTOL aircraft performance, including payload, noise, charging time, quality, reliability and safety;
- cost of the UAM service offering;
- eVTOL aircraft manufacturing capacity and efficiency, including the availability of raw materials and supplier parts necessary to manufacture eVTOL aircraft at scale;
- UAM service capabilities, including overall customer experience; and
- hiring the talent necessary to effectively design, develop, certify and commercialize eVTOL aircraft.

While we believe we will be able to compete favorably across these factors, we expect this industry to be dynamic and increasingly competitive and it is possible that our competitors could get to market before us, either generally or in specific markets. For additional information about competition, see “Risk Factors” in Item 1A of this Annual Report.

Government Regulation and Compliance

We continue to focus our efforts on obtaining certification from the FAA of our aircraft in the U.S. and engaging with key decision makers in the U.S. cities in which we plan to initially operate our aircraft. Additionally, in 2023 we began exploring international opportunities for commercializing our aircraft with a focus on the United Arab Emirates and India. We will continue to mature those opportunities as we get closer to production. Globally, our aircraft will be required to comply with regulations governing aircraft design, production and airworthiness. In the U.S., the regulations are put forth by the FAA and Department of Transportation (“DOT”). Outside the U.S., similar requirements are generally administered by the national civil aviation and transportation authorities of each country. The following describes the key certifications necessary for us to design, manufacture, sell and operate our eVTOL aircraft in the United States:

- Designing our aircraft: Type Certification in the United States is the FAA’s approval process for new aircraft designs and covers the design of the aircraft and all required components and parts. Our initial aircraft type certification will be required to meet the criteria set forth by the FAA through a “special class” definition under 14 CFR Part 21.17(b). The first step is agreeing to the certification basis. In November of 2022, we finalized our agreement to that certification basis with the FAA through an approved Stage 4 G-1 Issue Paper. As part of the FAA’s Type Certification process for a special class aircraft, the Airworthiness Criteria (i.e., the certification requirements or rules for the particular aircraft) must then be published in the Federal Register for public comment. In December of 2022, the proposed Airworthiness Criteria for our Midnight aircraft were published in the Federal Register by the FAA. This Federal Register notice was then open for a period of time for review and public comment. Following the comment period, the FAA has been working to review and dispose of those comments will approve the finalized set of Airworthiness Criteria by means of a Final Rule publication. In parallel, we have been working with the FAA to agree on the Means of Compliance with the FAA, which is the detailed list of design, analysis and testing standards that will be used to demonstrate that the aircraft is safe and complies with the Airworthiness Criteria. We initially submitted a comprehensive proposal for Midnight’s Means of Compliance to the FAA back in December of 2021. We are continuing to work with the FAA to close out our remaining Means of Compliance and we do not see any significant design risks with the remaining Means of Compliance areas that have not yet been agreed to. Lastly, we are also working with the FAA to review and agree on our subject specific certification plans (“SSCPs”). SSCPs provide precise detail on each of the specific tests and analyses that will be completed during the implementation phase of our Type Certification program, in which we actually demonstrate to the FAA that Midnight meets all relevant FAA requirements necessary to receive Type Certification.

- Producing our aircraft: Production certification is the FAA's approval for us to be able to manufacture our Midnight aircraft as approved by the FAA per its Type Certified design. To obtain production certification from the FAA, we must demonstrate that our organization and our personnel, facilities, and quality system can produce our aircraft such that they conform to its approved design. As discussed above, we are working to develop the systems and processes we will need to obtain our FAA production certification with the goal of obtaining such certification shortly following receipt of Midnight's Type Certification approval.

- Selling our aircraft: Airworthiness certification from the FAA signifies that an aircraft meets its approved design and is in a condition for safe operation in the U.S. National Airspace System. As is the industry standard, each of the aircraft manufactured by us will need to be issued an airworthiness certificate. We expect that the airworthiness certificates issued to our aircraft will be a Standard Airworthiness certificate in the Normal Category, as defined by the FAA.

- Operating our UAM service: The FAA and the DOT have regulatory authority over air transportation operations in the United States. To operate our UAM service, we will be required to hold a Part 135 Air Carrier and Operator Certification and register as an air taxi operator with the DOT. In addition, takeoff and landing locations (e.g., airports and heliports) typically require state and local approval for zoning and land use and their ongoing use are subject to regulations by local authorities in addition to the FAA requirements. Lastly, we will need to ensure we have sufficient commercial pilots available for our planned operations. We expect that as we build out our UAM service there will be additional federal, state and local laws, regulations and other requirements that will cover our operations. Therefore, we have already begun, and will continue to grow, our engagement and collaboration with the cities in which we intend to operate our UAM service in an effort to ensure that it operates in a safe manner. We received our Part 145 Repair Station Certificate in February 2024, which perform specialized aircraft maintenance and repair services and lays the foundation for us to operate repair stations that perform maintenance, repair, and overhaul services on our Midnight aircraft once it is certified for commercial operations.

We believe we are in material compliance with laws and regulations currently applicable to our business. We continue to monitor existing and pending laws and regulations and while the impact of regulatory changes cannot be predicted with certainty, we do not expect compliance to have a material adverse effect on our business. See Part I, Item 1A, "Risk Factors" in this Annual Report for a more comprehensive description of risks related to government regulation affecting our business.

Facilities

We are currently headquartered in San Jose, California with additional offices, research and development facilities, flight test facilities and manufacturing facilities in Santa Clara, Mountain View, and Salinas, California, as well as our facility under construction in Covington, Georgia.

Our Employees and Human Capital

Our strategy has been and continues to be to hire top talent across various disciplines to build the best eVTOL aircraft and UAM service possible. We believe we have assembled a world-class team with extensive experience in aerodynamics, electric propulsion, batteries, and aircraft manufacturing, as well as key personnel necessary to help us ensure that we progress efficiently through the certification of our aircraft and towards the commercialization of our business. The fabric of this team is that we are curious, talented, and passionate people. We embrace collaboration and creativity and encourage the iteration of ideas to address the complex challenges our industry faces. We believe our team and culture differentiates us versus our competitors and will be a key driver of our long-term success.

Because we recognize that our people are critical for our continued success, we work hard to create an environment where employees can have fulfilling careers, and be happy, healthy, and productive. Furthermore, we are committed to making diversity, equity, and inclusion a part of everything we do and to growing a workforce that is representative of the cities we plan to serve.

As of December 31, 2023, we had a workforce of 691 people, including 578 full-time employees and 113 contingent workers. We have not experienced any work stoppages and generally consider our relationship with our employees to be good. None of our employees are subject to a collective bargaining agreement or represented by a labor union.

Intellectual Property

We rely on various intellectual property laws, confidentiality procedures and contractual terms to protect our proprietary technology and our brand. We have registered and applied for the registration of U.S. and international trademarks, service marks and domain names. We have also filed patent applications in the United States and foreign countries covering certain of our technology. In general, our issued patents expire between 2040 and 2044.

Raw Materials, Parts and Suppliers

We are dependent on the ability of a number of U.S. and non-U.S. suppliers and service providers to meet performance specifications, quality standards and delivery schedules at our anticipated costs as we work towards developing and manufacturing our aircraft and commercialization. The most important raw materials required in our production aircraft Midnight include aluminum and composites.

Business Combination

On September 16, 2021 (the “Closing Date”), Archer Aviation Inc., a Delaware corporation (prior to the closing of the Business Combination (as defined below), “Legacy Archer”), Atlas Crest Investment Corp., a Delaware corporation (“Atlas”), and Artemis Acquisition Sub Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Atlas (“Merger Sub”), consummated the closing of the transactions contemplated by the Business Combination Agreement, dated February 10, 2021, as amended and restated on July 29, 2021, by and among Atlas, Legacy Archer and Merger Sub (the “Business Combination Agreement”), following approval at a special meeting of the stockholders of Atlas held on September 14, 2021 (the “Special Meeting”). Unless otherwise specified or unless the context otherwise requires, references herein to Legacy Archer refer to Archer prior to the Business Combination (as defined below) and references herein to “New Archer” refer to Archer following the Business Combination.

Pursuant to the terms of the Business Combination Agreement, a business combination of Legacy Archer and Atlas was effected by the merger of Merger Sub with and into Legacy Archer, with Legacy Archer surviving the merger (the “Surviving Entity”) as a wholly-owned subsidiary of Atlas (the “Merger,” and, collectively with the other transactions described in the Business Combination Agreement, the “Business Combination”). Following the consummation of the Merger on the Closing Date, the Surviving Entity changed its name from Archer Aviation Inc. to Archer Aviation Operating Corp., and Atlas changed its name from Atlas Crest Investment Corp. to Archer Aviation Inc. and it became the successor registrant with the SEC. Prior to the closing of the Business Combination, the Class A common stock and public warrants of Atlas were listed on the New York Stock Exchange (“NYSE”) under the symbols “ACIC” and “ACIC WS,” respectively. New Archer Class A common stock and public warrants are currently listed on the NYSE under the symbols “ACHR” and “ACHR WS,” respectively.

Available Information

Our website is located at www.archer.com and our investor relations website is located at investors.archer.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and our Proxy Statements, and any amendments to these reports, are and will be available through our investor relations website, free of charge, after we file them with the SEC.

Webcasts of our earnings calls are made available via our investor relations website. Our investor relations website also provides notifications of news or announcements regarding our financial performance and certain other news and information that may be material or of interest to our investors, including SEC filings, investor events, press and earnings releases. We also share news and business updates about Archer that may be material or of interest to our investors on the investor relations section of our website (investors.archer.com) and the news portion of our website (www.archer.com/news), which includes our blog posts, as well as on social media, including Facebook (https://www.facebook.com/FlyArcher), X (formerly known as Twitter) (@ArcherAviation and @adamgoldstein13), LinkedIn (https://www.linkedin.com/company/flyarcher and https://www.linkedin.com/in/adam-goldstein-7b662121/) and YouTube (https://www.youtube.com/c/ArcherAviation).

Further, corporate governance information, including our amended and restated certificate of incorporation, amended and restated bylaws, corporate governance guidelines, board committee charters, and code of business conduct and ethics, and other policies, are also available on our investor relations website under the heading “Governance Documents.”

The contents of the websites referred to above are not incorporated by reference into this Annual Report or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

Item 1A. Risk Factors

Investing in our securities involves risks. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Annual Report, including Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before deciding whether to purchase any of our securities. Our business, results of operations, financial condition, and prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of these risks actually occur, our business, results of operations, financial condition, and prospects could be materially and adversely affected. Unless otherwise indicated, references in these risk factors to our business being harmed will include harm to our business, reputation, brand, financial condition, results of operations, and prospects. In any such event, the market price of our securities could decline, and you could lose all or part of your investment.

Risks Related to Our Business and Industry

We are an early-stage company with a history of losses, and we expect to incur significant expenses and continuing losses for the foreseeable future.

As of December 31, 2023, we incurred a net loss of $457.9 million, and we have incurred a net loss of approximately $1,148.8 million since inception. We believe that we will continue to incur operating and net losses each quarter until at least the time we begin generating significant revenues from our planned lines of business. Even if we are able to successfully launch our Archer UAM or Archer Direct lines of business, there can be no assurance that such lines of business will be financially viable.

We expect the rate at which we will incur losses could be significantly higher in future periods as we:

- continue to design, develop, manufacture, certify and market our aircraft;
- continue to design and develop the Archer UAM network;
- continue to utilize third parties to assist us with the design, development, manufacturing, certification and marketing of our aircraft and UAM network;
- continue to attract, retain and motivate talented employees;
- expand our aircraft manufacturing capabilities, including costs associated with the manufacturing of our aircraft;
- build up inventories of parts and components for our aircraft;
- manufacture an inventory of our aircraft;
- expand our design, development and servicing capabilities;
- increase our sales and marketing activities and develop our distribution infrastructure;
- work with third-party partners to develop pilot training programs; and
- increase our general and administrative functions to support our growing operations and operations as a public company.

Because we expect to incur the costs and expenses from these efforts before we receive any significant revenues with respect thereto, our losses in future periods are expected to be significant. In addition, we may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in the revenues we expect, which could further increase our losses.

We are still developing our eVTOL aircraft, have not yet obtained FAA certification of our eVTOL aircraft under development and we have yet to manufacture or deliver any aircraft to customers, which makes evaluating our business and future prospects difficult and increases the risk of investment.

We were incorporated in October 2018 and have a limited operating history in designing, developing, and working to certify an eVTOL aircraft. Our eVTOL aircraft is in the development stage and we do not expect our first production aircraft to be certified by the FAA until late 2025 or later. We are still working with the FAA in an attempt to obtain Type Certification of our eVTOL aircraft. As a result, we have no experience as an organization in volume manufacturing of aircraft. Some of our current and potential competitors are larger and have substantially greater resources than we have and expect to have in the future. As a result, those competitors may be able to devote greater resources to the development of their current and future technologies, the promotion and sale of their offerings, and/or offer their technologies at lower prices. In particular, our competitors may be able to receive Type, Airworthiness or Production certification from the FAA covering their eVTOL aircraft prior to us receiving such certifications. Our current and potential competitors may also establish cooperative or strategic relationships amongst themselves or with third parties that may further enhance their resources and offerings. Further, it is possible that domestic or foreign companies or governments, some with greater experience in the aerospace industry or greater financial resources than we possess, will seek to provide products or services that compete directly or indirectly with ours in the future. Any such foreign competitor, for example, could benefit from subsidies from, or other protective measures by, its home country.

We cannot assure you that we or our partners will be able to develop manufacturing and supply chain capabilities that will enable us to meet the quality, price, engineering, design and production standards, as well as the production volumes, required to successfully commercialize our aircraft. You should consider our business and prospects in light of the risks and significant challenges we face as a new entrant into a new industry, including, among other things, with respect to our ability to:

- design and manufacture safe, reliable and quality aircraft on an ongoing basis;
- obtain the necessary regulatory approvals in a timely manner, including receipt of FAA certifications covering our aircraft and, in turn, any other government approvals necessary for manufacturing, marketing, selling and operating the Archer UAM network or selling our aircraft through Archer Direct;
- build a well-recognized and respected brand;
- establish and expand our customer base;
- successfully market not just our aircraft but also the other services we intend to provide, such as aerial ride sharing services;
- successfully service our aircraft after sales and maintain a good flow of spare parts and customer goodwill;
- improve and maintain our operational efficiency;
- successfully execute our manufacturing and production model and maintain a reliable, secure, and scalable technology infrastructure;
- predict our future revenues and appropriately budget for our expenses;
- attract, retain and motivate talented employees;
- anticipate trends that may emerge and affect our business;
- anticipate and adapt to changing market conditions, including technological developments and changes in competitive landscape; and
- navigate an evolving and complex regulatory environment.

If we fail to adequately address any or all of these risks and challenges, our business may be harmed.

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

We expect our capital expenditures and operating expenses to continue to be significant in the foreseeable future as we develop our aircraft and business, and that our level of capital expenditures and operating expenses will be significantly affected by the aircraft development and certification process as well as subsequent customer demand for our aircraft. We believe our current cash and cash equivalents and other sources of liquidity, including the Forward Purchase Agreement, dated as of January 3, 2023, by and between us and Stellantis N.V. (“Stellantis Forward Purchase Agreement”) and borrowings under our Credit Agreement, will be sufficient to fund our current operating plan for at least the next 12 months. However, we expect that over the coming years we will continue to make significant investments in our business, including development of our aircraft, bring up of manufacturing capabilities, the infrastructure to support Archer UAM, and investments in our brand.

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

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

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, the Federal Deposit Insurance Corporation, or the FDIC, took control and was appointed receiver of Silicon Valley Bank, or SVB. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. If any of our counterparties to our financial instruments, including funds held in uninsured deposit accounts, credit agreements, letters of credit and certain other financial instruments, were to be placed into receivership, we may be unable to access such funds. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened and could have a material adverse effect on our business and financial condition.

In addition, our future capital needs and other business needs or plans could require us to issue additional equity or debt securities or obtain a credit facility. The issuance of additional equity or equity-linked securities could dilute our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our stockholders.

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

Failure to comply with the covenants in our Credit Agreement could result in our inability to borrow additional funds and adversely impact our business.

Our Credit Agreement with Synovus Bank imposes numerous financial and other restrictive covenants on our operations, including covenants relating to our liquidity. As of December 31, 2023, we were in compliance with the covenants imposed by the Credit Agreement. If we violate these or any other covenants, any loan under the Credit Agreement could become due and payable prior to their stated maturity dates, and Synovus Bank could proceed against the collateral in our collateral account and our ability to borrow funds under the Credit Agreement in the future may be restricted or eliminated. These restrictions may also limit our ability to borrow additional funds and pursue other business opportunities or strategies that we would otherwise consider to be in our best interests.

The markets for our offerings are still in development, and if such markets do not materialize, or grow more slowly than we expect or fail to grow as large as we expect, our business, financial condition and results of operations could be harmed.

The markets for eVTOL aircraft are still in development, and our success in these markets is dependent upon our ability to effectively design, develop, and certify eVTOL aircraft, market and gain traction of air UAM as a substitute for existing methods of transportation and the effectiveness of our other marketing and growth strategies. If the public does not perceive UAM as beneficial, or chooses not to adopt UAM as a result of concerns regarding safety, noise, affordability or for other reasons, then the market for our offerings may not materialize, may develop more slowly than we expect or may not achieve the growth potential we expect, any of which could harm our business, financial condition and results of operations.

Growth of our business will require significant investments in our infrastructure, technology, and sales and marketing efforts. If our business does not have sufficient capital required to support these investments, our results of operations will be negatively affected. Further, our ability to effectively manage growth and expansion of our operations will also require us to enhance our operational systems, internal controls and infrastructure, human resources policies and reporting systems. These enhancements will require significant capital expenditures and allocation of valuable management and employee resources.

The eVTOL aircraft industry may not continue to develop, eVTOL aircraft may not be adopted by the market, eVTOL aircraft may not be certified by government authorities or eVTOL aircraft may not be an attractive alternative to existing modes of transportation, any of which could adversely affect our prospects, business, financial condition and results of operations.

eVTOL aircraft involve a complex set of technologies, which we must continue to further develop and rely on our Archer Direct and Archer UAM customers to adopt. However, before eVTOL aircraft can fly passengers, we must receive requisite certifications and approvals from applicable governmental authorities. There are currently no eVTOL aircraft certified by the FAA for commercial operations in the United States, and there is no assurance that our design, development and certification efforts will result in our receiving FAA certification of our aircraft. In order to achieve FAA certification, the performance, reliability and safety of eVTOL aircraft must be established, none of which can be assured. In particular, there is a risk that we will not obtain one or more certifications from the FAA that are required for ultimate commercial use of our aircraft, or will experience delays in receiving one or more of these certifications. Even if our eVTOL aircraft receive type certification, production certification, and airworthiness certification, eVTOL aircraft operators must conform eVTOL aircraft to their operational licenses, which requires FAA approval, and individual pilots also must be licensed and approved by the FAA to fly eVTOL aircraft, which could contribute to delays in any widespread use of eVTOL aircraft and potentially limit the number of eVTOL aircraft operators available to purchase aircraft from or partner with us.

Additional challenges to the adoption of our eVTOL aircraft and UAM network, all of which are outside of our control, include:

- market acceptance of eVTOL aircraft;
- state, federal or municipal regulatory and licensing requirements for our eVTOL aircraft and UAM network operations;
- necessary changes to existing infrastructure to enable adoption, including installation of necessary charging and other equipment; and
- public perception regarding the safety of eVTOL aircraft.

There are a number of existing laws, regulations and standards that may apply to eVTOL aircraft, including standards that were not originally intended to apply to electric aircraft. The promulgation of additional federal, state, and local laws and regulations that address eVTOL aircraft more specifically could delay our ability to commercially launch our eVTOL aircraft and UAM network. In addition, depending on the nature of any revised regulations, we may need to modify our approach to certification, it may be difficult for us to timely comply with such regulations, and we may not be able to timely achieve FAA type certification for our aircraft. Further, we have designed our aircraft to be certified under the current FAA regulatory framework. If the applicable FAA regulations are substantially changed or new regulations are adopted, we may need to modify the design of our aircraft to comply with the new regulations, which could cause us to incur significant expenses and scheduling delays in commercializing our aircraft and launching UAM services, which could adversely affect our prospects, business, financial condition and results of operations.

In addition, there can be no assurance that the market will accept eVTOL aircraft, that we will be able to execute on our business strategy, or that our offerings utilizing eVTOL aircraft will obtain the necessary government approvals or be successful in the market. There may be heightened public skepticism of this nascent technology and its adopters. In particular, there could be negative public perception surrounding eVTOL aircraft, including the overall safety and the potential for injuries or death occurring as a result of accidents involving eVTOL aircraft, regardless of whether any such safety incidents occur involving us. Any of the foregoing risks and challenges could adversely affect our prospects, business, financial condition and results of operations.

Our future success depends on the continuing efforts of our key personnel and on our ability to attract and retain highly skilled personnel and senior management.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. In particular, we are highly dependent on the contributions of Adam Goldstein, our founder and CEO, as well as other members of our management team. The loss of any key personnel could make it more difficult to achieve our business plans. Although we have generally entered into employment offer letters with our key personnel, these letters have no specific duration and provide for at-will employment, which means our key personnel may terminate their employment relationship with us at any time.

Compensation packages for highly skilled personnel have increased over time and will likely continue to increase, and competition for highly skilled personnel is often intense, especially in the San Francisco Bay Area market where our headquarters is located, and we may incur significant costs to attract and retain our personnel. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled personnel with appropriate qualifications. In addition, job candidates and existing personnel often consider the value of the equity awards they receive in connection with their service. If the perceived value of our equity or equity awards declines, it may adversely affect our ability to retain highly skilled personnel. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business, operating results, financial condition and future growth prospects could be harmed.

We may be unable to manage our future growth effectively, which could make it difficult to execute our business strategy.

If our business grows as planned, of which there can be no assurance, we will need to expand our sales, marketing, operations, and the number of partners with whom we do business. Our continued growth could increase the strain on our resources, and we could experience operating difficulties, including difficulties in hiring, training and managing an increasing number of personnel. These difficulties may result in the erosion of our brand image, divert the attention of management and key personnel and impact financial and operational results. The continued expansion of our business may also require additional office space for administrative support. If we are unable to drive commensurate growth, these costs, which include lease commitments, marketing costs and headcount, could result in decreased margins, which could have an adverse effect on our business, financial condition and results of operations.

Operation of aircraft involves a degree of inherent risk. We could suffer losses and adverse publicity stemming from any accident involving small aircraft, helicopters or charter flights and in particular from any accident involving eVTOL aircraft.

The operation of aircraft is subject to various risks, and demand for air transportation, including our UAM offerings, has and may in the future be impacted by accidents or other safety issues regardless of whether such accidents or issues involve our eVTOL aircraft or third-party eVTOL aircraft. Air transportation hazards, such as adverse weather conditions and fire and mechanical failures, may result in death or injury to personnel and passengers, which could impact client or passenger confidence in a particular aircraft type or the air transportation services industry as a whole and could lead to a reduction in passenger volume, particularly if such accidents or disasters were due to a safety fault. Safety statistics for air travel are reported by multiple parties, including the DOT and National Transportation Safety Board, and are often separated into categories of transportation. Because our UAM offerings may include a variety of transportation methods, fliers may have a hard time determining how safe UAM services are and their confidence in UAM may be impacted by, among other things, the classification of accidents in ways that reflect poorly on UAM services or the transportation methods UAM services utilize.

We believe that safety and reliability are two of the primary attributes fliers consider when selecting air transportation services. Our failure to maintain standards of safety and reliability that are satisfactory to fliers may adversely impact our ability to attract and retain customers. We are at risk of adverse publicity stemming from any public incident involving us, our people or our brand. Such an incident could involve the actual or alleged behavior of our employees, contractors, or partners. Further, if our eVTOL aircraft, whether operated by us or a third party, is involved in a public incident, accident, catastrophe or regulatory enforcement action, we could be exposed to significant reputational harm and potential legal liability. The insurance we carry may be inapplicable or inadequate to cover any such incident, accident, catastrophe or action. In the event that our insurance is inapplicable or inadequate, we may be forced to bear substantial losses from an incident or accident. In addition, any such incident, accident, catastrophe or action involving our eVTOL aircraft or eVTOL aircraft generally could create an adverse public perception, which could harm our reputation, result in air travelers being reluctant to use our services, and adversely impact our business, results of operations and financial condition. If we or one of our third-party aircraft operators were to suffer an accident or lose the ability to fly certain aircraft due to safety concerns or investigations, we or such operators may be required to cancel or delay certain flights until replacement aircraft and personnel are obtained.

Our operations may also be negatively impacted by accidents or other safety-related events or investigations that occur in or near the take off and landing infrastructure we plan to utilize for our UAM services. For example, if an accident were to occur at a heliport we rely on for certain flights in the future (assuming we are granted government operating authority to do so), we may be unable to fly into or out of that heliport until the accident has been cleared, any damage to the facilities have been repaired and any insurance, regulatory or other investigations have been completed.

Additionally, the battery packs in our aircraft are expected to use lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. While we have taken measures to enhance the safety of our electric propulsion system, a field or testing failure of our aircraft could occur in the future, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time-consuming and expensive. Also, negative public perceptions regarding the suitability of lithium-ion cells for aerospace applications or any future incident involving lithium-ion cells such as an aircraft or other fire, even if such incident does not involve our aircraft, could seriously harm our business.

From time to time, we are expected to store varying amounts of lithium-ion cells at our facilities. In addition, our manufacturing partners and suppliers are expected to store a significant number of lithium-ion cells at their facilities. Any mishandling of battery cells may cause disruption to the operation of our facilities or our manufacturers. A safety issue or fire related to the cells could disrupt operations or cause manufacturing delays. Such damage or injury could lead to adverse publicity and potentially a safety recall. Moreover, any such failure of a competitor’s eVTOL aircraft may cause indirect adverse publicity for us and our aircraft. Such adverse publicity could negatively affect our brand and harm our business, prospects, financial condition and operating results.

We currently rely and will continue to rely on third-party partners to provide and store the parts and components required to manufacture our aircraft, and to supply critical components and systems, which exposes us to a number of risks and uncertainties outside our control.

We are substantially reliant on our relationships with our suppliers and service providers for the parts and components in our aircraft. If any of these suppliers or service partners were to experience delays, disruptions, capacity constraints or quality control problems in their manufacturing operations, or if they choose to not do business with us, we would have significant difficulty in procuring and producing our aircraft, and our business prospects would be significantly harmed. These disruptions would negatively impact our certification timeline, timing and amount of revenues, competitive position and reputation. In addition, our suppliers or service providers may rely on certain tax incentives that may be subject to change or elimination in the future, which could result in additional costs and delays in production if a new manufacturing site must be obtained. Further, if we are unable to successfully manage our relationship with our suppliers or service providers, the quality and availability of our aircraft may be harmed. Our suppliers or service providers could, under some circumstances, decline to accept new purchase orders from or otherwise reduce their business with us. If our suppliers or service providers stopped manufacturing our aircraft components for any reason or reduced manufacturing capacity, we may be unable to replace the lost manufacturing capacity on a timely and comparatively cost-effective basis, which would adversely impact our operations.

The manufacturing facilities of our suppliers or service providers and the equipment used to manufacture the components for our aircraft would be costly to replace and could require substantial lead time to replace and qualify for use. The manufacturing facilities of our suppliers or service providers may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, flooding, fire and power outages, or by public health issues, such as pandemics or epidemics, which may render it difficult or impossible for us to manufacture our aircraft for some period of time. The inability to manufacture our aircraft components or the backlog that could develop if the manufacturing facilities of our suppliers or service providers are inoperable for even a short period of time may result in a delay in our certification timeline, as well as the loss of customers or harm to our reputation.

We do not control our suppliers or service providers or such parties’ labor and other legal compliance practices, including their environmental, health and safety practices. If our current suppliers or service providers, or any other suppliers or service providers which we may use in the future, violate U.S. or foreign laws or regulations, we may be subjected to extra duties, significant monetary penalties, adverse publicity, the seizure and forfeiture of products that we are attempting to import or the loss of our import privileges. The effects of these factors could render the conduct of our business in a particular country undesirable or impractical and have a negative impact on our operating results.

We are or may be subject to risks associated with strategic relationships or other opportunities and may not be able to identify adequate strategic relationship opportunities, or form strategic relationships, in the future.

We have entered into strategic relationships, and may in the future enter into additional strategic relationships or joint ventures or minority equity investments, in each case with various third parties for the production or operation of our aircraft as well as with other collaborators with capabilities on data and analytics and engineering. In October 2023, we announced that we were planning to build our first international headquarters and an engineering Center of Excellence in the UAE and plan to collaborate with local manufacturing companies and Maintenance, Repair, and Overhaul providers in Abu Dhabi. These alliances subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third-party and increased expenses in establishing new strategic relationships, any of which may adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

Strategic business relationships will be an important factor in the growth and success of our business. However, there are no assurances that we will be able to continue to identify or secure suitable business relationship opportunities in the future or our competitors may capitalize on such opportunities before we do. Moreover, identifying such opportunities could require substantial management time and resources, and negotiating and financing relationships involves significant costs and uncertainties. If we are unable to successfully source and execute on strategic relationship opportunities in the future, our overall growth could be impaired, and our business, prospects, financial condition and operating results could be adversely affected.

When appropriate opportunities arise, we may acquire or license additional assets, products, technologies or businesses that are complementary to our existing business. In addition to possible stockholder approval, we may need approvals and licenses from relevant government authorities for the acquisitions or licenses and to comply with any applicable laws and regulations, which could result in increased delay and costs, and may disrupt our business strategy if we fail to do so. Furthermore, acquisitions or licenses and the subsequent integration of new assets and businesses into our own would likely require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Acquired or licensed assets or businesses may not generate the financial results we expect. Acquisitions or licenses could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant.

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

We are party to certain purchase agreements, including the United Purchase Agreement, as well as other contract orders for our Midnight aircraft and the provision of related services, including with the United States Air Force (the “USAF Contracts”), that contain conditions with respect to the purchase of our aircraft or that require us to perform and deliver certain test, certificates and other services. Payment obligations under the United Purchase Agreement, for example, are conditioned upon, among other things, us receiving certification of our aircraft by the FAA and further negotiation and reaching mutual agreement on certain material terms, such as aircraft specifications, warranties, usage and transfer of the aircraft, performance guarantees, delivery periods, most favored nation provisions, the type and extent of assistance to be provided by United in obtaining certification of the aircraft for its intended use, territorial restrictions, rights to jointly developed intellectual property, escalation adjustments and other matters. The obligations of United to consummate an order pursuant to the United Purchase Agreement will arise only after all such material terms are agreed by the parties. Payment obligations under the USAF Contracts are predicated upon, among other things, our ability to complete the design, development and ground test of our Midnight aircraft, our delivery of certain test reports and certificates, the receipt of an FAA Airworthiness Certificate, the development of pilot and maintenance training workshops, the completion of flight tests and the delivery of a certain number of our Midnight production aircraft. The obligations of the United States Air Force to provide funding will arise only after a particular deliverable has been received and accepted by the United States Air Force. Further, with respect to the United Purchase Agreement, in addition to other termination rights set forth in the United Purchase Agreement and the Collaboration Agreement with United (the “United Collaboration Agreement”), if the parties do not agree on such material terms, either party will have the right to terminate the agreements if such party determines in its discretion that it is not likely that such material terms will be agreed in a manner that is consistent with such party’s business and operational interests (as those interests may change from time to time). The USAF Contracts may be terminated by the United States Air Force upon advanced written notice, and may also be subject to stop orders issued by the United States Air Force. If the United Purchase Agreement, the USAF Contracts or any future purchase agreements or contracts are canceled, modified or delayed, or otherwise not consummated, or if we are otherwise unable to convert our strategic relationships or collaborations into revenue, our prospects, results of operations, liquidity and cash flow will be affected.

Some of the contract orders for our Midnight aircraft are with U.S. government entities, which are subject to unique risks.

We have purchase agreements with the United States Air Force, a U.S. governmental organization, and may enter into contracts with other governmental organizations in the future. Sales to governmental organizations are subject to a number of challenges and risks that may adversely affect our business and operating results, including the following risks:

- new regulations, or changes to existing regulations, could result in increased compliance costs, and we could be subject to withheld payments and/or reduced future business if we fail to comply with new or existing requirements in the future;
- government demand and payment for our aircraft may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our aircraft, including as a result of sudden, unforeseen and disruptive events such as government shut downs, governmental defaults on indebtedness, war, regional geopolitical conflicts around the world, incidents of terrorism, natural disasters, and public health concerns or epidemics;
- governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our aircraft, which would adversely impact our revenue and operating results, or institute fines or civil or criminal liability if an investigation, audit, or other review, were to uncover improper or illegal activities;
- governments may require certain products to be manufactured, produced, or offered solely in their country or in other relatively high-cost locations, and we may not produce or offer all products in locations that meet these requirements, affecting our ability to sell these products to governmental agencies; and
- refusal to grant certain certifications or clearance by one government agency, or decision by one government agency that our products do not meet certain standards, may cause reputational harm and cause concern with other government agencies.

The occurrence of any of the foregoing could cause governmental organizations to delay or refrain from purchasing our aircraft in the future or otherwise adversely affect our business and operating results.

Our business may be adversely affected by the current global political and macroeconomic challenges, including the effects of inflation, rising interest rates or an economic downturn or recession.

Current global political and macroeconomic conditions and the effects thereof, including inflation, volatile interest rates, uncertainty with respect to the federal budget and federal debt ceiling and potential government shutdowns related thereto, actual or perceived instability in the global banking sector, the war in Ukraine and the Israel-Hamas war, supply chain issues, and any economic downturn or recession in certain regions or worldwide have, and may continue to, adversely affect our business, financial condition and results of operations. The existence of inflation in certain economies has resulted in, and may continue to result in, rising interest rates and capital costs, supply shortages, increased costs of labor, components, manufacturing and shipping, as well as weakening exchange rates and other similar effects. As a result, we have experienced and may continue to experience cost increases. Although we take measures to mitigate the effects of macroeconomic challenges, if these measures are not effective, our business, financial condition, results of operations and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when those beneficial actions impact our results or operations and when the cost of inflation is incurred.

Our aerial ride sharing operations will initially be concentrated in a small number of urban areas, which makes our business particularly susceptible to infrastructure, economic, social, weather, regulatory conditions or other circumstances affecting these metropolitan areas.

We expect to initially launch our aerial ride sharing offering in limited jurisdictions subject to receipt of the necessary approvals. Accordingly, our business and results of operations are particularly susceptible to adverse infrastructure, economic, social, weather, regulatory, and other conditions in these markets. As a result of our geographic concentration, our business and financial results relating to our aerial ride sharing operations will be particularly susceptible to the impacts of these conditions or other circumstances in each of these metropolitan areas. In addition, any changes to local laws or regulations within these urban areas that affect our ability to operate or increase our operating expenses in these markets would have an adverse effect on our business, financial condition and operating results.

Disruption of operations at the locations where our take off and landing facilities are expected to initially be located, whether caused by labor relations, utility or communications issues or challenges with obtaining charging infrastructure, could harm our business. Certain locations may regulate flight operations, such as limiting the number of take offs and landings, which could reduce our aerial ride sharing operations. Bans on eVTOL aircraft operations or the introduction of any new permitting requirements would significantly disrupt our operations. In addition, demand for our Archer UAM services could be impacted if drop-offs or pick-ups of fliers become inconvenient because of take off and landing rules or regulations, or more expensive for fliers because of take off and landing related fees, which would adversely affect our business, financial condition and operating results.

We expect concentration in large metropolitan areas and heavily trafficked airports also makes our business susceptible to an outbreak of a contagious disease, such as the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, Zika virus, and COVID-19, both due to the risk of a contagious disease affecting the urban area through the high volume of travelers flying into and out of such areas and the ease at which contagious diseases can spread through densely populated areas.

Natural disasters, including tornados, hurricanes, floods and earthquakes, and severe weather conditions, such as heavy rains, strong winds, dense fog, blizzards or snowstorms, may damage our facilities or those of our Archer Direct customers or otherwise disrupt flights into or out of the vertiports from which our aircraft arrive or depart.

Major urban areas, including those in which we expect to operate, are also at risk of terrorist attacks, actual or threatened acts of war, political disruptions and other disruptions. The occurrence of one or more natural disasters, severe weather events, epidemic or pandemic outbreaks, terrorist attacks or disruptive political events in regions where our facilities are or will be located, or where our Archer Direct customers' facilities are located, could adversely affect our business.

Our long-term success and ability to significantly grow our revenue will depend, in part, on our ability to establish and expand into international markets and/or expand market segments.

Our future results will depend, in part, on our ability to establish and expand our presence within international markets and may also depend on our expansion into additional market segments, such as defense or logistics/cargo. Our ability to expand into these markets will depend upon our ability to obtain the necessary government approvals, adapt to international markets and new market segments, understand the local customer base, and address any unique local technological requirements. Our ability to expand internationally involves various risks, including, but not limited to, the need to invest significant resources in such expansion, and the possibility that returns on such investments will not be achieved in the near future or at all in these less familiar competitive environments. We may also choose to conduct our international business through joint ventures, minority investments or other partnerships with local companies as well as co-marketing with other established brands. If we are unable to identify partners or negotiate favorable terms, our international growth may be limited. In addition, we may incur significant expenses in advance of generating significant revenues as we attempt to establish our presence in particular international markets or market segments outside of aircraft sales and operating a UAM network to carry passengers.

If we experience harm to our reputation and brand, our business, financial condition and results of operations could be adversely affected.

Continuing to increase the strength of our reputation and brand for achieving our business plans is critical to our ability to attract and retain personnel, customers, investors, and other business partners. In addition, our growth strategy may include expansion through joint ventures, minority investments or other partnerships with strategic business partners, which may include event activities and cross-marketing with other established brands, all of which may be dependent on our ability to build our reputation and brand recognition. The successful development of our reputation and brand will depend on a number of factors, many of which are outside our control. Negative perception of our technology, industry or our company may harm our reputation and brand, including as a result of:

- complaints or negative publicity or reviews about our aircraft or service offerings from either our Archer UAM or Archer Direct customers or negative publicity reviews about other brands or events we are associated with, even if factually incorrect or based on isolated incidents;
- changes to our operations, safety and security, privacy or other policies that users or others perceive as overly restrictive, unclear or inconsistent with our values;
- illegal, negligent, reckless or otherwise inappropriate behavior by our management team or other employees, our Archer Direct customers, our Archer UAM customers or our other business partners;
- actual or perceived disruptions or defects in our aircraft or aerial ride sharing platform, such as data security incidents, platform outages, payment processing disruptions or other incidents that impact the availability, reliability or security of our offerings;
- litigation over, or investigations by regulators into, our aircraft or our operations or those of our Archer Direct customers or other business partners;
- a failure to operate our business in a way that is consistent with our values;

- negative responses by our Archer Direct or Archer UAM customers to UAM offerings;
- perception of our treatment of employees, contractors, Archer Direct or Archer UAM customers or our other business partners and our response to their sentiment related to political or social causes or actions of management; or
- any of the foregoing with respect to our competitors, to the extent such resulting negative perception affects the public's perception of us or our industry as a whole.

In addition, changes we may make to enhance and improve our offerings and balance the needs and interests of our Archer Direct and Archer UAM customers may be viewed positively from one group's perspective (such as our Archer UAM customers) but negatively from another's perspective (such as third-party companies that purchase and operate our aircraft), or may not be viewed positively by either our Archer Direct or Archer UAM customers. If we fail to balance the interests of these two different customer bases or make changes that they view negatively, our customers may stop purchasing our aircraft or stop using our Archer UAM service or take fewer flights, any of which could adversely affect our reputation, brand, business, financial condition and results of operations.

Our ability to effectively compete and generate revenue from our products and services depends upon our ability to distinguish our products and services from our competitors and their products and services.

Our ability to compete effectively is dependent on many factors, including, without limitation, the following:

- speed to market of our initial aircraft and UAM services;
- effective strategy and execution of aircraft and service offerings;
- product and service safety and performance;
- product and service pricing; and
- quality of customer support.

We will have to demonstrate to potential customers that our products and services are attractive alternatives to other transportation offerings, by differentiating our products and services on the basis of such factors as innovation, performance, brand name, service, and price. This is difficult to do, especially in a competitive market. Some of our competitors may have more established customer relationships than we do, which could inhibit our market penetration efforts. If we are unable to compete effectively, our revenue and profitability will be adversely impacted.

Our business may be adversely affected by labor and union activities.

Although none of our employees are currently represented by a labor union, it is common throughout the aerospace industry generally for many employees at aerospace companies to belong to a union, which can result in higher employee costs and increased risk of work stoppages. We may also directly and indirectly depend upon other companies with unionized work forces, such as parts suppliers and trucking and freight companies, and work stoppages or strikes organized by such unions could harm our business, financial condition or operating results.

We expect that the purchase agreements with Archer Direct customers could be subject to indexed price escalation clauses which would subject us to losses if we have cost overruns or if increases in our costs exceed the applicable escalation rate.

Commercial aircraft sales contracts are often entered into years before the aircraft are delivered. In order to help account for economic fluctuations between the contract date and delivery date, aircraft pricing generally consists of a fixed amount as modified by price escalation formulas derived from labor, commodity and other price indices. Our revenue estimates are based on current expectations with respect to these escalation formulas, but the actual escalation amounts are outside of our control. Escalation factors can fluctuate significantly from period to period and changes in escalation amounts can significantly impact revenues and operating margins in our business. We can make no assurance that any customer, current or future, will exercise purchase options, fulfill existing purchase commitments or purchase additional products or services from us. The terms and conditions of the United Purchase Agreement regarding price escalation clauses are yet to be determined, and there is no assurance that they will be determined in a manner that will mitigate the risks described above.

As a public company, beginning with this Annual Report, we are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for each annual report on Form 10-K to be filed with the SEC. This assessment needs to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Additionally, commencing with this Annual Report, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting. An adverse report may be issued in the event our auditor is not satisfied with the level at which our controls are documented, designed, or operating.

In connection with the preparation and audit of our financial statements for the year ended December 31, 2020, certain material weaknesses were identified in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weaknesses, we took a number of steps to remediate these material weaknesses to comply with the rules and regulations of the SEC regarding compliance with Section 404(a) of the Sarbanes-Oxley Act. For a discussion of management's consideration of the material weaknesses and the remediation measures, see Part II, Item 9A, "Controls and Procedures" included in this Annual Report. As of December 31, 2023, the material weaknesses had been remediated.

While we believe our efforts have remediated the material weaknesses, we cannot assure you that the measures we have taken to date and may take in the future, will be sufficient to remediate the control deficiencies that led to our material weaknesses in internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. The effectiveness of our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the possibility of human error and the risk of fraud. Any failure to design or maintain effective internal control over financial reporting or any difficulties encountered in their implementation or improvement could increase compliance costs, negatively impact the market price of our common stock, or otherwise harm our operating results or cause us to fail to meet our reporting obligations.

We have been, and may in the future be, adversely affected by health epidemics and pandemics, the duration and economic, governmental and social impact of which is difficult to predict, which may significantly harm our business, prospects, financial condition and operating results.

We face various risks related to public health issues, including epidemics, pandemics and other outbreaks. The impact of the COVID-19 pandemic, including changes in consumer and business behavior, pandemic fears and market downturns, supply shortages and restrictions on business and individual activities, created significant volatility in the global economy. The spread of COVID-19 also created a disruption in the manufacturing, delivery and overall supply chain of aircraft manufacturers and suppliers. The extent to which the health epidemics or pandemics can impact our business, prospects and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of such health epidemics or pandemics, their severity, the actions taken by governments and others in response to such health epidemics and pandemics and how quickly and to what extent normal economic and operating activities can resume. Even after health epidemics or pandemics have subsided, we may continue to experience an adverse impact to our business as a result of such health epidemics or pandemics, including ongoing supply chain shortages.

Failure to comply with applicable laws and regulations relating to the aviation business in general and eVTOL aircraft specifically, could adversely affect our business and our financial condition.

Our eVTOL aircraft and the operation of our UAM services will be subject to substantial regulation in the jurisdictions in which we intend our eVTOL aircraft to operate. We expect to incur significant costs in complying with these regulations. Regulations related to the eVTOL industry, including aircraft certification, production certification, passenger operation, flight operation, airspace operation, security regulation and infrastructure regulation are currently evolving, and we face risks associated with the development and evolution of these regulations.

Our aircraft must be certified with the FAA in the United States. Operating our aircraft in the United States and providing our passenger transportation services must comply with U.S. laws, regulations, safety standards, and customer service regulations.

Rigorous testing and the use of approved materials and equipment are among the requirements for achieving certification. Our failure to obtain or maintain certification for our aircraft or infrastructure would have a material adverse effect on our business and operating results. In addition to obtaining and maintaining certification of our aircraft, we will need to obtain and maintain operational authority necessary to provide our envisioned UAM services. A transportation or aviation authority may determine that we cannot manufacture, provide, or otherwise engage in those services as we have contemplated. The inability to implement our envisioned services could materially and adversely affect our results of operations, financial condition, and prospects.

To the extent the laws change, our aircraft and our services may not comply with those laws, which would have an adverse effect on our business. Complying with changing laws could be burdensome, time consuming, and expensive. To the extent compliance with new laws is cost prohibitive, our business, prospects, financial condition and operating results would be adversely affected.

When we expand beyond the United States, such as into the Middle East, Asia, Europe and/or South America, there will be additional laws and regulations we must comply with, and there may be laws and regulations in other jurisdictions we have not yet entered or laws we are unaware of in jurisdictions we have entered that may restrict our operations or business practices or that are difficult to interpret and change rapidly.

Continued regulatory limitations and other obstacles interfering with our business operations could have a negative and material impact on our business, prospects, financial condition and results of operations.

We are subject to cybersecurity risks to our operational systems, security systems, infrastructure, integrated software in our aircraft and customer data processed by us or third-party vendors.

We are at risk for interruptions, outages and breaches of our: (a) operational systems, including business, financial, accounting, product development, data processing or production processes, owned by us or our third-party vendors or suppliers; (b) facility security systems, owned by us or our third-party vendors or suppliers; (c) aircraft technology, including powertrain and avionics and flight control software, owned by us or our third-party vendors or suppliers; (d) the integrated software in our aircraft; or (e) customer data that we process or our third-party vendors or suppliers process on our behalf. Such incidents could: disrupt our operational systems; result in loss of intellectual property, trade secrets or other proprietary or competitively sensitive information; compromise certain information of customers, employees, suppliers, or others; jeopardize the security of our facilities; or affect the performance of in-product technology and the integrated software in our aircraft.

We plan to include avionics and flight control software services and functionality that utilize data connectivity to monitor aircraft performance and to enhance safety and enable cost-saving preventative maintenance. The availability and effectiveness of our services depend on the continued operation of information technology and communications systems. Our systems will be vulnerable to damage or interruption from, among others, physical theft, fire, terrorist attacks, natural disasters, power loss, war, telecommunications failures, viruses, worms, trojan horses, denial or degradation of service attacks, ransomware, social engineering schemes, insider theft or misuse or other attempts to harm our systems. We intend to use our avionics and flight control software and functionality to log information about each aircraft's use in order to aid us in aircraft diagnostics and servicing. Our customers may object to the use of this data, which may increase our vehicle maintenance costs and harm our business prospects.

Moreover, there are inherent risks associated with developing, improving, expanding and updating our current systems, such as the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data and inventory, procure parts or supplies or manufacture, deploy, deliver and service our aircraft, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. We cannot be sure that these systems upon which we rely, including those of our third-party vendors or suppliers, will be effectively implemented, maintained or expanded as planned. If we do not successfully implement, maintain or expand these systems as planned, our operations may be disrupted and our ability to accurately and timely report our financial results could be impaired. Moreover, our proprietary information or intellectual property could be compromised or misappropriated, and our reputation may be adversely affected. If these systems do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

The landscape of laws, regulations, and industry standards related to cybersecurity is evolving globally. We may be subject to increased compliance burdens by regulators and customers with respect to our aircraft, as well as additional costs to oversee and monitor security risks. Many jurisdictions have enacted laws mandating companies to inform individuals, stockholders, regulatory authorities, and others of security breaches. For example, the SEC recently adopted cybersecurity risk management and disclosure rules, which require the disclosure of information pertaining to cybersecurity incidents and cybersecurity risk management, strategy, and governance. In addition, certain of our customer agreements may require us to promptly report security breaches involving their data on our systems or those of subcontractors processing such data on our behalf. This mandatory disclosure can be costly, harm our reputation, erode customer trust, and require significant resources to mitigate issues stemming from actual or perceived security breaches.

Failure to comply with laws and regulations relating to privacy, data protection and consumer protection, or the expansion of current laws and regulations or the enactment of new laws or regulations in these areas, could adversely affect our business and our financial condition.

We are subject to or affected by a number of laws and regulations, as well as contractual obligations and industry standards, that impose certain obligations and restrictions with respect to data privacy and security, and govern our collection, storage, retention, protection, use, processing, transmission, sharing and disclosure of personal information including that of our employees, customers and others. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities and others of security breaches involving certain types of data. Such laws may be inconsistent or may change or additional laws may be adopted. In addition, our agreements with certain customers may require us to notify them in the event of a security breach. Such mandatory disclosures are costly, could lead to negative publicity, result in penalties or fines, result in litigation, may cause our customers to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security breach.

The global data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. We may not be able to monitor and react to all developments in a timely manner. For example, California adopted the California Consumer Privacy Act (the "CCPA"), which became effective in January 2020 and which was recently amended and expanded by the California Privacy Rights Act (the "CPRA") as of January 1, 2023. The CCPA establishes a privacy framework for covered businesses, including an expansive definition of personal information and data privacy rights for California residents. The CCPA includes a framework with potentially severe statutory damages and private rights of action. 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 allow for a new cause of action for data breaches. As we expand our operations, the CCPA and CPRA may increase our compliance costs and potential liability. Some observers have noted that the CCPA and CPRA could mark the beginning of a trend toward more stringent privacy legislation in the United States. Other states have adopted similar laws, many of which have gone into effect. Compliance with any applicable privacy and data security laws and regulations is a rigorous and time-intensive process, and we may be required to put in place additional mechanisms to comply with such laws and regulations.

In addition, we are or may become subject to a variety of foreign laws and regulations regarding privacy, data protection, and data security. These laws and regulations are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly with respect to foreign laws. Such laws and regulations often have changes in scope, may be subject to differing interpretations, and may be inconsistent among different jurisdictions. For example, the European General Data Protection Regulation ("GDPR"), which became effective in May 2018, includes operational requirements for companies that receive or process personal data of residents of the European Union that are broader and more stringent than those previously in place in the European Union. The GDPR includes significant penalties for non-compliance, including fines of up to €20 million or 4% of total worldwide revenue. Further, following the United Kingdom's exit from the European Union, the GDPR was implemented in the United Kingdom (the "UK GDPR")—non-compliance with which may lead to similar compliance and operational costs as the GDPR with potential fines up to £17 million or 4% of global turnover. The UK GDPR sits alongside the UK Data Protection Act 2018 which implements certain derogations in the EU GDPR into UK law. Under the UK GDPR, companies not established in the UK but who process personal information in relation to the offering of goods or services to individuals in the UK, or to monitor their behavior will be subject to the UK GDPR—the requirements of which are largely aligned with those under the GDPR but still require specific compliance under UK law that we must monitor and with which we must comply.

Additionally, we may be subject to evolving laws and regulations regarding the transfer of personal data outside of the European Economic Area ("EEA"). Recently, the Court of Justice of the European Union ruled that the EU-U.S. Privacy Shield is an invalid transfer mechanism, but upheld standard contractual clauses as a valid transfer mechanism. The validity of data transfer mechanisms remains subject to legal, regulatory, and political developments in both Europe and the United States. The invalidation of the EU-U.S. Privacy Shield and potential invalidation of other data transfer mechanisms could have a significant adverse impact on our ability to process and transfer personal data outside of the EEA.

Governments are continuing to focus on privacy and data security, and it is possible that new privacy or data security laws will be enacted or existing laws will be amended in a way that is material to our business. Any significant change to applicable laws, regulations, or industry practices regarding our users' data could require us to modify our services and features, possibly in a material manner, and may limit our ability to develop new products, services, and features. Although we have made efforts to design our policies, procedures, and systems to comply with the current requirements of applicable state, federal, and foreign laws, changes to applicable laws and regulations in this area could subject us to additional regulation and oversight, any of which could significantly increase our operating costs.

We publish privacy policies and other documentation regarding our collection, processing, use and disclosure of personal information and/or other confidential information. Although we endeavor to comply with our published policies and other documentation, we may at times fail to do so or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees, contractors, service providers or vendors fail to comply with our published policies and documentation. Such failures can subject us to potential local, state and federal action if we are found to be deceptive, unfair, or misrepresentative of our actual practices. Claims that we have violated individuals' privacy rights or failed to comply with data protection laws or applicable privacy notices even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

We currently have a subsidiary located outside of the United States and plan for international operations in the future, which could subject us to political, operational and regulatory challenges.

We currently have a subsidiary in Brazil engaged in limited test manufacturing, research and development and other activities and plan to eventually expand our business outside of the United States. International operations are subject to a number of risks, including regulations that may differ from or be more stringent than analogous U.S. regulations, local political or economic instability, cross-border political tensions, import and export compliance, privacy, data protection, information security, labor and employment matters, and exposure to potential liabilities under anti-corruption or anti-bribery laws, including the U.S. Foreign Corrupt Practices Act and similar laws and regulations. If any of these risks materialize, it could adversely impact our business.

We are subject to risks associated with climate change, including the potential increased impacts of severe weather events on our operations and infrastructure.

The potential physical effects of climate change, such as increased frequency and severity of high wind conditions, storms, floods, fires, fog, mist, freezing conditions, sea-level rise and other climate-related events, could affect our operations, infrastructure and financial results. Climate change risks could result in but are not limited to operational risk from the physical effect of climate events on our terminal facilities, production facilities and other assets, as well as transitional risks, including new or more stringent regulatory requirements, increased monitoring and disclosure requirements, and potential effects on our reputation and/or changes in our business. We could incur significant costs to improve the climate resiliency of our aircraft or infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We are not able to accurately predict the materiality of any potential losses or costs associated with the physical effects of climate change.

We intend to retain certain personal information about our customers, employees or others that, if compromised, could harm our financial performance and results of operations or prospects.

We are subject to a wide variety of laws in the United States and other jurisdictions related to privacy, data protection and consumer protection that are often complex and subject to varying interpretations. As a result, these privacy, data protection and consumer protection laws may change or develop over time through judicial decisions or as new guidance or interpretations are provided by regulatory and governing bodies and such changes or developments may be contrary to our existing practices. This may cause us to expend resources on updating, changing or eliminating some of our privacy and data protection practices.

We plan to collect, store, transmit and otherwise process data from our aircraft, our customers, our employees and others as part of our business and operations, which may include personal data or confidential or proprietary information. We also work with partners and third-party service providers or vendors that collect, store and process such data on our behalf and in connection with our aircraft. There can be no assurance that any security measures that we or our third-party service providers or vendors have implemented will be effective against current or future security threats. If a compromise of data were to occur, we may become liable under our contracts with other parties and under applicable law for damages and incur penalties and other costs to respond to, investigate and remedy such an incident. Our systems, networks and physical facilities could be breached, or personal information could otherwise be compromised due to employee error or malfeasance, if, for example, third parties attempt to fraudulently induce our employees or our customers to disclose information or usernames and/or passwords. Third parties may also exploit vulnerabilities in, or obtain unauthorized access to, platforms, systems, networks and/or physical facilities utilized by our third-party service providers and vendors.

Our aircraft contain complex information technology systems and built-in data connectivity to share aircraft data with ground operations infrastructure. We plan to design, implement and test security measures intended to prevent unauthorized access to our information technology networks, our aircraft and related systems. However, hackers may attempt to gain unauthorized access to modify, alter and use such networks, aircraft and systems to gain control of or to change our aircraft's functionality, performance characteristics, or to gain access to data stored in or generated by the aircraft. A significant breach of our third-party service providers' or vendors' or our own network security and systems could have serious negative consequences for our business and future prospects, including possible fines, penalties and damages, reduced customer demand for our aircraft or urban aerial ride sharing services and harm to our reputation and brand.

We may not have adequate insurance coverage. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

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

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the NYSE and other applicable securities rules and regulations. Compliance with these rules and regulations has increased, and will continue to increase, our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight have been and may in the future be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which would increase our costs and expenses.

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

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

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

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

Our business may be adversely affected if we are unable to protect our intellectual property rights from unauthorized use by third parties.

Failure to adequately protect our intellectual property rights could result in our competitors offering similar products or services, potentially resulting in the loss of some of our competitive advantage and a decrease in our revenue, which could adversely affect our business, prospects, financial condition and operating results. Our success depends, at least in part, on our ability to protect our key technology and intellectual property. To accomplish this, we will rely on a combination of patents, trade secrets (including know-how), employee and third-party non-disclosure agreements, copyrights, trademarks, intellectual property licenses and other contractual rights to establish and protect our rights in our technology.

The protection of our intellectual property rights will be important to our future business opportunities. However, the measures we take to protect our intellectual property from unauthorized use by others may not be effective for various reasons, including the following:

- any patent applications we submit may not result in the issuance of patents (and patents have not yet issued to us based on our pending applications);
- the scope of our patents that may subsequently issue may not be broad enough to protect our proprietary rights;
- our issued patents may be challenged or invalidated by third parties;
- our employees or business partners may breach their confidentiality, non-disclosure and non-use obligations to us;
- third parties may independently develop technologies that are the same or similar to ours;
- the costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make enforcement impracticable; and
- current and future competitors may circumvent or otherwise design around our patents.

Patent, trademark, copyright and trade secret laws vary throughout the world. The laws in some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Furthermore, policing the unauthorized use of our intellectual property rights in foreign jurisdictions may be difficult. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of the United States.

Also, while we have registered and applied for trademarks in an effort to protect our investment in our brand and goodwill with customers, competitors may challenge the validity of those trademarks and other brand names in which we have invested. Such challenges can be expensive and may adversely affect our ability to maintain the goodwill gained in connection with a particular trademark.

To the extent we expand our international activities, our exposure to unauthorized use of our technologies and proprietary information may increase. We may also fail to detect unauthorized use of our intellectual property, or be required to expend significant resources to monitor and protect our intellectual property rights, including engaging in litigation, which may be costly, time-consuming, and divert the attention of management and resources, and may not ultimately be successful. If we fail to meaningfully establish, maintain, protect and enforce our intellectual property rights internationally, our business, financial condition and results of operations could be adversely affected.

We were previously a “smaller reporting company”, and we are able to take advantage of certain exemptions from disclosure requirements available to “smaller reporting companies” through the filing of our Quarterly Report on Form 10-Q for the three months ended March 31, 2024, which could make our Class A common stock less attractive to investors.

We were previously a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K and we are therefore able to take advantage of certain reduced disclosure obligations in this Annual Report, including reduced disclosure obligations regarding executive compensation in the Proxy Statement for our 2024 Annual Meeting of Stockholders. As a result, our stockholders may not have access to certain information they may deem important, and we cannot predict whether investors will find our Class A common stock less attractive because we will have been able to rely on this exemption. If some investors find our Class A common stock less attractive as a result of our reliance on this exemption, the trading price of our Class A common stock may be lower than it otherwise would be, there may be a less active trading market for our Class A common stock and the trading price of our Class A common stock may be more volatile.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and regulators, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely impact our business, operating results, and financial condition.

Our amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against our directors, officers, other employees or stockholders for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware, which may have the effect of discouraging lawsuits against our directors, officers, other employees or stockholders.

Our amended and restated certificate of incorporation provides that (i) unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by the applicable law, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (1) any derivative action or proceeding brought on behalf of us, (2) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee of ours or any stockholder of ours to us or our stockholders, (3) any action or proceeding asserting a claim against us or any of our current or former directors, officers or other employees or any stockholder arising pursuant to any provision of the Delaware General Corporation Law (the “DGCL”), our amended and restated certificate of incorporation or our amended and restated bylaws, (4) any action or proceeding to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or amended and restated bylaws (or any right, obligation or remedy thereunder), (5) any action or proceeding as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware, and (6) any action asserting a claim against us or any director, officer or other employee of ours 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, and (ii) unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall, to the fullest extent permitted by law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act or the rules and regulations promulgated thereunder. Any person holding, owning or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to this forum selection provision.

This choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims, although such stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. However, there is no assurance that a court would enforce the choice of forum provision contained in our amended and restated certificate of incorporation. If a court were to find such provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

The warrants originally issued by Atlas are accounted for as liabilities and changes in the value of these warrants could have a material effect on our financial results.

On April 12, 2021, the staff of the SEC (the “SEC Staff”) expressed its view that certain terms and conditions common to special purpose acquisition company (“SPAC”) warrants may require the warrants to be classified as liabilities instead of equity on a SPAC’s balance sheet. As a result of the SEC Staff’s statement, Atlas reevaluated the accounting treatment of its public warrants and private placement warrants, and determined to classify the warrants as derivative liabilities measured at fair value, with changes in fair value reported in its statement of operations for each reporting period.

See Note 12 - Liability Classified Warrants to our audited consolidated financial statements for the year ended December 31, 2023, for additional information about our public and private warrants that were originally issued by Atlas. Accounting Standards Codification (“ASC”) 815-40 provides for the remeasurement of the fair value of such derivatives at each balance sheet date, with a resulting non-cash gain or loss related to the change in the fair value being recognized in the consolidated statements of operations. As a result of the recurring fair value measurement, our financial statements and results of operations may fluctuate quarterly based on factors which are outside of our control. Due to the recurring fair value measurement, we expect that we will recognize non-cash gains or losses on our warrants each reporting period and that the amount of such gains or losses could be material.

Investors' expectations of our performance relating to environmental, social and governance ("ESG") factors may impose additional costs and expose us to new risks.

There is an increasing focus from investors, customers, regulators, employees and other stakeholders concerning corporate responsibility, specifically related to ESG matters. Some investors may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to corporate responsibility are inadequate. The growing investor demand for measurement of non-financial performance is addressed by third-party providers of sustainability assessment and ratings on companies. The criteria by which our corporate responsibility practices are assessed may change due to the constant evolution of the sustainability landscape, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. If we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies and/or actions with respect to corporate social responsibility are inadequate. We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

Furthermore, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. In addition, California recently adopted a number of new climate-related bills, including bills which require companies doing business in California that meet certain revenue thresholds to publicly disclose certain greenhouse gas emissions data and climate-related financial risk reports. The SEC has also proposed disclosure requirements regarding, among other ESG topics, the impact our business has on the environment. If we fail to satisfy the expectations of investors, customers, regulators, employees and other stakeholders or our initiatives are not executed as planned, our reputation and business, operating results and financial condition could be adversely impacted.

Changes in financial accounting standards may cause adverse unexpected fluctuations and affect our reported results of operations.

A change in accounting standards or practices, and varying interpretations of existing or new accounting pronouncements, as well as significant costs incurred or that may be incurred to adopt and to comply with these new pronouncements, could have a significant effect on our reported financial results or the way we conduct our business. If we do not ensure that our systems and processes are aligned with the new standards, we could encounter difficulties generating quarterly and annual financial statements in a timely manner, which could have an adverse effect on our business, our ability to meet our reporting obligations and compliance with internal control requirements.

Management will continue to make judgments and assumptions based on our interpretation of new standards. If our circumstances change or if actual circumstances differ from our assumptions, our operating results may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

Risks Related to Ownership of Our Securities

The price of our Class A common stock and warrants may be volatile, and you could lose all or part of your investment as a result.

The price of our Class A common stock and warrants may fluctuate due to a variety of factors, including:

- changes in macroeconomic or market conditions or trends in our industry or markets, such as inflation, recessions, volatility in interest rates, ongoing supply chain shortages, local and national elections, international currency fluctuations, uncertainty with respect to the federal budget and federal debt ceiling and potential government shutdowns related thereto, actual or perceived instability in the global banking sector, political instability and acts of war, such as the war in Ukraine and the Israel-Hamas war, or terrorism;

- results of operations that vary from the expectations of securities analysts and investors;

- results of operations that vary from those of our competitors;

- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- declines in the market prices of stocks generally;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, joint ventures, other strategic relationships or capital commitments;
- any significant change in our management;
- changes in business or regulatory conditions, including new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- future sales of our Class A common stock or other equity or debt securities;
- investor perceptions or the investment opportunity associated with our Class A common stock relative to other investment alternatives;
- the public’s response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our securities;
- actions by institutional or activist stockholders;
- changes in accounting standards, policies, guidelines, interpretations or principles; and
- other events or factors, including those resulting from natural disasters, war, acts of terrorism or responses to these events.

These broad market and industry fluctuations may adversely affect the market price of our Class A common stock and warrants, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

The dual-class structure of our common stock has the effect of concentrating voting power with certain shareholders of our Class B common stock, which could limit other shareholders’ ability to influence the outcome of important transactions, including a change in control.

Shares of our Class B common stock have ten votes per share, while shares of our Class A common stock have one vote per share. Adam Goldstein, our founder, as well as certain other stockholders, hold the issued and outstanding shares of our Class B common stock. These shares represent a substantial majority of the voting power of our capital stock on an outstanding basis and if voted together are able to control matters submitted to our shareholders for approval, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions for so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our capital stock. These holders may have interests that differ from other shareholders and may vote in a way which may be adverse to other shareholders or with which our other shareholders may disagree. This concentrated control may have the effect of delaying, preventing or deterring a change in control, could deprive our shareholders of an opportunity to receive a premium for their capital stock as part of a sale, and might ultimately affect the market price of our Class A common stock.

We cannot predict the impact that our dual-class structure may have on the stock price of our Class A common stock.

We cannot predict whether our dual-class structure will result in a lower or more volatile market price of Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. Due to these policies, our dual-class capital structure may make us ineligible for inclusion in certain indexes, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indexes will not be investing in our stock. These policies are still new, and it remains unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from such indexes, but it is possible that they may depress these valuations compared to those of other similar companies that are included. Because of our dual-class structure, we are likely excluded from certain of these indexes and we cannot assure you that other stock indexes will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes likely precludes investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

We may be required to take write-downs or write-offs, or may be subject to restructuring, impairment or other charges that could have a significant negative effect on our financial condition, results of operations and the price of our Class A common stock, which could cause you to lose some or all of your investment.

Factors outside of our control may, at any time, arise. As a result of these factors, we may be forced to later write-down or write-off assets, restructure operations, or incur impairment or other charges that could result in reporting losses. Unexpected risks may arise, and previously known risks may materialize. Even though these charges may be non-cash items and therefore not have an immediate impact on our liquidity, we must report charges of this nature which could contribute to negative market perceptions about us or our securities. In addition, charges of this nature may cause us to be unable to obtain future financing on favorable terms or at all.

There can be no assurance that we will be able to comply with the continued listing standards of the NYSE. The NYSE may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

Our Class A common stock and public warrants are listed on the NYSE under the symbols "ACHR" and "ACHR WS," respectively. We cannot assure you that our securities will continue to be listed on the NYSE. We are required to demonstrate compliance with the NYSE's continued listing requirements in order to continue to maintain the listing of our securities on the NYSE. If the NYSE delists our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our Class A common stock is a "penny stock" which will require brokers trading in our Class A 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.

Because there are no current plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of our common stock will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, implications on the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness we incur. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

If securities analysts do not publish research or reports about our business or if they downgrade our Class A common stock or our sector, our Class A common stock price and trading volume could decline.

The trading market for our Class A common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We will not control these analysts. In addition, some financial analysts may have limited expertise with our model and operations. Furthermore, if one or more of the analysts who do cover us downgrade our Class A common stock or industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our Class A common stock could decline. If one or more of these analysts ceases to cover us or fails to initiate coverage or publish reports on us regularly, we could lose visibility in the market, which in turn could cause our Class A common stock price or trading volume to decline.

Future sales, or the perception of future sales, by us or our stockholders in the public market could cause the market price for our Class A common stock to decline.

The sale of shares of our Class A common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our Class A 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 we deem appropriate.

All shares issued in the Business Combination that were registered on our registration statement on Form S-4, which was declared effective on August 11, 2021, are freely tradable without restriction by persons other than our “affiliates,” (as defined under Rule 144 of the Securities Act (“Rule 144”)), including our directors, executive officers and other affiliates.

We filed a registration statement (as subsequently amended and supplemented) on Form S-3 relating to the offer and sale from time to time by the selling security holders named therein of up to 110,742,480 shares of Class A common stock, was declared effective by the SEC on November 15, 2022. We filed another registration statement on Form S-3 relating to the offer and sale from time to time by selling stockholders named therein of up to 94,671,586 shares of Class A common stock, which was declared effective by the SEC on August 21, 2023. In addition, pursuant to our registration rights agreements, certain substantial holders of Legacy Archer’s common stock and our Class A common stock have the right, subject to certain conditions, to require us to register their shares of our Class A common stock for resale under the Securities Act. By exercising their registration rights and selling a large number of shares in reliance on the registration statements, these stockholders could cause the prevailing market price of our Class A common stock to decline.

As restrictions on resale end or if these stockholders exercise their registration rights, the market price of our Class A common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our Class A common stock or other securities.

In November 2023, we filed a registration statement on Form S-3 relating to the offer and sale of up to $70.0 million of our Class A common stock, preferred stock, debt securities, warrants to purchase our Class A common stock, preferred stock or debt securities, subscription rights to purchase our Class A common stock, preferred stock or debt securities and/or units consisting of some or all of these securities, which was declared effective on November 22, 2023. As of December 31, 2023, we had sold approximately $20.7 million pursuant to the Sale Agreement.

In addition, outstanding warrants to purchase an aggregate of 25,398,947 shares of our Class A common stock became exercisable on October 30, 2021. Each warrant entitles the holder thereof to purchase one (1) share of our Class A common stock at a price of $11.50 per whole share, subject to adjustment. Moreover, as of December 31, 2023, we have an additional 20,788,247 outstanding warrants issued to certain parties, 17,948,354 of which remain subject to vesting conditions. These warrants may be exercised only for a whole number of shares of our Class A common stock. To the extent such warrants are exercised, additional shares of our Class A common stock will be issued, which will result in dilution to the then existing holders of our Class A common stock and increase the number of shares eligible for resale in the public market.

In addition, the shares of our common stock reserved for future issuance under our equity incentive plans will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144, as applicable. We have filed registration statements on Form S-8 to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our equity incentive plans. We expect to file additional registration statements on Form S-8 in the future to register additional shares reserved for future issuance under our equity incentive plans, and Form S-8 registration statements automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market.

In the future, we may also issue our securities in connection with investments or acquisitions. The number of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding Class A common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our stockholders.

Anti-takeover provisions in our governing documents could delay or prevent a change of control.

Certain provisions of our amended and restated certificate of incorporation and our amended and restated bylaws have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- the ability of our board of directors to issue one or more series of preferred stock;
- a classified board;
- a dual-class share structure;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings;
- limiting the ability of stockholders to act by written consent; and
- our board of directors has the express authority to make, alter or repeal our amended and restated bylaws.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We understand the importance of maintaining an active cybersecurity risk management and strategy program. As an emerging technology company, we understand that we may face cyber threats that range from common cyberattacks, such as ransomware, to more advanced attacks such as advanced persistent threats perpetrated by nation-state actors and other highly organized actors. Our cybersecurity risk management program is guided by industry standards, such as the National Institute of Standards and Technology ("NIST"). We strategically partner with industry leading external vendors to perform cybersecurity assessments, as well as regular penetration testing to better understand our potential vulnerabilities, threat vectors, and impact on critical assets or operations. As part of these processes, our cybersecurity team identifies and prioritizes risks to devise our annual cybersecurity mitigation strategy and address operational risks. Our cybersecurity program is organized around the following key areas:

Risk Management and Strategy

Insider Risk Management. We recognize that not all threats are external. We have an insider risk management program and are working to improve our data loss protection technology to protect our critical data.

Security Awareness Education. Understanding the need for regular cybersecurity training, we have instituted a mandatory training program for all employees.

Technical Safeguards. We have improved our endpoint security postures through the implementation of an Enterprise Mobile Management system, and continue to increase our investment in strengthening email, DNS, and other network security services.

Threat Detection and Response. In addition to aligning our cybersecurity risk management program to NIST standards, we have also engaged with third party providers of security information and event management and cybersecurity services to provide continuous monitoring and operational threat detection and response. Our partners integrate threat intelligence into their platforms, providing us with a proactive view of possible threats.

Incident Response. We have implemented a holistic review of incident response, with workflows in place for cybersecurity incidents, including provisions for assessing materiality, and defined escalation procedures.

Third Party Risk Management. To manage third-party risks, our cybersecurity team evaluates our partners, to provide an additional layer of scrutiny, and supervises and identifies material risks associated with the use of third-party service providers. These processes include a review of security controls and supplier contractual obligations for security and data protection requirements.

Governance

Our Audit Committee is primarily responsible for assisting our Board of Directors in fulfilling its ultimate oversight responsibilities relating to risk assessment and management, including with respect to risks and incidents relating to cybersecurity threats, compliance with disclosure requirements, cooperation with law enforcement, cybersecurity and other information securities policies and practices and related internal controls. The Audit Committee reports any findings and recommendations, as appropriate, to the full Board of Directors for consideration. In that capacity, our Audit Committee conducts quarterly reviews of, and meets with our Chief Information Officer and other senior management to discuss, technology and cybersecurity risks and the risk assessment and risk management policies, practices, programs and/or procedures that we have adopted to monitor, control, mitigate and manage such risks. Our Board of Directors is committed to maintaining a well-informed and cybersecurity-aware posture, regularly engaging by receiving scheduled and requested updates on our strategy and evolving threat landscape as well as bolstering existing cybersecurity knowledge and continued education of recent cybersecurity trends.

We are developing processes to continuously monitor, analyze emerging threats, and to develop and implement risk mitigation strategies and our management team plays a pivotal role in assessing and managing material risks from cybersecurity threats. As our first key investment, we have hired our Director of Information Security with over 20 plus years of information security experience to oversee our cybersecurity program. Our Director of Information Security reports up to our Chief

Information Officer. Together our Director of Information Security and Chief Information Officer have over 40 years of combined experience.

Item 2. Properties

We currently lease our headquarters in San Jose, California. We lease additional offices, research and development facilities, and manufacturing facilities in Santa Clara and Mountain View, California and flight test facilities at Salinas Municipal Airport in Salinas, California. We also lease a property for our high-volume manufacturing facility in Covington, Georgia that is under construction. We believe our existing leased facilities are in good condition and suitable for the conduct of our business.

Item 3. Legal Proceedings

For a description of our material pending legal proceedings, see Note 8 - Commitments and Contingencies of the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Following the closing of the Business Combination, our Class A common stock and warrants began trading on the New York Stock Exchange under the symbols "ACHR" and "ACHR WS" on September 17, 2021.

Our Class B common stock is not listed or traded on any stock exchange.

Holders of Record

As of February 23, 2024, there were 121 stockholders of record of our Class A common stock and 7 stockholders of record of our Class B common stock. The actual number of holders of our Class A and Class B common stock is greater than the number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or other nominees. The number of holders of record presented here also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared nor paid any cash dividends on our capital stock. We anticipate that we will retain all of our future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

Sales of Unregistered Securities

None.

Use of Proceeds

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

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

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

The Business Combination generated $857.6 million in gross cash proceeds to Archer, inclusive of $600.0 million in proceeds from a private placement (the "PIPE Financing") and $257.6 million transferred from the trust account. Total direct and incremental transaction costs aggregated $81.8 million, of which $10.9 million was expensed as part of the Business Combination, $55.8 million was recorded to additional paid-in capital as equity issuance costs, and the remaining $15.1 million was settled through the issuance of shares of New Archer Class A common stock.

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

Issuer Purchases of Equity Securities

None.

Item 6. [Reserved]

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related accompanying notes included elsewhere in this Annual Report. Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located in our Annual Report on Form 10-K for the year ended December 31, 2022, filed on March 15, 2023, for a comparison of our results of operations for the years ended December 31, 2022 and 2021. In addition to historical consolidated financial information, the following discussion includes forward-looking statements. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. See the section titled "Special Note Regarding Forward-Looking Statements" in this Annual Report. Our actual results could differ materially from such forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those set forth in Part I, Item 1A, "Risk Factors" in this Annual Report.

Overview

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

Midnight is designed to carry 4 passengers plus a pilot optimized for back-to-back short distance trips of around 20-miles, with minimal charging time between trips. We are working to certify Midnight with the FAA so that we can then enter into commercial service as soon as possible. In August 2023, we received the Special Airworthiness Certificate from the FAA for our first Midnight aircraft and began its flight testing program in October 2023.

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

- **Safety.** High redundancy and simplified propulsion systems make for a significantly safer aircraft compared to a helicopter. Midnight has no single critical point of failure, meaning that should any single component fail, the aircraft can still safely complete its flight.

- **Low noise.** With its intended cruising altitude at approximately 2,000 feet, the design of Midnight is such that the noise that reaches the ground is expected to measure around 45 A-weighted decibels, approximately 100 times quieter than that of a helicopter. During forward flight, the aircraft's tilt propellers spin on axes that are aligned with the oncoming air flow, rather than edge-wise to the flow, as is the case with traditional helicopters - further decreasing noise levels. Since Archer's aircraft is spinning 12 small propellers rather than one large rotor, it can also spin them at significantly lower tip speeds, resulting in much lower noise levels.

- **Sustainable.** Midnight is all electric, resulting in zero operating emissions. Archer is committed to sourcing renewable energy wherever possible to power its aircraft. Archer's design and engineering teams are working to integrate materials into this aircraft that have their own unique sustainability stories.

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

Our Planned Lines of Business

Upon receipt of all necessary FAA certifications and any other government approvals necessary for us to manufacture and operate our aircraft, we intend to operate two complementary lines of business: Archer UAM and Archer Direct.

Archer UAM

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

Archer Direct

We also plan to selectively sell our aircraft to third parties. We have entered into the United Purchase Agreement for the conditional purchase of up to $1.0 billion worth of aircraft, with an option for another $500.0 million worth of aircraft. In August 2023, we entered into two new contracts with the U.S. Air Force, worth up to $142.0 million, which includes the purchase of aircraft, as well as the sharing of additional flight test data certification related reports, pilot training, and the development of maintenance and repair operations.

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

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

Components of Results of Operations

Revenue

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

Operating Expenses

Research and Development

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

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

General and Administrative

General and administrative expenses consist primarily of personnel-related costs (including salaries, bonuses, benefits, and stock-based compensation) for employees associated with administrative services such as finance, legal, human resources, information technology, associated facilities costs, depreciation, and non-cash technology and dispute resolution agreements expense. We expect our general and administrative expenses to increase as we hire additional personnel and consultants to support our operations and comply with applicable regulations, including the Sarbanes-Oxley Act and other SEC rules and regulations.

Other Warrant Expense

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

Other (Expense) Income, Net

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

Interest Income (Expense), Net

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

Results of Operations

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

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change $	Change %
	(In millions)			
Operating expenses:				
Research and development (1)	$ 276.4	$ 171.5	$ 104.9	61 %
General and administrative (1)	168.4	165.1	3.3	2 %
Other warrant expense	2.1	10.8	(8.7)	(81)%
Total operating expenses	446.9	347.4	99.5	29 %
Loss from operations	(446.9)	(347.4)	(99.5)	29 %
Other (expense) income, net	(26.9)	27.8	(54.7)	NM
Interest income (expense), net	16.4	2.3	14.1	NM
Loss before income taxes	(457.4)	(317.3)	(140.1)	44 %
Income tax expense	(0.5)	—	(0.5)	100 %
Net loss	$ (457.9)	$ (317.3)	$ (140.6)	44 %

NM=Not Meaningful.

(1) Includes stock-based compensation expense as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Research and development	$ 28.9	$ 26.1
General and administrative	16.3	76.7
Total stock-based compensation expense	$ 45.2	$ 102.8

Comparison of the Year Ended December 31, 2023 and 2022

Research and Development

Research and development expenses increased by $104.9 million, or 61%, for the year ended December 31, 2023, compared to the year ended December 31, 2022, as we invested in people and materials to advance our technology development. The increase was primarily due to an increase of $40.9 million in costs related to professional services and tools and materials to support our increased research and development activities, an increase of $38.1 million in personnel-related expenses due to a significant increase in our workforce from the prior year, and an increase of $14.7 million in warrant expenses related to the warrants issued to Stellantis in connection with the manufacturing and collaboration agreement between us and Stellantis. See Note 10 - Stock-Based Compensation to our consolidated financial statements for further details on our warrants. The remainder of the increase was made up of other incidental items.

General and Administrative

General and administrative expenses increased by $3.3 million, or 2%, for the year ended December 31, 2023, compared to the year ended December 31, 2022. The increase was primarily due to a $70.3 million non-cash charge comprised of a $26.3 million non-cash charge associated with the Initial Vested Share Tranche and a $44.0 million non-cash charge for the unvested portion of the Warrant that is contingent and may never be realized, relating to a series of agreements between us, Boeing and Wisk on August 10, 2023, providing for, among other things, certain investments and warrant issuances, as well as an autonomous flight technology agreement and the resolution of certain federal and state court litigation between the parties (the “Technology and Dispute Resolution Agreements”). The increase was partially offset by a reversal of previously recognized stock-based compensation expense of $59.1 million associated with the forfeiture of the unvested portion of the restricted stock units (“RSUs”) granted to our founders pursuant to the terms and conditions of the Business Combination Agreement immediately prior to closing (the “Founder Grant”) issued to the Company’s co-founder and former co-CEO. See Note 8 - Commitments and Contingencies and Note 10 - Stock-Based Compensation to our consolidated financial statements for further details on our commitments and contingencies and stock-based compensation, respectively. The remainder of the offset was made up of other incidental items.

Other Warrant Expense

Other warrant expense decreased by $8.7 million, or 81%, for the year ended December 31, 2023, compared to the year ended December 31, 2022. The decrease was primarily due to the vesting of United warrants associated with specific milestones during the year ended December 31, 2022. The warrants associated with the specific milestones fully vested in the first quarter of 2023. See Note 10 - Stock-Based Compensation to our consolidated financial statements for further details on our warrants.

Other (Expense) Income, Net

Other (expense) income, net decreased by $54.7 million for the year ended December 31, 2023, compared to the year ended December 31, 2022. The decrease was primarily due to changes in fair value of our warrant liabilities. See Note 3 - Summary of Significant Accounting Policies to our consolidated financial statements for further details.

Interest Income (Expense), Net

Interest income (expense), net increased by $14.1 million for the year ended December 31, 2023, compared to the year ended December 31, 2022. The increase was primarily due to interest income from our cash and cash equivalents and short-term investments in marketable securities.

Liquidity and Capital Resources

As of December 31, 2023, our principal sources of liquidity were cash and cash equivalents of $464.6 million. We have incurred net losses since our inception and to date have not generated any revenues. We expect to incur additional losses and higher operating expenses for the foreseeable future. We believe that our existing cash and cash equivalents will be sufficient for at least the next 12 months to meet our requirements and plans for cash, including meeting our working capital requirements and capital expenditure requirements.

On August 10, 2023, we entered into subscription agreements with certain investors providing for the private placement of 26,173,286 shares of our Class A common stock for net proceeds of approximately $139.0 million, after deducting offering costs.

On June 23, 2023, we issued 6,337,039 shares of Class A common stock to Stellantis at a price of $3.94506 per share in connection with the first milestone under the Stellantis Forward Purchase Agreement and received approximately $25.0 million in gross proceeds. On August 10, 2023, Stellantis waived certain conditions provided for in the Stellantis Forward Purchase Agreement relating to our actual achievement pursuant to Milestone 2 (as defined in the Stellantis Forward Purchase Agreement). In connection with this, we submitted an election notice to draw down upon the $70.0 million applicable to Milestone 2, which equals 12,313,234 shares of our Class A common stock. On October 16, 2023, we issued 12,313,234 shares of our Class A common stock to Stellantis, at a price per share of $5.68, for gross proceeds of approximately $70.0 million.

On October 5, 2023, we entered into the Credit Agreement with Synovus Bank, as administrative agent and lender, and the additional lenders (the “Lenders”) from time to time. We may request the Lenders to provide multiple delayed term loan advances (together, the “Loan”) in an aggregate principal amount of up to $65.0 million for the construction and development of our manufacturing facility in Covington, Georgia. The Loan under the Credit Agreement shall accrue interest from and including the date the applicable advance is made but excluding the repayment date at a rate of the secured overnight financing rate (“SOFR”), plus 2.00% subject to a SOFR floor of 0.00%. We are required to make interest-only payments for 36 months on the Loan starting on November 14, 2023, followed by monthly interest and principal payments for the remaining maturity, with any outstanding principal, interest and other then outstanding indebtedness due at maturity. The Credit Agreement matures on the earlier of October 5, 2033 or the date on which the outstanding Loan has been declared or automatically becomes due and payable pursuant to the terms of the Credit Agreement. Our obligations under the Credit Agreement are jointly and severally guaranteed by our current and future wholly-owned domestic subsidiaries, and are secured by cash, general intangibles, instruments, securities, financial assets, security entitlements and other property maintained in a money market account at Synovus Bank.

In November 2023, we filed a shelf registration statement on Form S-3 (the “Shelf Registration Statement”), which became effective in November 2023. The Shelf Registration Statement permits the offering of up to $70.0 million aggregate dollar amount of shares of our Class A common stock or preferred stock, debt securities, warrants to purchase our Class A common stock, preferred stock or debt securities, subscription rights to purchase our Class A common stock, preferred stock or debt securities and/or units consisting of some or all of these securities, in one or more offerings and in any combination. In connection with the Shelf Registration Statement, we entered into an Open Market Sales Agreement[SM] (the “Sales Agreement”), with Cantor Fitzgerald & Co., as the sales agent, pursuant to which we may offer and sell shares of our Class A common stock having an aggregate offering amount of up to $70.0 million. The $70.0 million of Class A common stock that may be issued and sold pursuant to the Sales Agreement is included in the $70.0 million of securities that may be issued and sold pursuant to the Shelf Registration Statement. We will pay Cantor Fitzgerald & Co. a commission rate of up to 3.0% of the gross proceeds from the sale of any shares of Class A common stock pursuant to the Sales Agreement. As of December 31, 2023, we had $49.3 million remaining under the Sales Agreement.

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

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

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

The following includes our short-term and long-term material cash requirements from known contractual obligations as of December 31, 2023:

Notes Payable

See Note 7 - Notes Payable to our consolidated financial statements for further details on our debt.

Leases

We lease office, lab, hangar, and storage facilities in the normal course of business. Under our operating leases as noted in Note 8- Commitments and Contingencies to our consolidated financial statements, we have current obligations of $5.5 million and long-term obligations of $18.5 million.

Cash Flows

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

	Year Ended December 31,	
	2023	**2022**
	(In millions)	
Net cash provided by (used in):		
Operating activities	$ (271.6)	$ (200.4)
Investing activities	420.7	(464.3)
Financing activities	250.1	(9.9)

Cash Flows Used in Operating Activities

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

Net cash used in operating activities during the year ended December 31, 2023 was $271.6 million, resulting from a net loss of $457.9 million, adjusted for non-cash items consisting primarily of a $70.3 million non-cash charge comprised of a $26.3 million non-cash charge associated with the Initial Vested Share Tranche and a $44.0 million non-cash charge for the unvested portion of the Warrant that is contingent and may never be realized, relating to the Technology and Dispute Resolution Agreements, $45.2 million in stock-based compensation which includes the reversal of $59.1 million of stock-based compensation expense related to the forfeiture of one of the Founder Grants, a loss of $32.9 million due to a change in fair value of our warrant liabilities, and $17.5 million of research and development warrant expense related to the warrants issued to Stellantis (see Note 10 - Stock-Based Compensation to our consolidated financial statements). The net cash provided by changes in our net operating assets and liabilities of $13.2 million was primarily related to a $9.2 million increase in accounts payable due to timing of payments.

Net cash used in operating activities during the year ended December 31, 2022 was $200.4 million, resulting from a net loss of $317.3 million, adjusted for non-cash items consisting primarily of $102.8 million in stock-based compensation primarily related to the Founder Grants and $10.8 million in other warrant expense related to the United warrants (see Note 10 - Stock-Based Compensation), partially offset by a gain of $22.9 million primarily due to the change in fair value of our warrant liabilities. The net cash related to changes in our net operating assets and liabilities of $19.2 million was primarily related to a $15.6 million increase in accrued expenses and other current liabilities mainly due to legal fees and expenses and a $10.1 million increase in other long-term liabilities mainly due to the $10.0 million pre-delivery payment from United (see Note 10 - Stock-Based Compensation), partially offset by a $3.4 million increase in operating lease right-of-use assets and lease liabilities, net driven by lease payments and a $2.2 million increase in prepaid expenses primarily due to prepaid research and development-related expenses.

Cash Flows Provided by (Used in) Investing Activities

Net cash provided by investing activities during the year ended December 31, 2023 was $420.7 million, driven by proceeds from maturities of short-term investments of $465.0 million, offset by purchases of property and equipment of $44.3 million within the period.

Net cash used in investing activities during the year ended December 31, 2022 was $464.3 million, driven by purchases of short-term investments of $487.4 million and purchases of property and equipment of $6.9 million, offset by proceeds from maturities of short-term investments of $30.0 million.

Cash Flows Provided by (Used in) Financing Activities

Net cash provided by financing activities during the year ended December 31, 2023 was $250.1 million, driven by gross proceeds from the PIPE financing of $145.0 million, proceeds from the issuance of common stock to Stellantis of $95.0 million, and proceeds from shares issued under an at-the-market offering of $20.7 million, partially offset by the repayment of term loans to Silicon Valley Bank, a division of First-Citizens Bank, for $10.0 million.

Net cash used in financing activities during the year ended December 31, 2022 was $9.9 million, consisting primarily of the repayment of debt for $10.0 million.

Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

The SEC has defined a company’s critical accounting policies as the ones that are most important to the portrayal of the company’s financial condition and results of operations, and which require the company to make its most difficult and subjective judgements, often as a result of the need to make estimates of matters that are inherently uncertain.

We believe that the following critical accounting policies involve a greater degree of judgment or complexity than our other accounting policies. Accordingly, these are the policies we believe are the most critical to a full understanding and evaluation of our consolidated financial statements. For additional information, refer to Note 3 - Summary of Significant Accounting Policies to our consolidated financial statements.

Common Stock Valuation

Prior to the Business Combination, there was no public market for our common stock, and our board of directors determined the fair value of our common stock by taking into account input from management and independent third-party valuation analyses. The determinations of the fair value of our common stock were made using methodologies, approaches, and assumptions consistent with the American Institute of Certified Public Accountants Accounting and Valuation Guide: Valuation of Privately-Held-Company Equity Securities Issued as Compensation. In valuing our common stock, we determined the equity value of our business using a combination of the market and income approach valuation methods. The total enterprise value was then allocated to our various share classes using a hybrid approach consisting of the option pricing model ("OPM") and probability-weighted expected return method ("PWERM"). The OPM considers preferred stockholders' liquidation preferences, participation rights, dividend policy, and conversion rights to determine how proceeds from a liquidity event shall be distributed among the various ownership classes at a future date, whereas the PWERM estimates the fair market value of the common stock based on an analysis of future values for various potential liquidity outcomes. Since there was no active market for our common stock, we also applied a discount for lack of marketability for both OPM and PWERM scenarios. Application of these approaches and methods involves the use of estimates, judgments, and assumptions, such as future revenue, expenses and cash flows, selections of comparable companies, probabilities and timing of exit events, and other factors. The fair value of our common stock, utilizing the above methodology prior to the closing of the Business Combination, was used to determine the fair value of the United warrants, and was a key input in the estimation of the fair value of our stock options (as discussed below).

Since the closing of the Business Combination in September 2021, the fair value of our common stock is based on the closing price of our Class A common stock, as quoted on the NYSE, on the date of grant.

Stock-Based Compensation

We account for stock-based compensation awards granted to employees and non-employees by recording compensation expense based on each award's grant date estimated fair value over the vesting period, in accordance with ASC 718, *Compensation — Stock Compensation.* We estimate the fair value of RSUs based on the fair value of our common stock on the date of grant. We estimate the fair value of stock options using the Black-Scholes option-pricing model. Determining the fair value of stock options under this model requires highly subjective assumptions, including the fair value of the underlying common stock, risk-free interest rate, expected term of the award, expected volatility of the price of our common stock, and expected dividend yield of our common stock. These estimates involve inherent uncertainties and the application of management's judgment. If we had made different assumptions, our stock-based compensation expense could have been materially different. We have not issued any stock options since the closing of the Business Combination.

The fair value of RSUs that vest based on service conditions is determined based on the value of the underlying common stock at the date of grant. The Founder Grants vest when either a market condition or performance condition is satisfied. We determined the fair value of the performance award by utilizing the trading price on the Closing Date. When the applicable performance milestone is deemed probable of being achieved, we will recognize compensation expense for the portion earned to date over the requisite period. For the market condition award, we estimated the fair value using a Monte Carlo simulation model. We recognize compensation expense for the market award on a straight-line basis over the derived service period. Determining the fair value for the market condition award under this model requires subjective assumptions, including the expected volatility of the price of our common stock. If the applicable performance condition is not probable of being achieved, compensation cost for the value of the award incorporating the market condition is recognized, so long as the requisite service is provided. If the performance milestone becomes probable of being achieved, the full fair value of the award will be recognized, and any remaining expense for the market award will be cancelled.

Income Taxes

We are subject to income taxes in the United States and other jurisdictions. Our income tax provision consists of an estimate of federal, state and foreign income taxes based on enacted federal, state and foreign tax rates, as adjusted for allowable credits, deductions, uncertain tax positions, changes in the valuation of our deferred tax assets and liabilities, and changes in tax laws.

We recognize tax benefits from uncertain tax positions only if we believe that it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We make adjustments to these reserves when facts and circumstances change, such as the closing of issues under audit or expiration of statute of limitation, changes in or interpretations of tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences may affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and results of operations.

Significant judgment is applied when assessing the need for valuation allowances and includes the evaluation of historical income (loss) adjusted for the effects of non-recurring items. Areas of estimation include consideration of future taxable income. We have placed a full valuation allowance against our federal and state deferred tax assets since the recovery of the assets is uncertain. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, the adjustment related to valuation allowances would be reported as an increase to income.

Recent Accounting Pronouncements

See Note 3 - Summary of Significant Accounting Policies to our consolidated financial statements for a discussion about accounting pronouncements recently adopted and recently issued and not yet adopted.

Credit Risk

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to market risk for changes in interest rates applicable to our borrowings and short-term investments. The Loan under the Credit Agreement accrues interest from and including the date the applicable advance is made but excluding the repayment date at a rate of the SOFR, plus 2.00% subject to a SOFR floor of 0.00%. Additionally, we had cash, cash equivalents, and restricted cash totaling $471.5 million as of December 31, 2023. Cash equivalents were invested in money market funds. The primary objectives of our investment activities are to preserve principal and achieve liquidity requirements. We do not enter into investments for trading or speculative purposes. A hypothetical 100 basis point change in interest rates applicable to the Loan under the Credit Agreement or with respect to our investment portfolio would not have had a material impact on the fair value of our portfolio for the periods presented.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Archer Aviation Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Archer Aviation Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, of comprehensive loss, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. 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.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Wisk Settlement and Valuation of the Second Tranche Warrant

As described in Notes 3 and 8 to the consolidated financial statements, on August 10, 2023, the Company, the Boeing Company ("Boeing") and Wisk Aero LLC ("Wisk") (a wholly-owned subsidiary of Boeing) entered into a series of agreements that provide for, among other things, certain investments by Boeing into the Company and an autonomous flight technology collaboration between Wisk and the Company, the issuance of certain warrants to Wisk and resolution of the federal and state court litigation between the parties (the "Technology and Dispute Resolution Agreements" or "Wisk Settlement"). Under the Wisk Settlement, management agreed to issue Wisk a warrant to purchase up to 13,176,895 shares of the Company's Common Stock with an exercise price of $0.01 per share (the "Wisk Warrant"). The Wisk Warrant shall vest and be exercisable as follows: (i) immediately as to 4,512,636 shares, underlying the Warrant (the "Initial Vested Share Tranche") and (ii) for up to 8,664,259 shares (the "Second Tranche") underlying the Wisk Warrant as determined six months from the effective date of the Warrant (the "Specified Date"). The extent to which the Second Tranche vests is based on the value of the First Boeing Investment and the shares underlying the Initial Vested Share Tranche as of the Specified Date. Management recorded the Initial Vested Share Tranche within equity at its fair value. Management recorded the Second Tranche as liabilities at their fair value and adjusts the warrants to fair value at each reporting period. Management utilizes a Monte Carlo simulation model for the accrued technology and dispute resolution agreements liability at each reporting period, with changes in fair value recognized in the consolidated statements of operations. As of December 31, 2023, management recorded a $70.3 million non-cash charge in general and administrative expenses consisting of a $26.3 million non-cash charge associated with the Initial Vested Share Tranche and a $44.0 million non-cash charge for the unvested portion of the Wisk Warrant. At December 31, 2023, the associated liability was $44.0 million.

The principal considerations for our determination that performing procedures relating to the accounting for the Wisk Settlement and valuation of the Second Tranche Warrant liability is a critical audit matter are (i) a high degree of auditor effort in performing procedures and evaluating audit evidence related to the accounting for the Wisk Settlement and valuation of the Second Tranche Warrant liability and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to significant unusual transactions, including controls over management's accounting for the Wisk Settlement and valuation of the Second Tranche Warrant. These procedures also included, among others, (i) reading the agreements related to the Wisk Settlement and evaluating the accounting implications of such agreements, (ii) the involvement of professionals with specialized skill and knowledge to assist in developing an independent estimate for the Second Tranche Warranty liability, (iii) comparing the independent estimate to management's estimate to evaluate the reasonableness of management's estimate of the Second Tranche Warrant liability, and (iv) testing the completeness and accuracy of underlying data used by management in the Monte Carlo simulation model. Professionals with specialized skill and knowledge were also used to assist in evaluating the appropriateness of the Monte Carlo simulation model used by management to develop the fair value estimate of the Second Tranche Warrant liability.

/s/ PricewaterhouseCoopers LLP

Irvine, California
February 29, 2024

We have served as the Company's auditor since 2020.

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

	As of December 31,	
	2023	**2022**
Assets		
Current assets		
Cash and cash equivalents	$ 464.6	$ 69.4
Restricted cash	6.9	2.9
Short-term investments	—	461.8
Prepaid expenses	7.9	9.8
Other current assets	0.8	1.6
Total current assets	480.2	545.5
Property and equipment, net	57.6	11.5
Intangible assets, net	0.4	0.4
Right-of-use assets	8.9	11.9
Other long-term assets	7.2	4.5
Total assets	$ 554.3	$ 573.8
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 14.3	$ 3.6
Current portion of lease liabilities	2.8	3.7
Current portion of notes payable	—	9.3
Accrued expenses and other current liabilities	96.9	36.7
Total current liabilities	114.0	53.3
Notes payable, net of current portion	7.2	—
Lease liabilities, net of current portion	13.2	9.2
Warrant liabilities	39.9	7.0
Other long-term liabilities	12.9	11.0
Total liabilities	187.2	80.5
Commitments and contingencies (Note 8)		
Stockholders' equity		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding as of December 31, 2023 and 2022	—	—
Class A common stock, $0.0001 par value; 700,000,000 shares authorized; 265,617,341 and 177,900,738 shares issued and outstanding as of December 31, 2023 and 2022, respectively	—	—
Class B common stock, $0.0001 par value; 300,000,000 shares authorized; 38,165,615 and 63,738,197 shares issued and outstanding as of December 31, 2023 and 2022, respectively	—	—
Additional paid-in capital	1,515.9	1,185.0
Accumulated deficit	(1,148.8)	(690.9)
Accumulated other comprehensive loss	—	(0.8)
Total stockholders' equity	367.1	493.3
Total liabilities and stockholders' equity	$ 554.3	$ 573.8

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2023	2022	2021
Operating expenses			
Research and development	$ 276.4	$ 171.5	$ 64.3
General and administrative	168.4	165.1	176.7
Other warrant expense	2.1	10.8	117.3
Total operating expenses	446.9	347.4	358.3
Loss from operations	(446.9)	(347.4)	(358.3)
Gain on forgiveness of PPP loan	—	—	0.9
Other (expense) income, net	(26.9)	27.8	10.6
Interest income (expense), net	16.4	2.3	(1.0)
Loss before income taxes	(457.4)	(317.3)	(347.8)
Income tax expense	(0.5)	—	—
Net loss	$ (457.9)	$ (317.3)	$ (347.8)
Net loss per share, basic and diluted	$ (1.69)	$ (1.32)	$ (3.14)
Weighted-average shares outstanding, basic and diluted	270,408,132	240,476,894	110,836,238

See accompanying notes to consolidated financial statements.

Archer Aviation Inc.
Consolidated Statements of Comprehensive Loss
(In millions)

	Year Ended December 31,		
	2023	**2022**	**2021**
Net loss	$ (457.9)	$ (317.3)	$ (347.8)
Other comprehensive income (loss):			
Unrealized gain (loss) on available-for-sale securities, net of tax	0.8	(0.8)	—
Comprehensive loss	$ (457.1)	$ (318.1)	$ (347.8)

See accompanying notes to consolidated financial statements.

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

	Common Stock							
	Class A		Class B		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2020	49,828,517	$ —	66,714,287	$ —	$ 61.7	$ (25.8)	$ —	$ 35.9
Conversion of Class B common stock to Class A common stock	5,337,446	—	(5,337,446)	—	—	—	—	—
Issuance of restricted stock and restricted stock expense	20,833	—	10,004,612	—	118.1	—	—	118.1
Exercise of stock options	859,544	—	3,556,492	—	0.5	—	—	0.5
Issuance of warrants and warrant expense	—	—	—	—	124.3	—	—	124.3
Exercise of warrants	8,845,058	—	—	—	0.1	—	—	0.1
Stock-based compensation	—	—	—	—	5.5	—	—	5.5
Issuance of Class A common stock pursuant to the Business Combination Agreement	36,385,693	—	—	—	162.3	—	—	162.3
PIPE financing	61,512,500	—	—	—	600.0	—	—	600.0
Net loss	—	—	—	—	—	(347.8)	—	(347.8)
Balance as of December 31, 2021	162,789,591	—	74,937,945	—	1,072.5	(373.6)	—	698.9
Conversion of Class B common stock to Class A common stock	8,406,170	—	(8,406,170)	—	—	—	—	—
Issuance of restricted stock and restricted stock expense	5,269,553	—	—	—	71.3	—	—	71.3
Exercise of stock options	1,435,424	—	2,208,728	—	0.4	—	—	0.4
Issuance of warrants and warrant expense	—	—	—	—	14.1	—	—	14.1
Cancellation of Class B common stock (Note 10)	—	—	(5,002,306)	—	—	—	—	—
Stock-based compensation	—	—	—	—	26.7	—	—	26.7
Net loss	—	—	—	—	—	(317.3)	—	(317.3)
Other comprehensive loss	—	—	—	—	—	—	(0.8)	(0.8)
Balance as of December 31, 2022	177,900,738	—	63,738,197	—	1,185.0	(690.9)	(0.8)	493.3
Conversion of Class B common stock to Class A common stock	26,449,869	—	(26,449,869)	—	—	—	—	—
Issuance of Class A common stock	1,985,559	—	—	—	11.6	—	—	11.6
Issuance of restricted stock and restricted stock expense	7,405,542	—	—	—	(6.6)	—	—	(6.6)
Exercise of stock options	1,149,934	—	877,287	—	0.2	—	—	0.2
Issuance of warrants and warrant expense	—	—	—	—	46.0	—	—	46.0
Exercise of warrants	2,942,778	—	—	—	—	—	—	—

	Common Stock				Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Common stock withheld related to net share settlement of equity awards	(1,378,367)	—	—	—	(3.5)	—	—	(3.5)
Common stock issued under employee stock purchase plan	1,228,632	—	—	—	2.9	—	—	2.9
Common stock issued under stock purchase agreement	18,650,273	—	—	—	89.6	—	—	89.6
Common stock issued under at-the-market offering	3,109,097	—	—	—	19.5	—	—	19.5
PIPE financing	26,173,286	—	—	—	139.0	—	—	139.0
Stock-based compensation	—	—	—	—	32.2	—	—	32.2
Net loss	—	—	—	—	—	(457.9)	—	(457.9)
Other comprehensive income	—	—	—	—	—	—	0.8	0.8
Balance as of December 31, 2023	265,617,341	$ —	38,165,615	$ —	$ 1,515.9	$ (1,148.8)	$ —	$ 367.1

See accompanying notes to consolidated financial statements.

Archer Aviation Inc.
Consolidated Statements of Cash Flows
(In millions)

	Year Ended December 31, 2023	2022	2021
Cash flows from operating activities			
Net loss	$ (457.9)	$ (317.3)	$ (347.8)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation, amortization and other	6.5	4.4	1.3
Debt discount and issuance cost amortization	0.7	0.5	0.2
Stock-based compensation	45.2	102.8	123.6
Change in fair value of warrant liabilities and other warrant costs	32.9	(22.9)	(10.4)
Gain on issuance of common stock	(3.6)	—	—
Non-cash lease expense	3.8	4.6	1.7
Research and development warrant expense	17.5	2.9	7.0
Other warrant expense	2.1	10.8	117.3
Technology and dispute resolution agreements expense	70.3	—	—
Interest income on short-term investments	—	(0.5)	—
Accretion and amortization income of short-term investments	(2.3)	(4.9)	—
Gain on forgiveness of PPP loan	—	—	(0.9)
Changes in operating assets and liabilities:			
Prepaid expenses	1.9	(2.2)	(6.8)
Other current assets	0.8	(1.2)	(0.3)
Other long-term assets	(5.0)	0.4	(2.7)
Accounts payable	9.2	(0.1)	(0.8)
Accrued expenses and other current liabilities	2.3	15.6	12.1
Operating lease right-of-use assets and lease liabilities, net	2.4	(3.4)	(1.9)
Other long-term liabilities	1.6	10.1	—
Net cash used in operating activities	(271.6)	(200.4)	(108.4)
Cash flows from investing activities			
Purchase of short-term investments	—	(487.4)	—
Proceeds from maturities of short-term investments	465.0	30.0	—
Purchase of property and equipment	(44.3)	(6.9)	(3.5)
Net cash provided by (used in) investing activities	420.7	(464.3)	(3.5)
Cash flows from financing activities			
Proceeds from issuance of debt	7.5	—	20.0
Repayment of long-term debt	(10.0)	(10.0)	—
Payment of debt issuance costs	(0.3)	—	(0.2)
Payments for taxes related to net share settlement of equity awards	(3.5)	—	—
Proceeds from PIPE financing	145.0	—	600.0
Payment of offering costs in connection with PIPE financing	(6.0)	—	—
Proceeds from shares issued under at-the-market offering	20.7	—	—
Payment of offering costs in connection with at-the-market offering	(1.2)	—	—
Recapitalization transaction	—	—	257.6
Recapitalization transaction costs	—	—	(55.8)
Proceeds from exercise of stock options	—	0.1	0.5
Proceeds from exercise of stock warrants	—	—	0.1
Proceeds from shares issued under employee stock purchase plan	2.9	—	—
Proceeds from issuance of common stock	95.0	—	—
Net cash provided by (used in) financing activities	250.1	(9.9)	822.2
Net increase (decrease) in cash, cash equivalents, and restricted cash	399.2	(674.6)	710.3
Cash, cash equivalents, and restricted cash, beginning of period	72.3	746.9	36.6
Cash, cash equivalents, and restricted cash, end of period	$ 471.5	$ 72.3	$ 746.9

Supplemental Cash Flow Information:						
Cash paid for interest	$	0.8	$	1.5	$	0.7
Non-cash investing and financing activities:						
Purchases of property and equipment included in accounts payable and accrued expenses		10.8		3.1		2.1
Allocation of debt proceeds to stock warrants		—		—		1.2
Conversion of convertible preferred stock to common stock in connection with the reverse recapitalization		—		—		61.5
PIPE financing issuance costs settled with the issuance of Class A common stock		—		—		7.0
Recapitalization transaction costs settled with the issuance of Class A common stock		—		—		8.1

See accompanying notes to consolidated financial statements.

Archer Aviation Inc.
Notes to Consolidated Financial Statements

Note 1 - Organization and Nature of Business

Organization and Nature of Business

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

The Company's Planned Lines of Business

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

Archer UAM

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

Archer Direct

The Company also plans to selectively sell a certain amount of its eVTOL aircraft along with ancillary products and services to third parties.

Business Combination

On September 16, 2021 (the "Closing Date"), Archer Aviation, Inc., a Delaware corporation (prior to the closing of the Business Combination (as defined below), "Legacy Archer"), Atlas Crest Investment Corp., a Delaware corporation ("Atlas"), and Artemis Acquisition Sub Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Atlas ("Merger Sub"), consummated the closing of the transactions contemplated by the Business Combination Agreement, dated February 10, 2021, as amended and restated on July 29, 2021, by and among Atlas, Legacy Archer and Merger Sub (the "Business Combination Agreement"), following approval at a special meeting of the stockholders of Atlas held on September 14, 2021 (the "Special Meeting"). Unless otherwise specified or unless the context otherwise requires, references in these notes to Legacy Archer refer to Archer prior to the Business Combination and references in these notes to "New Archer" refer to Archer following the Business Combination.

Pursuant to the terms of the Business Combination Agreement, a business combination of Legacy Archer and Atlas was effected by the merger of Merger Sub with and into Legacy Archer, with Legacy Archer surviving the merger (the "Surviving Entity") as a wholly-owned subsidiary of Atlas (the "Merger," and, collectively with the other transactions described in the Business Combination Agreement, the "Business Combination"). Following the consummation of the Merger on the Closing Date, the Surviving Entity changed its name from Archer Aviation, Inc. to Archer Aviation Operating Corp., and Atlas changed its name from Atlas Crest Investment Corp. to Archer Aviation Inc. and it became the successor registrant with the U.S. Securities and Exchange Commission (the "SEC"). Prior to the closing of the Business Combination, the Class A common stock and public warrants of Atlas were listed on the New York Stock Exchange ("NYSE") under the symbols "ACIC" and "ACIC WS," respectively. New Archer Class A common stock and public warrants are currently listed on the NYSE under the symbols "ACHR" and "ACHR WS," respectively.

The financial statements included in this report reflect (i) the historical operating results of Legacy Archer prior to the Business Combination; (ii) the combined results of Atlas and Legacy Archer following the closing of the Business Combination; (iii) the assets and liabilities of Legacy Archer at their historical cost; and (iv) the Company's equity structure for all periods presented.

Note 2 - Liquidity and Going Concern

Since the Company's formation, the Company has devoted substantial effort and capital resources to the design and development of its planned eVTOL aircraft and UAM network. Funding of these activities has primarily been through the net proceeds received from the issuance of related and third-party debt (Note 7 - Notes Payable), and the sale of preferred and common stock to related and third parties (Note 9 - Preferred and Common Stock). Through December 31, 2023, the Company has incurred cumulative losses from operations, negative cash flows from operating activities, and has an accumulated deficit of $1,148.8 million. Following the closing of the Business Combination on the Closing Date, the Company received net cash proceeds of $801.8 million. As of December 31, 2023, the Company had cash and cash equivalents of $464.6 million, which management believes will be sufficient to fund the Company's current operating plan for at least the next 12 months from the date these consolidated financial statements were issued.

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

Note 3 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP and include the accounts of the Company.

Use of Estimates

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

On an ongoing basis, management evaluates its estimates, including those related to the: (i) realization of deferred tax assets and estimates of tax liabilities, (ii) fair value of debt, (iii) fair value of share-based payments, (iv) valuation of leased assets and liabilities, and (v) estimated useful lives of long-lived assets. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Such estimates often require the selection of appropriate valuation methodologies and models and may involve significant judgment in evaluating ranges of assumptions and financial inputs. Actual results may differ from those estimates under different assumptions, financial inputs, or circumstances.

Retroactive Application of Reverse Recapitalization

As discussed in Note 4 - Reverse Recapitalization and Related Transactions, the Business Combination was accounted for as a reverse recapitalization of equity structure. Pursuant to U.S. GAAP, the Company retrospectively recast its weighted-average outstanding shares within the Company's consolidated statement of operations for the year ended December 31, 2021. As part of the closing, all of Legacy Archer's issued Series Seed redeemable convertible preferred stock and Series A redeemable convertible preferred stock were converted into Legacy Archer common stock, which were converted again, along with all other issued and outstanding common stock of Legacy Archer, into New Archer Class A common stock and New Archer Class B common stock. The basic and diluted weighted-average Legacy Archer common stock were retroactively converted to New Archer Class A common stock and New Archer Class B common stock to conform to the recast in the consolidated statements of stockholders' equity.

Cash, Cash Equivalents, and Restricted Cash

Cash consists of cash on deposit with financial institutions. Cash equivalents consist of short-term, highly liquid financial instruments that are readily convertible to cash and have maturities of three months or less from the date of purchase. As of December 31, 2023 and 2022, the Company's cash and cash equivalents included money market funds of $339.6 million and $6.1 million, respectively.

Restricted cash consists primarily of cash held as security for the Company's standby letters of credit.Refer to Note 8 - Commitments and Contingencies for further details.

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

	As of December 31,	
	2023	2022
Cash and cash equivalents	$ 464.6	$ 69.4
Restricted cash	6.9	2.9
Total cash, cash equivalents, and restricted cash	$ 471.5	$ 72.3

Short-Term Investments

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

Fair Value Measurements

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

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

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

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

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

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

	As of December 31, 2023			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash equivalents:				
Money market funds	$ 339.6	$ —	$ —	$ 339.6
Liabilities:				
Warrant liability – public warrants	$ 25.4	$ —	$ —	$ 25.4
Warrant liability – private placement warrants	$ —	$ —	$ 14.5	$ 14.5
Accrued technology and dispute resolutions agreements liability	$ —	$ —	$ 44.0	$ 44.0

	As of December 31, 2022			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Cash equivalents:				
Money market funds	$ 6.1	$ —	$ —	$ 6.1
Short-term investments:				
U.S. Treasury securities	$ 316.6	$ —	$ —	$ 316.6
Corporate debt securities	$ —	$ 20.1	$ —	$ 20.1
Commercial paper	$ —	$ 125.1	$ —	$ 125.1
Liabilities:				
Warrant liability – public warrants	$ 4.5	$ —	$ —	$ 4.5
Warrant liability – private placement warrants	$ —	$ —	$ 2.5	$ 2.5

Cash Equivalents

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

Short-Term Investments

The Company's short-term investments consisted of high quality, investment grade marketable securities and were classified as available-for-sale. The Company classifies its investments in U.S. Treasury securities as Level 1, because they are valued using quoted market prices in active markets. The Company classifies its investments in corporate debt securities and commercial paper as Level 2, because they are valued using inputs other than quoted prices which are directly or indirectly observable in the market, including readily available pricing sources for the identical underlying security which may not be actively traded.

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

	As of December 31, 2023			
Description	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Cash equivalents:				
Money market funds	$ 339.6	$ —	$ —	$ 339.6
Total	$ 339.6	$ —	$ —	$ 339.6

	As of December 31, 2022			
Description	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Cash equivalents:				
Money market funds	$ 6.1	$ —	$ —	$ 6.1
Short-term investments:				
U.S. Treasury securities	317.4	—	(0.8)	316.6
Corporate debt securities	20.1	—	—	20.1
Commercial paper	125.1	—	—	125.1
Total	$ 468.7	$ —	$ (0.8)	$ 467.9

The unrealized losses related to the Company's short-term investments were primarily due to changes in interest rates and not due to increased credit risk or other valuation concerns. The Company had no other-than-temporary impairments for the years endedDecember 31, 2023, 2022 and 2021.

Public Warrants

The measurement of the public warrants as of December 31, 2023 is classified as Level 1 due to the use of an observable market quote in an active market under the ticker "ACHR WS". The quoted price of the public warrants was $1.46 and $0.26 per warrant as of December 31, 2023 and 2022, respectively.

Private Placement Warrants

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

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

Input	**December 31, 2023**	**December 31, 2022**
Stock price	$ 6.14	$ 1.87
Strike price	$ 11.50	$ 11.50
Dividend yield	0.00 %	0.00 %
Term (in years)	2.71	3.71
Volatility	70.15 %	75.00 %
Risk-free rate	4.03 %	4.14 %

Accrued Technology and Dispute Resolution Agreements Liability

Under the Technology and Dispute Resolution Agreements, the Company recognized an accrued technology and dispute resolution agreements liability related to the unvested warrants for the Second Tranche (capitalized terms defined below). See Note 8 - Commitments and Contingencies for further details. The Company utilizes a Monte Carlo simulation model for the accrued technology and dispute resolution agreements liability at each reporting period, with changes in fair value recognized in the consolidated statements of operations. The estimated fair value of the accrued technology and dispute resolution agreements liability is determined using Level 3 inputs. Inherent in a Monte Carlo simulation model are assumptions related to expected share-price volatility, expected life, risk-free interest rate, and dividend yield.

The key inputs into the Monte Carlo simulation model for the accrued technology and dispute resolution agreements liability are as follows:

Input	December 31, 2023
Stock price	$ 6.14
Strike price	$ 0.01
Dividend yield	0.00 %
Term (in years)	0.11
Volatility	60.00 %
Risk-free rate	5.40 %

The following table presents the change in fair value of the Company’s Level 3 private placement warrants and accrued technology and dispute resolution agreements liability during the years ended December 31, 2023 and 2022 (in millions):

Balance as of December 31, 2021	$ 10.1
Change in fair value	(7.6)
Balance as of December 31, 2022	2.5
Additions: accrued technology and dispute resolution agreements liability	48.0
Change in fair value	8.0
Balance as of December 31, 2023 [1]	$ 58.5

[1] As of December 31, 2023, $14.5 million and $44.0 million were recorded within warrant liabilities and accrued expenses and other current liabilities, respectively, in the consolidated balance sheets.

In connection with changes in the fair value of the Company’s public and private placement warrants, the Company recognized a loss o $32.9 million during the year ended December 31, 2023 and a gain of $23.3 million and $10.4 million during the years ended December 31, 2022 and 2021, respectively, within other (expense) income, net in the consolidated statements of operations. Refer to Note 12 - Liability Classified Warrants for additional information about the public and private placement warrants.

In connection with the change in fair value of the accrued technology and dispute resolution agreements liability, the Company recognized a gain of $4.0 million within general and administrative expenses in the consolidated statements of operations during the year ended December 31, 2023. Refer to Note 8 - Commitments and Contingencies for additional information about the accrued technology and dispute resolution agreements liability.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Certain financial instruments, including debt, are not measured at fair value on a recurring basis in the consolidated balance sheets. The fair value of debt as of December 31, 2023 approximates its carrying value (Level 2). Refer to Note 7 - Notes Payable for additional information.

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

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

Intangible Assets, Net

Intangible assets consist solely of domain names and are recorded at cost, net of accumulated amortization, and if applicable, impairment charges. Amortization of domain names is provided over a 15-year estimated useful life on a straight-line basis or based on the pattern in which economic benefits are consumed, if reliably determinable. The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has analyzed a variety of factors to determine if any circumstance could trigger an impairment loss, and, at this time and based on the information presently known, no event has occurred and indicated that it is more likely than not that an impairment loss has been incurred. Therefore, the Company did not record any impairment charges for its intangible assets for the years ended December 31, 2023, 2022 and 2021.

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

Property and Equipment, Net

Property and equipment are stated at historical cost less accumulated depreciation. Expenditures for major renewals and betterment are capitalized, while minor replacements, maintenance, and repairs, which do not extend the asset lives, are charged to operations as incurred. Upon sale or disposition, the cost and related accumulated depreciation is removed from the accounts, and any difference between the selling price and net carrying amount is recorded as a gain or loss in the consolidated statements of operations.

Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Life (In years)
Furniture, fixtures, and equipment	5
Vehicles	5
Computer hardware	3
Computer software	3
Website design	2
Leasehold improvements	Shorter of lease term or the asset standard life

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, consisting primarily of property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such triggering events or changes in circumstances may include: a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being or intended to be used, a significant adverse change in legal factors or in the business climate, the impact of competition or other factors that could affect the value of a long-lived asset, a significant adverse deterioration in the amount of revenue or cash flows expected to be generated from an asset group, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows attributable to such assets including any cash flows upon their eventual disposition to their carrying value. If the carrying value of the assets exceeds the forecasted undiscounted cash flows, then the assets are written down to their fair value. The Company did not identify any events or changes in circumstances that would indicate that the Company's long-lived assets may be impaired and therefore determined there was no impairment of long-lived assets during all periods presented.

Cloud Computing Arrangements

The Company capitalizes certain implementation costs incurred in the application development stage of projects related to its cloud computing arrangements that are service contracts. Capitalized implementation costs are recognized in other long-term assets in the consolidated balance sheets and amortized on a straight-line basis over the fixed, noncancellable term of the associated hosting arrangement plus any reasonably certain renewal periods. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. As of December 31, 2023 and 2022, the net carrying amounts of the Company's capitalized cloud computing implementation costs were $6.4 million and $3.7 million, respectively.

Contract Liabilities

The Company records contract liabilities related to differences between the timing of cash receipts from the customer and the recognition of revenue. As of December 31, 2023 and 2022, the Company's contract liability balances were $10.8 million and $10.0 million, respectively, and recorded in other long-term liabilities in the Company's consolidated balance sheets. As of December 31, 2023, the Company's contract liabilities consisted of a $10.0 million pre-delivery payment received from United Airlines, Inc. ("United") under the terms of the Amended United Purchase Agreement (defined below) (see Note 10 - Stock-Based Compensation), and a $0.8 million installment payment received under a contract order with the United States Air Force for the design, development, and ground test of the Company's production aircraft, Midnight. As of December 31, 2022, the Company's contract liabilities consisted of the $10.0 million pre-delivery payment received from United, as discussed above. No revenues were recognized during the years ended December 31, 2023, 2022 and 2021.

Operating Expenses

Research and Development

Research and development ("R&D") costs are expensed as incurred and are primarily comprised of personnel-related costs including salaries, bonuses, benefits, and stock-based compensation for employees focused on R&D activities, costs associated with building prototype aircraft, other related costs, depreciation, and an allocation of general overhead. R&D efforts focus on the design and development of the Company's eVTOL aircraft, including certain of the systems that are used in it.

General and Administrative

General and administrative expenses are primarily comprised of personnel-related costs including salaries, bonuses, benefits, and stock-based compensation for employees associated with the Company's administrative services such as finance, legal, human resources, and information technology, other related costs, depreciation, and an allocation of general overhead. General and administrative expenses include non-cash charges relating to the Technology and Dispute Resolution Agreements (defined below) for the year ended December 31, 2023 and stock-based compensation expense related to restricted stock units ("RSUs") granted to the Company's founders pursuant to the terms and conditions of the Business Combination Agreement immediately prior to closing (the "Founder Grants") for the years ended December 31, 2023, 2022 and 2021. Refer to Note 8 - Commitments and Contingencies and Note 10 - Stock-Based Compensation for additional information.

Other Warrant Expense

Other warrant expense consists entirely of non-cash expense related to the warrants issued in conjunction with the execution of the purchase agreement ("United Purchase Agreement"), collaboration agreement ("United Collaboration Agreement"), and warrant agreement ("United Warrant Agreement") with United. Refer to Note 10 - Stock-Based Compensation for additional information.

Stock-Based Compensation

The Company's stock-based compensation awards consist of options granted to employees and non-employees and RSUs granted to employees, directors, and non-employees that convert into shares of the Company's Class A common stock upon vesting. The Company recognizes stock-based compensation expense in accordance with the provisions of ASC 718, *Compensation - Stock Compensation*. ASC 718 requires the measurement and recognition of compensation expense for all stock-based compensation awards made to employees, directors, and non-employees to be based on the grant date fair values of the awards.

The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. The value of the award is recognized as expense over the requisite service period on a straight-line basis.

Determining the grant date fair value of the awards using the Black-Scholes option-pricing model requires management to make assumptions and judgments, including but not limited to the following:

Expected term — The estimate of the expected term of employee awards is determined in accordance with the simplified method, which estimates the term based on an averaging of the vesting period and contractual term of the option grant. The Company uses the contractual term for non-employee awards.

Expected volatility — Since the Company does not have sufficient historical data on the volatility of its common stock, the expected volatility used is based on the volatility of similar entities (referred to as "guideline companies") for a period consistent with the expected term of the award.

Risk-free interest rate — The risk-free interest rate used to value awards is based on the United States Treasury yield in effect at the time of grant for a period consistent with the expected term of the award.

Dividend yield — The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future.

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

The Company has not issued any stock options since the closing of the Business Combination.

Fair Value of Common Stock

The Company's Board of Directors grants stock options with exercise prices equal to the fair value of the Company's common stock on the date of grant.

Prior to the closing of the Business Combination, the Company determined the fair value of its common stock at the time of the grant of stock options in accordance with the American Institute of Certified Public Accountants ("AICPA") Accounting and Valuation Guide: Valuation of Privately-Held-Company Equity Securities Issued as Compensation (the "AICPA Practice Aid"). The Company determined the fair value of its common stock based on a variety of factors including, but not limited to (i) the results of contemporaneous independent third-party valuations of the Company's common stock and the prices, rights, preferences and privileges of the Company's redeemable convertible preferred stock relative to those of the Company's common stock; (ii) the lack of marketability of the Company's common stock; (iii) actual operating and financial results; (iv) current business conditions and projections; (v) the likelihood of achieving a liquidity event, such as an IPO or sale of the Company, given prevailing market conditions; and (vi) precedent transactions involving the Company's shares.

As provided in the AICPA Practice Aid, there are several approaches for setting the value of an enterprise and various methodologies for allocating the value of an enterprise to its outstanding equity. The Company determined the fair value of equity awards using a combination of the market and income approach. Within the market approach, the guideline public company method was used, which employs the use of ratios developed from the market price of traded shares from publicly traded companies considered reasonably similar to the Company. Under the income approach, the enterprise value was estimated using the discounted cash flow method, which involves estimating the future cash flows of a business for a discrete period and discounting them to their present value. In allocating enterprise value to the Company's outstanding equity, the Company applied a hybrid approach, which consisted of the option pricing method ("OPM") and probability-weighted expected return method ("PWERM"). The OPM treats securities, including debt, common and preferred stock, as call options on the enterprise's value, with exercise prices based on the securities' respective liquidation preferences and conversion values. The PWERM estimates the fair market value of the common stock based on an analysis of future values for the enterprise assuming various exit scenarios, such as IPO, merger or sale, staying private, and liquidation. Since there was no active market for the Company's common stock, the Company also applied a discount for lack of marketability for both OPM and PWERM scenarios.

In conducting the valuations, the Company considered all objective and subjective factors that the Company believed to be relevant in the valuation conducted, including management's best estimate of the Company's business condition, and prospects and operating performance at the valuation dates. There are significant judgments and estimates inherent in these valuations.

Since the closing of the Business Combination, the fair value of the Company's common stock is based on the closing price of the Company's Class A common stock, as quoted on the NYSE, on the date of grant.

Leases

The Company accounts for leases in accordance with ASC 842,*Leases*, and determines if an arrangement is a lease at its inception. Right-of-use ("ROU") assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses its estimated incremental borrowing rate in determining the present value of lease payments considering the term of the lease, which is derived from information available at the lease commencement date. The incremental borrowing rate is the rate of interest the Company would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments for a term similar to the lease term in a similar economic environment as the lease. The lease term includes renewal options when it is reasonably certain that the option will be exercised and excludes termination options. To the extent that the Company's agreements have variable lease payments, the Company includes variable lease payments that depend on an index or a rate and excludes those that depend on facts or circumstances occurring after the commencement date, other than the passage of time.

Lease expense for leases is recognized on a straight-line basis over the lease term. The Company has elected not to recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset. In addition, the Company has elected as an accounting policy, the practical expedient to not separate lease and non-lease components within a contract and instead treat it as a single lease component. Operating leases are included in ROU assets, current portion of lease liabilities, and lease liabilities, net of current portion in the Company's consolidated balance sheets.

Income Taxes

The Company accounts for its income taxes using the asset and liability method whereby deferred tax assets and liabilities are determined based on temporary differences between the basis used for financial reporting and income tax reporting purposes. Deferred income taxes are provided based on the enacted tax rates in effect at the time such temporary differences are expected to reverse. A valuation allowance is provided for deferred tax assets if it is more-likely-than-not that the Company will not realize those tax assets through future operations. Significant judgment is applied when assessing the need for valuation allowances and includes the evaluation of historical income (loss) adjusted for the effects of non-recurring items. Areas of estimation include consideration of future taxable income. The Company has placed a full valuation allowance against its federal and state deferred tax assets since the recovery of the assets is uncertain. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, the adjustment related to valuation allowances would be reported as an increase to income.

The Company utilizes the guidance in ASC 740-10, *Income Taxes*, to account for uncertain tax positions. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the positions will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more-likely-than-not of being realized and effectively settled. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. The Company's policy is to recognize interest and penalties related to uncertain tax positions, if any, in the income tax provision.

Net Loss Per Share

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding. For all periods presented, the calculation of basic net loss per share excludes shares issued upon the early exercise of stock options where the vesting conditions have not been satisfied. Common stock purchased pursuant to an early exercise of stock options is not deemed to be outstanding for accounting purposes until those shares vest. The Company also excludes unvested shares subject to repurchase in the number of shares outstanding in the consolidated balance sheets and statements of stockholders' equity.

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

Contingently issuable shares, including equity awards with performance conditions, are considered outstanding common shares and included in the computation of basic net loss per share as of the date that all necessary conditions to earn the awards have been satisfied. Prior to the end of the contingency period, the number of contingently issuable shares included in diluted net loss per share is based on the number of shares, if any, that would be issuable under the terms of the arrangement at the end of the reporting period.

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

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

	Year Ended December 31,		
	2023	2022	2021
Options to purchase common stock	3,174,114	5,335,974	9,444,221
Unvested restricted stock units	33,397,483	45,021,632	38,124,396
Warrants	52,011,560	30,558,565	32,519,357
Shares issuable under the employee stock purchase plan (Note 10)	931,412	712,838	—
Total	89,514,569	81,629,009	80,087,974

Segments

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (“CODM”) in deciding how to allocate resources to an individual segment and in assessing performance. The Company’s CODM is its Chief Executive Officer. The Company has determined that it operates as a single operating segment and one reportable segment, as the CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. Given the Company’s pre-revenue operating stage, it currently has no concentration exposure to products, services, or customers.

Comprehensive Loss

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

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-06,*Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. The ASU simplifies the accounting for convertible instruments by removing certain separation models in ASC 470-20, *Debt—Debt with Conversion and Other Options*, for convertible instruments. The ASU updates the guidance on certain embedded conversion features that are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital, such that those features are no longer required to be separated from the host contract. The convertible debt instruments will be accounted for as a single liability measured at amortized cost. Further, the ASU made amendments to the Earnings Per Share (“EPS”) guidance in Topic 260, *Earnings Per Share* for convertible instruments, the most significant impact of which is requiring the use of the if-converted method for diluted EPS calculation, and no longer allowing the net share settlement method. The ASU also made revisions to Topic 815-40, which provides guidance on how an entity must determine whether a contract qualifies for a scope exception from derivative accounting. The amendments to Topic 815-40 change the scope of contracts that are recognized as assets or liabilities. The Company adopted ASU 2020-06 effective January 1, 2023. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which expands reportable segment disclosure requirements through enhanced disclosures about significant segment expenses, interim segment profit or loss and assets, and how the CODM uses reported segment profit or loss information in assessing segment performance and allocating resources. The update is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2023-07 on its disclosures within its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disclosure of incremental income tax information related to the income tax rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 on a prospective basis, and retrospective application is permitted. The Company is currently evaluating the impact of ASU 2023-09 on its disclosures within its consolidated financial statements.

Note 4 - Reverse Recapitalization and Related Transactions

Upon the consummation of the Business Combination on September 16, 2021, in accordance with the terms and conditions of the Business Combination Agreement, all issued and outstanding Legacy Archer common stock was converted into shares of common stock of New Archer at an exchange ratio of 1.00656519 (the "Exchange Ratio"). Additionally, upon closing the Business Combination, Legacy Archer received $257.6 million in cash proceeds released from Atlas' trust account, after redemptions of $242.4 million. At the closing of the Business Combination, each non-redeemed outstanding share of Atlas Class A common stock was converted into one share of Class A common stock of New Archer.

Upon consummation of the Business Combination, the shares of Legacy Archer held by Legacy Archer stockholders converted into 124,735,762 shares of common stock of New Archer, including 54,987,838 shares of Class A common stock and 69,747,924 shares of Class B common stock.

While the legal acquirer in the Business Combination was Atlas, for accounting and financial reporting purposes under U.S. GAAP, Legacy Archer is the accounting acquirer and the Business Combination was accounted for as a "reverse recapitalization." A reverse recapitalization does not result in a new basis of accounting, and the financial statements of the combined entity represent the continuation of the financial statements of Legacy Archer in many respects. Under this method of accounting, Atlas was treated as the "acquired" company. Accordingly, the consolidated assets, liabilities, and results of operations of Legacy Archer became the historical financial statements of New Archer, and Atlas' assets and liabilities were consolidated with Legacy Archer's on the Closing Date. Operations prior to the Business Combination are presented as those of New Archer in reports subsequent to the Closing Date. The net assets of Atlas were recognized at their carrying value immediately prior to the closing of the Business Combination with no goodwill or other intangible assets recorded and were as follows, net of transaction costs (in millions):

Cash	$	201.8
Warrant liability		(39.5)
Net assets acquired	$	162.3

The Company accounted for the Business Combination as a tax-free reorganization.

Additionally, as part of the recapitalization, 1,875,000 shares of Atlas Class A common stock held by Atlas Crest Investment LLC (the "Atlas Sponsor") were exchanged with 1,875,000 shares of New Archer Class A common stock that will be subject to forfeiture if the vesting condition is not met over the three-year term following the Closing Date. The vesting condition states that these earn-out shares of New Archer Class A common stock will vest if the New Archer's Class A common stock volume weighted-average price, as defined in the Amended and Restated Sponsor Letter Agreement, by and among Atlas Sponsor, Atlas, Legacy Archer, and the individuals named therein, is greater than or equal to $12.00 per share for any period of ten (10) trading days out of twenty (20) consecutive trading days.

The earn-out shares were recognized at fair value upon the closing of the Business Combination and classified in stockholders' equity (with no net impact to additional paid-in-capital) since the earn-out shares were determined to be indexed to the Company's own equity and meet the requirements for equity classification.

Pursuant to the terms of the Business Combination Agreement, all of the issued and outstanding series seed redeemable convertible preferred stock and series A redeemable convertible preferred stock converted into 64,884,120 shares of Legacy Archer common stock immediately prior to the Business Combination. Then, as of the closing of the Business Combination, all outstanding shares of Legacy Archer common stock converted into 124,735,762 shares of New Archer Class A and B common stock. Additionally, each of Legacy Archer options, RSUs, and warrants that were outstanding immediately prior to the closing of the Business Combination remained outstanding and converted into options, RSUs, and warrants for New Archer Class A and Class B common stock equal to the number of the Company's common stock, subject to such options, RSUs, or warrants, multiplied by the Exchange Ratio at an exercise price per share equal to the current exercise price per share for such option or warrant divided by the Exchange Ratio, with the aggregate number of shares of New Archer Class A and B common stock issuable upon exercise of such options, RSUs, and warrants to be 60,260,483. Additionally, 10,004,612 of outstanding RSUs vested at the closing of the Business Combination into New Archer Class B common stock.

Substantially concurrently with the execution of the Business Combination Agreement, Atlas entered into Subscription Agreements (the "Subscription Agreements") with certain investors in the PIPE Financing (the "Subscription Investors"). Pursuant to the Subscription Agreements, the Subscription Investors agreed to purchase, and Atlas agreed to sell to the Subscription Investors, an aggregate of 60,000,000 shares of New Archer Class A common stock for a purchase price of $10.00 per share, or an aggregate of $600.0 million in gross cash proceeds. Pursuant to the Subscription Agreements, Atlas granted certain registration rights to the Subscription Investors with respect to the shares issued and sold in the PIPE Financing. The closing of the PIPE Financing occurred immediately prior to the closing of the Business Combination. In conjunction with the PIPE Financing, 1,512,500 shares of New Archer Class A common stock were issued to satisfy certain fees related to the Business Combination and PIPE Financing.

The number of shares of common stock issued immediately following the consummation of the Business Combination were as follows:

	Number of shares	
Class A and B common stock outstanding on July 1, 2021	52,572,374	
Common stock issued through option exercises between July 1, 2021 and September 16, 2021	4,738,344	
Vesting of unvested shares between July 1, 2021 and September 16, 2021	2,540,925	
Common stock outstanding prior to the Business Combination		59,851,643
Conversion of preferred stock	64,884,120	
Common stock attributable to Atlas	36,385,693	
Adjustment related to reverse recapitalization*		101,269,813
Restricted stock units vested at closing		10,004,612
Common stock attributable to PIPE Financing		61,512,500
Total shares of common stock as of closing of the Business Combination and related transactions as of September 16, 2021		232,638,568

* The corresponding adjustment to additional paid-in-capital related to the reverse recapitalization was comprised of (i) $162.3 million which represents the fair value of the consideration transferred in the Business Combination, less the excess of the fair value of the shares issued over the value of the net monetary assets of Atlas, net of transaction costs and (ii) $61.5 million which represents the conversion of the convertible preferred stock into New Archer Class A and Class B common stock.

At the Closing Date, Legacy Archer had 56,390,023 outstanding options and RSUs under the 2019 Plan (as defined below) in addition to 13,112,602 outstanding warrants, which remained outstanding and converted into 70,265,095 options, RSUs, and warrants in New Archer Class A or B common stock, as derived by multiplying the number of Legacy Archer common stock subject to such option or warrant by the Exchange Ratio. In addition, of the RSUs outstanding immediately prior to the closing of the Business Combination, 10,004,612 vested at closing into New Archer Class B common stock. The options and warrants shall be exercised at an exercise price per share equal to the current exercise price per share for such option or warrant divided by the Exchange Ratio.

Following the Business Combination, Atlas' warrants to purchase 24,666,667 shares of New Archer Class A common stock, consisting of (i) 16,666,667 public warrants listed on the NYSE and (ii) 8,000,000 private warrants, each with an exercise price of $11.50 per share, remained outstanding.

As part of the closing, total direct and incremental transaction costs aggregated $81.8 million, of which $10.9 million was expensed as part of the Business Combination, $55.8 million was recorded to additional paid-in-capital as equity issuance costs, and the remaining $15.1 million was settled through the issuance of shares of New Archer Class A common stock.

Note 5 - Property and Equipment, Net

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

	As of December 31,	
	2023	2022
Furniture, fixtures, and equipment	$ 7.9	$ 1.5
Vehicles	0.1	—
Computer hardware	5.3	4.5
Computer software	1.5	0.7
Website design	0.8	0.7
Leasehold improvements	33.0	2.9
Construction in progress	18.4	4.8
Total property and equipment	67.0	15.1
Less: Accumulated depreciation	(9.4)	(3.6)
Total property and equipment, net	$ 57.6	$ 11.5

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

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

	Year Ended December 31,		
	2023	2022	2021
Research and development	$ 5.3	$ 2.3	$ 0.9
General and administrative	0.5	0.8	0.4
Total depreciation expense	$ 5.8	$ 3.1	$ 1.3

Note 6 - Accrued Expenses and Other Current Liabilities

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

	As of December 31,	
	2023	2022
Accrued professional fees	$ 9.5	$ 17.2
Accrued employee costs	16.7	7.8
Accrued parts and materials	12.1	5.2
Taxes payable	1.4	0.3
Accrued capital expenditures	9.2	2.9
Accrued cloud computing implementation costs	0.3	2.0
Accrued marketing fees	—	0.2
Accrued technology and dispute resolution agreements liability (Note 8)	44.0	—
Other current liabilities	3.7	1.1
Total	$ 96.9	$ 36.7

Note 7 - Notes Payable

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

	As of December 31,	
	2023	2022
Synovus Bank Loan	$ 7.5	$ —
Loan unamortized discount and loan issuance costs	(0.3)	—
Silicon Valley Bank ("SVB") Term Loans	—	10.0
Term Loans unamortized discount and loan issuance costs	—	(0.7)
Total debt, net of discount and loan issuance costs	7.2	9.3
Less current portion, net of discount and loan issuance costs	—	(9.3)
Total long-term notes payable, net of discount and loan issuance costs	$ 7.2	$ —

Synovus Bank Loan

On October 5, 2023, the Company entered into a credit agreement (the "Credit Agreement") with Synovus Bank, as administrative agent and lender, and the additional lenders (the "Lenders") from time to time. The Company may request the Lenders to provide multiple term loan advances (together, the "Loan") in an aggregate principal amount of up to $65.0 million for the construction and development of the Company's manufacturing facility in Covington, Georgia.

The Company is required to make 120 monthly interest payments from November 14, 2023 until maturity, and84 equal monthly principal installments from November 14, 2026 until maturity. The Credit Agreement matures on the earlier of October 5, 2033 or the date on which the outstanding Loan has been declared or automatically becomes due and payable pursuant to the terms of the Credit Agreement.

The interest rate on the Loan is a floating rate per annum equal to secured overnight financing rate ("SOFR") Rate (as defined in the Credit Agreement) plus the applicable margin of 2.00%, which increases by 5% per annum upon the occurrence of an event of default.

The Company's obligations under the Credit Agreement are secured by funds in a collateral account. Two of its direct subsidiaries are required to guarantee the Credit Agreement. The Company may prepay with certain premium that links to the passage of time, and in certain circumstances would be required to prepay the Loan under the Credit Agreement without payment of a premium. The Credit Agreement contains customary representations and warranties, customary affirmative and negative covenants, and customary events of default. As of December 31, 2023, the Company was in compliance with all the covenants of the Credit Agreement.

The Company has drawn down $7.5 million of the Loan as of December 31, 2023. The effective interest rate for the draw downs ranged from 7.66% to 8.17% as of December 31, 2023. The Company incurred issuance costs of $0.3 million related to the loan outstanding as of December 31, 2023. The loan issuance costs will be amortized to interest expense over the contractual term of the Loan. During the year ended December 31, 2023, the Company recognized interest expense of $0.1 million, including an immaterial amount related to the amortization of issuance costs within interest income (expense), net in the consolidated statements of operations. The carrying value of the Loan, net of unamortized issuance costs of $0.3 million was $7.2 million as of December 31, 2023.

The future scheduled principal maturities of the Loan as of December 31, 2023 are as follows (in millions):

2024	$ —
2025	—
2026	0.1
2027	0.3
2028	0.3
2029 and thereafter	6.8
	$ 7.5

SVB Loan

On July 9, 2021, the Company, as the borrower, entered into a Loan and Security Agreement (the "Loan and Security Agreement") with SVB and SVB Innovation Credit Fund VIII, L.P. ("SVB Innovation") as the lenders, and SVB as the collateral agent. The total principal amount of the loans is $20.0 million (the "Term Loans"), and all obligations due under the Term Loans are collateralized by all of the Company's right, title, and interest in and to its specified personal property in favor of the collateral agent. The Term Loans include events of default and covenant provisions, whereby accelerated repayment may result if the Company were to default. On January 1, 2022, the Company began repaying the Term Loans, which are payable in 24 equal monthly installments, including principal and interest. The interest rate on the loans is a floating rate per annum equal to the greater of (i) 8.5% and (ii) the Prime Rate plus the Prime Rate Margin (each as defined in the Loan and Security Agreement), which increases by 2% per annum upon the occurrence of an event of default. The effective interest rate as of December 31, 2023, 2022 and 2021 were 10.20%, 9.40% and 9.02%, respectively. For the years ended December 31, 2023, 2022 and 2021, the Company recognized interest expense of $0.6 million, $1.5 million and $0.9 million, respectively.

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

Upon the closing of the Business Combination, the SVB warrants became public warrants. The subsequent measurement of the SVB warrants as of December 31, 2023 is classified as Level 1 due to the use of an observable market quote in an active market under the ticker "ACHR WS". The quoted price of the public warrants was $1.46 as of December 31, 2023.

During the years ended December 31, 2023, 2022 and 2021, the Company recognized interest expense of $0.7 million, $0.5 million and $0.2 million related to the amortization of the discount and loan issuance costs, respectively. As of December 31, 2023, the Term Loans were fully repaid and the discount and loan issuance costs were fully amortized.

Note 8 - Commitments and Contingencies

Operating Leases

The Company leases office, lab, hangar, and storage facilities under various operating lease agreements with lease periods expiring between 2024 and 2030 and generally containing periodic rent increases and various renewal and termination options.

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

	Year Ended December 31,		
	2023	2022	2021
Operating lease cost	$ 5.7	$ 5.8	$ 2.1
Short-term lease cost	0.6	0.2	—
Total lease cost	$ 6.3	$ 6.0	$ 2.1

The Company's weighted-average remaining lease term and discount rate as of December 31, 2023 and 2022 were as follows:

	2023	2022
Weighted-average remaining lease term (in months)	58	46
Weighted-average discount rate	14.74 %	13.78 %

The minimum aggregate future obligations under the Company's non-cancelable operating leases as of December 31, 2023 were as follows (in millions):

2024	$ 5.5
2025	5.1
2026	4.6
2027	2.2
2028	2.2
Thereafter	4.4
Total future lease payments	24.0
Less: leasehold improvement allowance	(0.7)
Total net future lease payments	23.3
Less: imputed interest	(7.3)
Present value of future lease payments	$ 16.0

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

	Year Ended December 31,		
	2023	2022	2021
Operating cash outflows from operating leases	$ 5.0	$ 4.3	$ 1.9
Operating lease liabilities from obtaining right-of-use assets	0.6	11.7	3.6

Finance Lease

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

Letters of Credit

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

As of December 31, 2023, the Company had standby letters of credit in the aggregate outstanding amount of $5.9 million, secured with restricted cash.

Litigation

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

Wisk Litigation and Settlement

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

On August 10, 2023, the Company, the Boeing Company ("Boeing") and Wisk entered into the Technology and Dispute Resolution Agreements (as defined below), which provided for, among other things, the resolution of the federal and state court litigation between the parties.

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

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

Pursuant to the Technology and Dispute Resolution Agreements, the Company issued Wisk a warrant to purchase up to 13,176,895 shares of Common Stock with an exercise price of $0.01 per share (the "Wisk Warrant"). The Wisk Warrant shall vest and be exercisable as follows: (i) immediately as to 4,512,636 shares, underlying the Wisk Warrant (the "Initial Vested Share Tranche") and (ii) for up to 8,664,259 shares (the "Second Tranche") underlying the Wisk Warrant as determined six months from the effective date of the Warrant (the "Specified Date"). The extent to which the Second Tranche vests is based on the value of the First Boeing Investment and the shares underlying the Initial Vested Share Tranche as of the Specified Date. The companies are in discussions regarding certain terms under the Technology and Dispute Resolution Agreements, including any vesting under the Second Tranche and what, if any, additional value may be provided to Wisk.

The Company recorded the Initial Vested Share Tranche within equity at its fair value. The Company recognized technology and dispute resolution agreements expense for the Initial Vested Share Tranche upon issuance. The Company recorded the Second Tranche as liabilities at their fair value and adjusts the warrants to fair value at each reporting period. This liability is subject to remeasurement at each balance sheet date until exercised, and any change in fair value is recognized as a gain or loss in the Company's consolidated statements of operations. The initial offsetting entry to the warrant liability was technology and dispute resolution agreements expense. During the year ended December 31, 2023, the Company recorded a $70.3 million non-cash charge in general and administrative expenses consisting of a $26.3 million non-cash charge associated with the Initial Vested Share Tranche and a $44.0 million non-cash charge for the unvested portion of the Wisk Warrant that is subject to the vesting criteria described above and may never be realized.

Note 9 - Preferred and Common Stock

Preferred Stock

As of December 31, 2023, no shares of preferred stock were outstanding, and the Company has no present plans to issue any shares of preferred stock.

Class A and Class B Common Stock

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

Voting

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

Dividends

Holders of Class A common stock and Class B common stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's Board of Directors in its discretion out of funds legally available therefor. No dividends on common stock have been declared by the Company's Board of Directors through December 31, 2023, and the Company does not expect to pay dividends in the foreseeable future.

Preemptive Rights

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

Conversion

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will automatically convert into one share of Class A common stock upon transfer to a non-authorized holder. In addition, Class B common stock is subject to "sunset" provisions, under which all shares of Class B common stock will automatically convert into an equal number of shares of Class A common stock upon the earliest to occur of (i) the ten-year anniversary of the closing of the Business Combination, (ii) the date specified by the holders of two-thirds of the then outstanding Class B common stock, voting as a separate class, and (iii) when the number of Class B common stock represents less than 10% of the aggregate number of Class A common stock and Class B common stock then outstanding. In addition, each share of Class B common stock will automatically convert into an equal number of Class A common stock upon the earliest to occur of (a) in the case of a founder of the Company, the date that is nine months following the death or incapacity of such founder, and, in the case of any other holder, the date of the death or incapacity of such holder, (b) in the case of a founder of the Company, the date that is 12 months following the date that such founder ceases to provide services to the Company and its subsidiaries as an executive officer, employee or director of the Company, and, in the case of any other holder, immediately at the occurrence of any such event, and (c) in the case of a founder of the Company or any other holder, at least 80% (subject to customary capitalization adjustments) of the Class B common stock held by such founder or holder (on a fully as converted/as exercised basis) as of immediately following the closing of the Business Combination having been transferred (subject to exceptions for certain permitted transfers).

During the years ended December 31, 2023, 2022 and 2021, 26,449,869, 8,406,170 and 5,337,446 shares of Class B common stock were converted into Class A common stock, respectively.

Liquidation

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

PIPE Financing

On August 10, 2023, the Company entered into subscription agreements with certain investors providing for the private placement of 26,173,286 shares of the Company's Class A common stock for net proceeds of approximately $139.0 million, after deducting offering costs.

At-The-Market Offerings

In November 2023, the Company entered into an Open Market Sales Agreement[SM] (the "Sales Agreement") with Cantor Fitzgerald & Co., as the sales agent, pursuant to which the Company may offer and sell shares of the Company's Class A common stock having an aggregate offering amount of up to $70.0 million. The Company will pay Cantor Fitzgerald & Co. a commission rate of up to 3.0% of the gross proceeds from the sale of any shares of Class A common stock pursuant to the Sales Agreement. During the year ended December 31, 2023, the Company sold 3,109,097 shares of Class A common stock for net proceeds of $19.5 million. As of December 31, 2023, the Company had $49.3 million remaining under the Sales Agreement.

Note 10 - Stock-Based Compensation

Amended and Restated 2021 Plan

In August 2021, the Company adopted the 2021 Equity Incentive Plan (the "2021 Plan"), which was approved by the stockholders of the Company in September 2021 and became effective immediately upon the closing of the Business Combination. In April 2022, the Company amended and restated the 2021 Plan (the "Amended and Restated 2021 Plan"), which was approved by the stockholders of the Company in June 2022. The aggregate number of shares of Class A common stock that may be issued under the plan increased to 34,175,708. In addition, the number of shares of Class A common stock reserved for issuance under the Amended and Restated 2021 Plan will automatically increase on January 1st of each year following this amendment, starting on January 1, 2023 and ending on (and including) January 1, 2031, in an amount equal to the lesser of (i) 5.0% of the total number of shares of Class A and Class B common stock outstanding on December 31 of the preceding year, or (ii) a lesser number of shares of Class A common stock determined by the Board of Directors prior to the date of the increase (the "EIP Evergreen Provision"). The EIP Evergreen Provision is calculated using the number of legally outstanding shares of common stock and includes shares, such as unvested shares pursuant to early exercised stock options, that are not considered outstanding for accounting purposes. In accordance therewith, the number of shares of Class A common stock reserved for issuance under the Amended and Restated 2021 Plan increased by 12,292,155 shares on January 1, 2023. The Amended and Restated 2021 Plan provides for the grant of incentive and non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards, and other awards to employees, directors, and non-employees.

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

Employee Stock Purchase Plan

In August 2021, the Company adopted the 2021 Employee Stock Purchase Plan (the "ESPP"), which became effective immediately upon the closing of the Business Combination. The ESPP permits eligible employees to purchase shares of Class A common stock at a price equal to 85% of the lower of the fair market value of Class A common stock on the first day of an offering or on the date of purchase. Additionally, the number of shares of Class A common stock reserved for issuance under the ESPP will automatically increase on January 1st of each year, beginning on January 1, 2022 and continuing through and including January 1, 2031, by the lesser of (i) 1.0% of the total number of shares of Class A common stock outstanding on

December 31 of the preceding year; (ii) 9,938,118 shares of Class A common stock; or (iii) a lesser number of shares of Class A common stock determined by the Board of Directors prior to the date of increase (the "ESPP Evergreen Provision"). The ESPP Evergreen Provision is calculated using the number of legally outstanding shares of common stock and includes shares, such as unvested shares pursuant to early exercised stock options, that are not considered outstanding for accounting purposes. In accordance therewith, the number of shares of Class A common stock reserved for issuance under the ESPP increased by 1,809,383 on January 1, 2023. As of December 31, 2023, the maximum number of shares authorized for issuance under the ESPP was 8,406,337, of which 7,177,705 shares remained available under the ESPP.

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

During the year ended December 31, 2023, for the six-month ESPP offering periods that ended on May 31, 2023 and November 30, 2023, employees purchased 601,105 shares at a price of $2.19 per share and 627,527 shares at a price of $2.54 per share, respectively.

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

Input	December 1, 2023
Stock price	$ 6.30
Risk-free interest rate	5.26 %
Term (in years)	0.50
Volatility	97.50 %
Dividend yield	0.00 %
Grant date fair value per share	$ 2.62

During the years ended December 31, 2023 and 2022, the Company recognized stock-based compensation expense of $1.2 million and $0.1 million for the ESPP, respectively. There were no ESPP offerings for the year ended December 31, 2021.

As of December 31, 2023, the total remaining stock-based compensation expense was $1.2 million for the ESPP, which is expected to be recognized over the current six-month offering period until May 31, 2024.

Annual Equity Awards

Subject to the achievement of certain performance goals established by the Company from time to time, the Company's employees are eligible to receive an annual incentive bonus that will entitle them to an annual grant of a number of RSUs determined by dividing the annual bonus target amount by the closing price of the Company's Class A common stock on the date of grant. The RSUs will be fully vested on the date of grant. Furthermore, all the annual equity awards are contingent and issued only upon approval by the Company's Board of Directors or the Compensation Committee. During the years ended December 31, 2023 and 2022, the Company recognized stock-based compensation expense of $11.5 million and $9.5 million, respectively, related to these annual equity awards. There wereno annual equity awards granted during the year ended December 31, 2021.

Stock Options

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Outstanding as of January 1, 2023	5,335,974	$ 0.12	7.66	$ 9.4
Exercised	(2,027,221)	0.12		7.8
Expired/forfeited	(134,639)	0.12		
Outstanding as of December 31, 2023	3,174,114	0.12	6.66	19.1
Exercisable as of December 31, 2023	1,346,269	$ 0.13	6.75	$ 8.1
Vested and expected to vest as of December 31, 2023	3,174,114	0.12	6.66	19.1

There were no options granted for the years ended December 31, 2023 and 2022. During the year ended December 31, 2021, the Company granted 1,277,622 incentive and non-statutory stock options under the 2019 Plan.

Determination of Fair Value

The assumptions used in the Black-Scholes option pricing model to estimate the fair value of the stock options granted during the year ended December 31, 2021 are provided in the following table:

	December 31, 2021
Risk-free interest rate:	
Employee stock options	0.62 %
Non-employee stock options	1.08 %
Expected term (in years):	
Employee stock options	6.32
Non-employee stock options	10.00
Expected volatility:	
Employee stock options	87.94 %
Non-employee stock options	88.03 %
Dividend yield:	
Employee stock options	0.00 %
Non-employee stock options	0.00 %
Grant date fair value per share:	
Employee stock options	$ 13.65
Non-employee stock options	$ 13.68

The Company recognized stock-based compensation expense of $2.8 million, $3.8 million and $3.9 million for stock options for the years ended December 31, 2023, 2022 and 2021, respectively.

As of December 31, 2023, the total remaining stock-based compensation expense for unvested stock options was $1.9 million, which is expected to be recognized over a weighted-average period of 0.8 years.

Restricted Stock Units

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

	Number of Shares	Weighted Average Grant Price
Outstanding as of January 1, 2023	43,146,632	$ 5.72
Granted	11,864,674	3.36
Vested	(7,555,232)	3.95
Forfeited	(15,933,591)	6.26
Outstanding as of December 31, 2023	31,522,483	4.99

During the year ended December 31, 2023, the Company granted 998,364 RSUs under the Amended and Restated 2021 Plan, representing the quarterly equity awards for the Company’s fourth fiscal quarter of 2022. The RSUs were fully vested on the date of grant and settled in Class A common stock on a one-for-one basis. In addition, the Company granted 10,866,310 RSUs under the Amended and Restated 2021 Plan, which generally vest over a three- or four-year period with a one-year cliff and remain subject to forfeiture if vesting conditions are not met. Upon vesting, RSUs are settled in Class A common stock on a one-for-one basis. The shares of Class A common stock underlying RSU grants are not issued and outstanding until the applicable vesting date.

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

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

The following assumptions were used to estimate the fair value, using the Monte Carlo simulation, of the market award grant:

	September 16, 2021
Stock price	$ 9.92
Term (in years)	7
Volatility	55.00 %
Risk-free interest rate	1.13 %
Dividend yield	0.00 %

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

On July 13, 2023, 15 months following the separation of the officer from the Company, the officer's unvested15,006,918 shares of Class B common stock for the remaining three tranches of the Founder Grants were forfeited. The Company reversed the previously recognized stock-compensation expense associated with these shares for $59.1 million. As of December 31, 2023, there were15,006,918 shares of Class B common stock outstanding for the remaining Founder Grants.

For the years ended December 31, 2023, 2022 and 2021, the Company recorded $49.7 million, $64.9 million and $118.1 million, respectively, of stock-based compensation expense for the amortized portion of the market award for the remaining three tranches of the outstanding Founder Grants in general and administrative expenses in the consolidated statements of operations. Of the amounts recorded during the years ended December 31, 2023, 2022 and 2021, approximately $17.3 million, $32.4 million and $9.4 million, respectively, of stock-based compensation expense associated with the forfeiture were reversed in July 2023 and recorded during the year ended December 31, 2023.

For the years ended December 31, 2023, 2022 and 2021, the Company recorded $27.0 million, $22.8 million and $1.6 million of stock-based compensation expense, respectively, related to RSUs (excluding the Founder Grants).

As of December 31, 2023, the total remaining stock-based compensation expense for unvested RSUs (including the remaining Founder Grants) was $128.5 million, which is expected to be recognized over a weighted-average period of 1.0 year.

Restricted Stock

In August 2023, the Company issued 1,985,559 shares of Class A common stock to an outside vendor to satisfy $11.0 million of the Company's outstanding payable to that vendor. Accordingly, the Company reclassified $11.6 million, representing the grant date fair value of the award, of legal expense to stock-based compensation expense within general and administrative expenses in the consolidated statements of operations during the year ended December 31, 2023.

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

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

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

	Year Ended December 31,		
	2023	2022	2021
Research and development	$ 28.9	$ 26.1	$ 3.7
General and administrative	16.3	76.7	119.9
Total stock-based compensation expense	$ 45.2	$ 102.8	$ 123.6

Warrants

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Outstanding as of January 1, 2023	8,736,599	$ 0.01	7.84	$ 16.3
Issued	15,000,000	0.01		
Exercised	(2,948,352)	0.01		17.0
Outstanding as of December 31, 2023	20,788,247	0.01	4.48	127.4
Vested as of December 31, 2023	2,839,893	$ 0.01	2.17	$ 17.4

United Airlines

On January 29, 2021, the Company entered into the United Purchase Agreement, United Collaboration Agreement, and United Warrant Agreement. Under the terms of the United Purchase Agreement, United has a conditional purchase order for up to 200 of the Company's aircraft, with an option to purchase an additional100 aircraft. Those purchases are conditioned upon the Company meeting certain conditions that include, but are not limited to, the certification of the Company's aircraft by the FAA and further negotiation and reaching of mutual agreement on certain material terms related to the purchases. The Company issued 14,741,764 warrants to United to purchase shares of the Company's Class A common stock. Each warrant provides United with the right to purchase one share of the Company's Class A common stock at an exercise price of $0.01 per share. The warrants were initially expected to vest infour installments in accordance with the following milestones: the execution of the United Purchase Agreement and the United Collaboration Agreement, the completion of the Business Combination, the certification of the aircraft by the FAA, and the sale of aircraft to United.

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

The Company accounts for the Amended United Purchase Agreement and the United Collaboration Agreement under ASC 606,*Revenue from Contracts with Customers*. The Company identified the sale of each aircraft ordered by United as a separate performance obligation in the contract. As the performance obligations have not been satisfied, the Company has not recognized any revenue as of December 31, 2023.

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

On January 29, 2021, a valuation of the Company's common stock was performed, valuing the Company's common stock at $13.35 per share. The value of the common stock was determined using a hybrid approach of the OPM and PWERM, with the PWERM weighted at 80% primarily based on management's expectation of the planned merger as described in Note 1 and the OPM weighted at 20% due to uncertainties in the timing of other possible scenarios. The Company used the OPM to allocate value in a stay private scenario. Given the $0.01 exercise price, each warrant also had a fair value of $13.35 at the grant date.

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

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

For the year ended December 31, 2023, the Company recorded $2.1 million in other warrant expense in the consolidated statements of operations related to the second sub-milestone under the fourth milestone, and a total of 2,211,264 warrants vested from achievement of this milestone.

For the year ended December 31, 2022, the Company recorded $10.8 million in other warrant expense in the consolidated statements of operations related to the first two sub-milestones under the fourth milestone, and a total of 737,088 warrants vested from achievement of the first sub-milestone under the fourth milestone.

In August 2023, the Company issued 2,942,778 shares of Class A common stock to United, who cashless net exercised 2,948,352 warrants related to the achievement of the first two sub-milestones under the fourth milestone.

For the year ended December 31, 2021, the Company recorded $117.3 million in other warrant expense in the consolidated statements of operations related to the achievement of the first two milestones. A total of 8,845,058 warrants vested from achievement of the first two milestones and were exercised during the year ended December 31, 2021.

Stellantis N.V.

On January 3, 2023, the Company entered into a manufacturing and collaboration agreement with Stellantis N.V. ("Stellantis"), pursuant to which the Company and Stellantis will collaborate on the development and implementation of the

Company's manufacturing operations for the production of its eVTOL aircraft products (the "Stellantis Collaboration Agreement"). In connection with the Stellantis Collaboration Agreement, the Company entered into a forward purchase agreement (as amended, the "Stellantis Forward Purchase Agreement") and a warrant agreement (the "Stellantis Warrant Agreement") with Stellantis on January 3, 2023.

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

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

As the Company is currently in pre-revenue stage and is not generating any revenue from the Stellantis Collaboration Agreement, all costs incurred with third parties are recorded based on the nature of the costs incurred. The Company accounts for the warrant in accordance with the provisions of ASC 718. The grant date fair value of each warrant was determined to be $1.93, which was the closing price of the Company's Class A common stock on January 3, 2023. For each tranche of the warrant, the Company will recognize compensation costs as the related services are received from Stellantis on a straight-line basis over the associated service period. During the year ended December 31, 2023, the Company recorded $17.5 million of R&D expense in the consolidated statements of operations in connection with the Stellantis Collaboration Agreement.

On June 23, 2023, the Company issued 6,337,039 shares of Class A common stock to Stellantis at a price of $3.94506 per share in connection with the first milestone under the Stellantis Forward Purchase Agreement and received approximately $25.0 million in gross proceeds. The Company recognized the issued shares at a fair value of $3.38 per share, which was the closing price of the Company's Class A common stock on June 23, 2023, and recognized a gain of $3.6 million within other (expense) income, net in the consolidated statements of operations during the year ended December 31, 2023, to account for the difference between the amount of cash proceeds and the fair value of the issued shares.

On August 10, 2023, Stellantis waived certain conditions provided for in the Stellantis Forward Purchase Agreement relating to the Company's actual achievement pursuant to Milestone 2 (as defined in the Stellantis Forward Purchase Agreement). In connection with this waiver, the Company submitted an election notice to draw down upon the $70.0 million applicable to Milestone 2, which equals 12,313,234 shares of the Company's Class A common stock. This drawdown was completed on October 16, 2023.

FCA US LLC

On November 6, 2020, the Company entered into a collaboration agreement with FCA US LLC ("FCA") (the "FCA Collaboration Agreement"), in which both parties agreed to work together to complete a series of fixed duration collaboration projects related to the Company's ongoing efforts to design, develop, and bring up production capabilities for its aircraft. In conjunction with the FCA Collaboration Agreement, the Company issued a warrant to FCA on November 6, 2020, in which FCA has the right to purchase up to 1,671,202 shares of the Company's Class A common stock at an exercise price of $0.01 per share. The Company performed a valuation and determined each warrant had a fair value of $0.15 per share at the grant date. Shares under the warrant vest based on the completion of specific aircraft development milestones identified under the FCA Collaboration Agreement.

As the Company is currently in pre-revenue stage and is not generating any revenue from the FCA Collaboration Agreement, all costs incurred with third parties are recorded based on the nature of the cost incurred. The Company accounts for the warrant in accordance with ASC 718. The Company assessed whether it was probable that the award vested for each of the seven milestones at the end of every reporting period. If and when the award was deemed probable of vesting, the Company recognized compensation expense for the portion of the grant determined probable of vesting on a straight-line basis over the duration of each milestone. If services had been provided by FCA prior to management determining the milestone was probable of being achieved, a cumulative catch-up adjustment was recorded for services performed in prior periods. During the years ended December 31, 2022 and 2021, the Company recorded $0.1 million and $0.2 million of R&D expense, respectively, in the consolidated statements of operations related to the completion of certain milestones. As of December 31, 2022, all seven milestones have been completed, amounting to 1,671,202 shares that have vested.

FCA Italy S.p.A.

On July 19, 2021, the Company entered into a manufacturing consulting agreement with an affiliate of FCA, FCA Italy S.p.A. ("FCA Italy") (the "Manufacturing Consulting Agreement"), in which both parties agreed to work together to complete a series of fixed duration projects to develop manufacturing and production processes in connection with the Company's ongoing efforts to bring up production capabilities for its aircraft. In conjunction with the Manufacturing Consulting Agreement, the Company issued a warrant to FCA Italy, in which FCA Italy has the right to purchase up to 1,077,024 shares of the Company's Class A common stock at an exercise price of $0.01 per share. The Company performed a valuation and determined each warrant had a fair value of $8.98 per share at the grant date. The shares underlying the warrant vest in two equal installments in accordance with two time-based milestones.

The Company accounts for the warrant in accordance with ASC 718. The Company recognized compensation cost for half of the shares that were fully vested upon execution of the Manufacturing Consulting Agreement. The Company recognized compensation cost for the remaining half of the warrant as the related services were received from FCA Italy on a straight-line basis over the service period of 12 months. During the year ended December 31, 2022, the Company recorded $2.8 million of R&D expense in the consolidated statements of operations related to services received for the second milestone. During the year ended December 31, 2021, the Company recorded $6.8 million of R&D expense in the consolidated statements of operations related to the achievement of the first milestone and services received for the second milestone. As of December 31, 2022, both of the milestones have been completed, amounting to 1,077,024 shares that have vested.

Note 11 - Income Taxes

The Company's loss before income taxes consisted of the following (in millions):

	Year Ended December 31,		
	2023	2022	2021
United States	$ (458.7)	$ (317.3)	$ (347.8)
International	1.3	—	—
Total	$ (457.4)	$ (317.3)	$ (347.8)

The Company recognized foreign current income tax provision of $0.5 million during the year ended December 31, 2023. The Company did not recognize any current income tax provision during the years ended December 31, 2022 and 2021. The Company did not record any deferred income tax provision for the years ended December 31, 2023, 2022 and 2021. The related increase in the deferred tax assets was offset by the increase in valuation allowance.

A reconciliation of the Company's effective income tax rate to the expected income tax rate, computed by applying the federal statutory income tax rate of 21% to the Company's loss before income taxes, is as follows:

	Year Ended December 31,		
	2023	2022	2021
Federal income tax (benefit) at statutory tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes (net of federal benefit)	(2.7)%	2.5 %	2.6 %
Nondeductible expenses	(0.1)%	(0.2)%	(0.2)%
Warrant expense	(1.6)%	0.8 %	(6.5)%
Nondeductible officers' compensation	0.1 %	(4.7)%	(6.9)%
Other	0.0 %	(0.7)%	0.2 %
Credits	4.4 %	4.9 %	1.3 %
Change in valuation allowance	(21.2)%	(23.6)%	(11.5)%
Effective tax rate	(0.1)%	0.0 %	0.0 %

Differences between the state statutory rate and state effective tax rate for the year ended December 31, 2023 primarily relate to the limitations imposed on certain share-based compensation under Section 162(m), R&D tax credits and an increase in the valuation allowance.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are provided below (in millions):

	As of December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 84.1	$ 43.4
Accrued expenses	12.4	1.5
Operating lease liabilities	3.5	3.3
Stock-based compensation	1.9	3.7
Warrants	6.0	2.5
Capitalized R&D expenses	77.8	51.7
Credits	41.7	21.1
Start-up costs	3.8	4.7
Other	0.7	0.9
Gross deferred tax assets	231.9	132.8
Less: valuation allowance	(226.3)	(129.7)
Deferred tax assets, net of valuation allowance	5.6	3.1
Deferred tax liabilities:		
Depreciation and amortization	(3.7)	—
Right-of-use assets	(1.9)	(3.1)
Total deferred tax liabilities	(5.6)	(3.1)
Total net deferred tax assets	$ —	$ —

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Based upon the analysis of federal and state deferred tax balances and future tax projections and the Company's lack of taxable income in the carryback period, the Company recorded a valuation allowance of $226.3 million against the federal and state deferred tax assets. The valuation allowance increased by $96.6 million, $82.6 million and $39.9 million during the years ended December 31, 2023, 2022 and 2021, respectively.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022. The Company does not currently expect the Inflation Reduction Act to impact its estimated effective tax rate due to a full valuation allowance against deferred tax assets.

As of December 31, 2023 and 2022, the Company has U.S. federal net operating loss (“NOL”) carryforwards of $389.9 million and $173.5 million, respectively, which can be carried forward indefinitely. As of December 31, 2023 and 2022, the Company has state NOL carryforwards of $40.5 million and $120.1 million, respectively, which will both begin to expire in 2038.

In the ordinary course of its business, the Company incurs costs that, for tax purposes, are determined to be qualified R&D expenditures within the meaning of IRC §41 and are, therefore, eligible for the Increasing Research Activities credit under IRC §41. The U.S. federal R&D tax credit carryforward is $31.4 million and $14.9 million for December 31, 2023 and 2022, respectively. The U.S. federal R&D tax credit carryforward begins to expire in 2039. The state R&D tax credit carryforward is $15.7 million and $9.3 million for December 31, 2023 and 2022, respectively, which can be carried forward indefinitely.

The following table summarizes the activity related to the Company’s unrecognized tax benefits during the years ended December 31, 2023, 2022 and 2021 (in millions):

Balance as of December 31, 2020	$ 2.0
Increases related to current year tax positions	0.3
Decreases based on tax positions related to prior years	(2.0)
Balance as of December 31, 2021	0.3
Increases related to current year tax positions	1.2
Balance as of December 31, 2022	1.5
Increases related to current year tax positions	0.5
Balance as of December 31, 2023	$ 2.0

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of December 31, 2023 and 2022 is zero due to the valuation allowance that would otherwise be recorded on the deferred tax asset associated with the recognized position. During the years ended December 31, 2023, 2022 and 2021, the Company recognized no interest and penalties related to uncertain tax positions. It is not expected that there will be a significant change in uncertain tax positions in the next 12 months.

In accordance with Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended (the “Code”), a corporation that undergoes an “ownership change” (generally defined as a cumulative change of more than 50% in the equity ownership of certain stockholders over a rolling three-year period) is subject to limitations on its ability to utilize its pre-change NOLs and R&D tax credits to offset post-change taxable income and post-change tax liabilities, respectively. The Company’s existing NOLs and R&D credits may be subject to limitations arising from previous ownership changes, and the ability to utilize NOLs could be further limited by Section 382 and Section 383 of the Code. In addition, future changes in the Company’s stock ownership, some of which may be outside of the Company’s control, could result in an ownership change under Section 382 and Section 383 of the Code. The amount of such limitations, if any, has not been determined.

The Company is subject to taxation and files income tax returns with the U.S. federal government and the states of California and Florida. The tax years ended December 31, 2018 through December 31, 2023 remain open to examination for federal purposes, and the tax years ended December 31, 2018 through December 31, 2023 remain open to examination for state purposes. In addition, the utilization of NOL and R&D credit carryforwards is subject to federal and state review for the periods in which those net losses were incurred. The Company is not under audit by any tax jurisdictions at this time.

Note 12 - Liability Classified Warrants

As of December 31, 2023, there were 17,398,947 public warrants outstanding. Public warrants may only be exercised for a whole number of shares. No fractional shares are issued upon exercise of the public warrants. The public warrants became exercisable on October 30, 2021, 12 months after the closing of the initial public offering of Atlas. The public warrants will expire five years from the consummation of the Business Combination or earlier upon redemption or liquidation.

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

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

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

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

As of December 31, 2023, there were 8,000,000 private placement warrants outstanding. The private placement warrants are identical to the public warrants underlying the shares sold in the initial public offering of Atlas, except that the private placement warrants and the shares of Class A common stock issuable upon the exercise of the private placement warrants became transferable, assignable, and salable on October 16, 2021, 30 days after the completion of the Business Combination, subject to certain limited exceptions. Additionally, the private placement warrants will be exercisable on a cashless basis and will be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the private placement warrants are held by someone other than the initial purchasers or their permitted transferees, the private placement warrants will be redeemable by the Company and exercisable by such holders on the same basis as the public warrants.

Note 13 - Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date of the issuance of these consolidated financial statements. The Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Annual Report, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in the *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2023. The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which appears within Item 8 of this Annual Report on Form 10-K.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management, including the Chief Executive Officer and Chief Financial Officer, recognizes that our disclosure controls and procedures or our internal control over financial reporting cannot prevent or detect all possible instances of errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Remediation of Prior Year Material Weaknesses

We previously identified and disclosed in our 2022 Annual Report on Form 10-K as well as in our Quarterly Report on Form 10-Q for each interim period in fiscal 2023, the following material weaknesses in our internal control over financial reporting:

- We did not design and maintain an effective control environment commensurate with our financial reporting requirements. We lacked a sufficient number of trained professionals with (i) an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately, and (ii) an appropriate level of knowledge and experience to establish effective processes and controls. Additionally, the limited personnel resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions.

- We did not design and maintain an effective risk assessment process at a precise enough level to identify new and evolving risks of material misstatement in our financial statements. Specifically, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting.

- We did not design and maintain formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over the preparation and review of business performance reviews, account reconciliations and journal entries.
- We did not design and maintain effective controls over IT general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain:
  - user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate company personnel;
  - program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized, and implemented appropriately; and
  - computer operations controls to ensure that data backups are authorized and monitored.

We have taken the steps we believe are necessary to remediate these material weaknesses to comply with the rules and regulations of the SEC regarding compliance with Section 404(a) of the Sarbanes-Oxley Act. Those remediation measures included the following:

- We prepared a remediation plan for each of the material weaknesses and trained process owners, developed new controls, enhanced existing controls and evaluated process adoption, and are monitoring results;
- We hired a new Chief Financial Officer in February 2022 and hired additional accounting, human resources and payroll, and IT personnel to bolster our accounting and IT capabilities and capacity, in order to establish and maintain our internal controls;
- We implemented controls to formalize roles and review responsibilities that align with our team's skills and experience and to ensure segregation of duties;
- We engaged third-party professionals to aid in the design and implementation of a formal risk assessment process and identified and evaluated changes in our internal controls;
- We implemented formal processes, policies, and procedures supporting our financial close process, including establishing and reviewing thresholds for business performance reviews, formalizing procedures over the review of financial statements, and creation of standard balance sheet reconciliation templates and journal entry controls;
- We designed and implemented IT general controls, including controls over the review and updating of user access rights and privileges and segregation of duties, and implemented more robust IT policies and procedures over change management, data backup authorization and computer operations; and
- We implemented a new enterprise resource planning system in February 2023 that automated some of our manual financial reporting processes, enhanced our information technology control environment, and mitigated necessary internal control gaps and limitations that previously resulted in the material weaknesses noted above.

As of December 31, 2023, management has concluded that the actions described above were satisfactorily implemented and have been in place for a sufficient period of time to demonstrate the previously identified material weaknesses have been remediated.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Rule 105b5-1 Trading Plans. During the three months ended December 31, 2023, none of the Company’s directors or executive officersadopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference to our Proxy Statement to be filed with the SEC within 120 days of the end of the fiscal year covered by this Annual Report.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to our Proxy Statement, and is incorporated herein by reference.

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

The information required by this item is incorporated herein by reference to our Proxy Statement, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to our Proxy Statement, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to our Proxy Statement, and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report:

1. Financial Statements

See Index to Consolidated Financial Statements under Part II, Item 8 of this Annual Report.

2. Financial Statement Schedules

Schedules not listed above have been omitted because they are not required, not applicable, or the required information is otherwise included.

(b) Exhibits

The exhibits listed below are filed as part of this Annual Report or are incorporated by reference as indicated.

Exhibit	Description
2.1††	Amended and Restated Business Combination Agreement, dated as of July 29, 2021, by and among Atlas Crest Investment Corp., Artemis Acquisition Sub Inc. and Archer (incorporated by reference to Exhibit 2.1 to Form 8-K (File No. 001-39668), filed July 29, 2021)
3.1	Amended and Restated Certificate of Incorporation of Archer (incorporated by reference to Exhibit 3.1 to Form 8-K (File No. 001-39668), filed September 22, 2021)
3.2	Amended and Restated Bylaws of Archer (incorporated by reference to Exhibit 3.1 to Form 8-K (File No. 001-39668), filed February 7, 2023)
4.1*	Description of Archer's Securities
4.2	Warrant Agreement, dated October 27, 2020, by and between Legacy Archer and Continental Stock Transfer & Trust Company, as warrant agent (incorporated by reference to Exhibit 4.1 to Form 8-K (File No. 001-39668), filed November 2, 2020)
10.1	Form of Subscription Agreement (incorporated by reference to Exhibit 10.2 to Form 8-K (File No. 001-39668), filed February 10, 2021)
10.2	Amended and Restated Sponsor Letter Agreement, dated as of July 29, 2021, by and among Atlas Crest Investment Corp., Atlas Crest Investment LLC, Legacy Archer, and the individuals named therein (incorporated by reference to Annex D-2 to Registration Statement on Form S-4 (File No. 333-254007), filed August 3, 2021)
10.3†	Archer 2019 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.4†	Form of Stock Option Grant Package under Archer 2019 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.5†	Form of RSU Grant Package under Archer 2019 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.6†	Archer Amended and Restated 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 8-K (File No. 001-39668), filed June 15, 2022)
10.7†	Form of Stock Option Grant Package under Archer 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.8†	Form of RSU Grant Package under Archer 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.9†	Form of Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.11 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.10†	Archer Director Equity Deferral Plan (incorporated by reference to Exhibit 10.2 to Form 10-Q (File No. 001-39668), filed August 10, 2022)

Exhibit	Description
10.11†	Form of Irrevocable Deferral Election under Archer Director Equity Deferral Plan (incorporated by reference to Exhibit 10.3 to Form 10-Q (File No. 001-39668), filed August 10, 2022)
10.12†	Offer Letter, dated September 16, 2021, by and between Archer and Adam Goldstein (incorporated by reference to Exhibit 10.13 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.13†	Offer Letter, dated November 19, 2019, by and between Legacy Archer and Tom Muniz (incorporated by reference to Exhibit 10.19 to Registration Statement on Form S-4 (File No. 333-254007) filed August 10, 2021)
10.14†	Offer Letter, dated May 5, 2021, by and between the Company and Andy Missan (incorporated by reference to Exhibit 10.17 to Registration Statement on Form S-4 (File No. 333-254007) filed August 10, 2021)
10.15**	Settlement Agreement, dated August 10, 2023, by and among Archer, The Boeing Company and Wisk Aero LLC (incorporated by reference to Exhibit 10.1 to Form 10-Q (File No. 001-39668), filed November 9, 2023
10.16††	Sublease Agreement, dated January 14, 2022, between Forescout Technologies, Inc. and Archer (incorporated by reference to Exhibit 10.2 to Form 10-Q (File No. 001-39668) filed May 12, 2022)
10.17**	First Warrant to Purchase Shares, dated August 15, 2023, by and among Archer, Wisk Aero LLC and The Boeing Company (incorporated by reference to Exhibit 4.9 to Registration Statement on Form S-3 (File No. 333-273996), filed August 15, 2023)
10.18	Warrant to Purchase Shares, dated January 3, 2023, by and between Archer and Stellantis N.V. (incorporated by reference to Exhibit 10.3 to Archer’s Current Report on Form 8-K filed with the SEC on January 9, 2023)
10.19	Warrant to Purchase Shares, dated as of November 6, 2020, by and among FCA US LLC and Legacy Archer (incorporated by reference to Exhibit 10.8 to Registration Statement on S-4 (File No. 333-254007), filed August 10, 2021)
10.20	Warrant to Purchase Shares, dated as of January 29, 2021, by and among United Airlines, Inc. and Archer (incorporated by reference to Exhibit 10.21 to Form 10-K (File No. 001-39668), filed March 14, 2022)
10.21	Amendment No. 1 to Warrant to Purchase Shares, dated August 9, 2022, by and among United Airlines, Inc. and Archer (incorporated by reference to Exhibit 10.1 to Form 10-Q (File No. 001-39668), filed November 10, 2022)
10.22	Warrant to Purchase Shares, dated as of February 26, 2021, by and among Mesa Air Group, Inc. and Legacy Archer (incorporated by reference to Exhibit 10.11 to Registration Statement on S-4 (File No. 333-254007), filed August 10, 2021)
10.23	Warrant to Purchase Shares, dated as of July 19, 2021, by and between FCA Italy, S.p.A. and Legacy Archer (incorporated by reference to Exhibit 10.23 to Form 10-K (File No. 001-39668), filed March 14, 2022)
10.24	Form of Subscription Agreement (incorporated by reference to Exhibit 10.1 to Form 8-K (File No. 001-39668), filed August 10, 2023)
10.25	Amended and Restated Registration Rights Agreement, by and between Archer and certain stockholders, dated September 16, 2021 (incorporated by reference to Exhibit 10.2 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.26	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.3 to Form 8-K (File No. 001-39668), filed August 10, 2023)
10.27	Registration Rights Agreement, dated January 3, 2023, by and between Archer and Stellantis N.V. (incorporated by reference to Exhibit 10.4 to Form 8-K (File No. 001-39668), filed with the SEC on January 9, 2023)
10.28	Loan and Security Agreement, dated July 9, 2021, by and among Silicon Valley Bank, in its capacity as administrative agent and collateral agent, Silicon Valley Bank and SVB Innovation Credit Fund VIII, L.P., as lenders, and Legacy Archer (incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-4 (File No. 333-254007), filed August 3, 2021)
10.29***††	Credit Agreement, dated as of October 5, 2023, by and among Archer, the subsidiary guarantors thereto, and Synovus Bank, as administrative agent and lender
10.30†	Form of Indemnity Agreement (incorporated by reference to Exhibit 10.26 to Form 8-K (File No. 001-39668), filed September 22, 2021)
10.31†	Form of Change in Control and Severance Agreement (incorporated by reference to Exhibit 10.1 to Form 10-Q (File No. 001-39668) filed May 12, 2022)
10.32	Form of Transaction Support Agreement (incorporated by reference to Annex E to Registration Statement on Form S-4 (File No. 333-254007), filed March 8, 2021)

Exhibit	Description
10.33	Restricted Stock Purchase Agreement, dated August 10, 2023, by and between Archer and Gibson, Dunn & Crutcher LLP (incorporated by reference to Exhibit 4.10 to Registration Statement on Form S-3 (File No. 333-273996), filed August 15, 2023)
10.34	Forward Purchase Agreement, dated January 3, 2023, by and between Archer and Stellantis N.V. (incorporated by reference to Exhibit 10.2 to Form 8-K (File No. 001-39668), filed January 9, 2023)
10.35	Manufacturing Collaboration Agreement, dated January 3, 2023, by and between Archer and Stellantis N.V. (incorporated by reference to Exhibit 10.1 to Form 8-K (File No. 001-39668), filed January 9, 2023)
10.36***††	Design-Build Agreement, dated as of October 3, 2023, by and between Archer and Evans General Contractors, LLC
10.37	Controlled Equity Offering[SM] Sales Agreement, dated November 9, 2023, by and between Archer and Cantor Fitzgerald & Co. (incorporated by reference to Exhibit 1.2 to Registration Statement on Form S-3 (File No. 333-275465), filed November 13, 2023)
21.1*	List of Subsidiaries
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm
24.1*	Power of Attorney (reference is made to the signature page thereto)
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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	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 (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Portions of this exhibit are redacted pursuant to Regulation S-K Item 601(b)(10)(iv)

† Indicates management contract or compensatory plan or arrangement.

†† Certain of the exhibits and schedules to these exhibits have been omitted in accordance with Regulation S-K Item 601(a)(5). The registrant agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

\# This certification is deemed not filed for the purpose of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

(c) Financial Statement Schedules

Reference is made to Item 15(a) 2 above.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARCHER AVIATION INC.

February 29, 2024	By:	/s/ Mark Mesler
		Mark Mesler
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Adam Goldstein and Mark Mesler, and each of them, as his or her true and lawful attorneys-in-fact, proxies and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with any exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact, proxies and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies and agents, or their or his or her substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Adam Goldstein Adam Goldstein	Chief Executive Officer and Director (*Principal Executive Officer*)	February 29, 2024
/s/ Mark Mesler Mark Mesler	Chief Financial Officer (*Principal Financial and Accounting Officer*)	February 29, 2024
/s/ Deborah Diaz Deborah Diaz	Director	February 29, 2024
/s/ Fred Diaz Fred Diaz	Director	February 29, 2024
/s/ Oscar Munoz Oscar Munoz	Director	February 29, 2024
/s/ Barbara J. Pilarski Barbara J. Pilarski	Director	February 29, 2024
/s/ Maria Pinelli Maria Pinelli	Director	February 29, 2024
/s/ Michael Spellacy Michael Spellacy	Director	February 29, 2024