

**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 September 30, 2022

OR

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

For the transition period from _____ to _____.

Commission file number 001-38626

MESA AIR GROUP, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

85-0302351

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

410 NORTH 44TH STREET, SUITE 700

PHOENIX, ARIZONA 85008

(Address of principal executive offices)

85008

(Zip Code)

(602) 685-4000

Registrant's telephone number, including area code

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange of Which Registered</u>
Common Stock, no par value	MESA	Nasdaq Global Select Market

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 pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Non-accelerated filer

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.

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

As of March 31, 2022, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value the voting and non-voting stock held by non-affiliates of the registrant was approximately \$158,957,586.

As of September 30, 2022, the registrant had 36,376,897 shares of common stock, no par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2023 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The Registrant's definitive proxy statement for its 2023 annual meeting of shareholders will be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year to which this report relates.

MESA AIR GROUP, INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended September 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. Business	4
Item 1A. Risk Factors	17
Item 1B. Unresolved Staff Comments	32
Item 2. Properties	33
Item 3. Legal Proceedings	34
Item 4. Mine Safety Disclosures	34
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	35
Item 6. [Reserved]	36
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	62
Item 8. Financial Statements and Supplementary Data	63
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	99
Item 9A. Controls and Procedures	99
Item 9B. Other Information	100
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	100
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	101
Item 11. Executive Compensation	101
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	101
Item 13. Certain Relationships and Related Transactions, and Director Independence	101
Item 14. Principal Accountant Fees and Services	101
PART IV	
Item 15. Exhibits and Financial Statement Schedules	102
Item 16. Form 10-K Summary	107
Signatures	108

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. Many of the forward-looking statements are located in Part II, Item 7 of this Form 10-K under the heading "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "*future*," "*anticipates*," "*believes*," "*estimates*," "*expects*," "*intends*," "*plans*," "*predicts*," "*will*," "*would*," "*should*," "*could*," "*can*," "*may*," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Annual Report on Form 10-K under the heading "*Risk Factors*." Unless otherwise stated, references to particular years, quarters, months, or periods refer to our fiscal years ended September 30 and the associated quarters, months, and periods of those fiscal years. Each of the terms "*the Company*," "*Mesa Airlines*," "*Mesa*," "*we*," "*us*," and "*our*" as used herein refers collectively to Mesa Air Group, Inc. and its wholly owned subsidiaries, unless otherwise stated. We do not assume any obligation to revise or update any forward-looking statements.

The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- public health epidemics or pandemics such as COVID-19;
- the severity, magnitude, and duration of the COVID-19 pandemic, including impacts of the pandemic and of business' and governments' responses to the pandemic on our operations and personnel, and on demand for air travel;
- the supply and retention of qualified airline pilots and mechanics and associated costs;
- the volatility of pilot and mechanic attrition;
- dependence on, and changes to, or non-renewal of, our capacity purchase and flight services agreements;
- failure to meet certain operational performance targets in our capacity purchase and flight services agreements, which could result in termination of those agreements;
- increases in our labor costs;
- reduced utilization (the percentage derived from dividing (i) the number of block hours actually flown during a given month under a particular agreement by (ii) the maximum number of block hours that could be flown during such month under the particular agreement) under our capacity purchase agreements;
- the direct operation of regional jets by our major partners;
- the financial strength of our major partners and their ability to successfully manage their businesses through the unprecedented decline in air travel attributable to the COVID-19 pandemic or any other public health epidemic;
- limitations on our ability to expand regional flying within the flight systems of our major partners' and those of other major airlines;
- our significant amount of debt and other contractual obligations;
- our compliance with ongoing financial covenants under our credit facilities; and
- our ability to keep costs low and execute our growth strategies.

Additionally, the risks, uncertainties and other factors set forth above or otherwise referred to in the reports we have filed with the SEC may be further amplified by the impact of the shortage of pilots. While we may elect to update these forward-looking statements at some point in the future, whether as a result of any new information, future events, or otherwise, we have no current intention of doing so except to the extent required by applicable law.

PART I

ITEM 1. BUSINESS

General

Mesa Air Group, Inc. is the holding company of Mesa Airlines, Inc., a regional air carrier providing scheduled passenger service to 107 cities in 39 states, the District of Columbia, the Bahamas, and Mexico as well as cargo services out of Cincinnati/Northern Kentucky International Airport. All of our flights are operated as either American Eagle, United Express, or DHL Express flights pursuant to the terms of capacity purchase agreements ("CPAs") entered into with American Airlines, Inc. ("*American*") and United Airlines, Inc. ("*United*"), and pursuant to the terms of a Flight Services Agreement ("*FSA*") with DHL Network Operations (USA), Inc. ("*DHL*") (each, our "*major partner*"). We have a significant presence in several of our major partners' key domestic hubs and focus cities, including Dallas, Houston, Phoenix, and Washington-Dulles.

As of September 30, 2022, we operated under the CPAs and FSA, or maintained as operational spares, a fleet of 158 aircraft with approximately 306 daily departures. We also lease two (2) aircraft to a third party as of September 30, 2022. We operate 42 CRJ-900 aircraft under our capacity purchase agreement and as spares with American (the "*American CPA*"); 20 E-175LL, and 60 E-175 aircraft under our capacity purchase agreement with United (the "*United CPA*"), and three (3) Boeing 737-400F aircraft under our flight services agreement with DHL (the "*DHL FSA*"). For our fiscal year ended September 30, 2022, approximately 45% of our revenues were earned under the American CPA, approximately 48% were earned under the United CPA, approximately 5% were earned from leases of aircraft to a third party and approximately 2% were earned under the DHL FSA. All our operating revenue in our fiscal year 2022 and 2021 was derived from operations associated with our American and United CPAs, DHL FSA, or from leases of aircraft to a third party.

Our agreements provide us guaranteed monthly revenue for each aircraft under contract, a fixed fee for each block hour (measured from takeoff to landing, including taxi time) and flight actually flown, and reimbursement of certain direct operating expenses in exchange for providing regional flying on behalf of our major partners. Our agreements also shelter us, to an extent, from many of the elements that cause volatility in airline financial performance, including fuel prices, variations in ticket prices, and fluctuations in number of passengers. In providing regional flying and cargo flight services under our agreements, we use the logos, service marks, flight crew uniforms and aircraft paint schemes of our major partners. Our major partners control route selection, pricing, seat inventories, marketing, and scheduling, and provide us with ground support services, airport landing slots and gate access.

Regional aircraft are optimal for short- and medium-haul scheduled flights that connect outlying communities with larger cities and act as "*feeders*" for domestic and international hubs. In addition, regional aircraft are well suited to serve larger city pairs during off-peak times when load factors on larger jets are low. The lower trip costs and operating efficiencies of regional aircraft, along with the competitive nature of the capacity purchase agreement bidding process, provide significant value to major airlines.

Impact of Pilot Shortage and Attrition

During our fiscal year ended September 30, 2022, the severity of the pilot shortage and attrition and increasing costs associated with pilot wages adversely impacted our financial results, cash flows, financial position, and other key financial ratios. One of the primary factors contributing to the pilot shortage and attrition is the demand for pilots at major carriers, which are hiring at an accelerated rate to backfill the thousands of pilots whom they offered early retirements to at the beginning of the pandemic. These airlines now seek to increase their capacity to meet the growing demand for air travel as the global pandemic has moderated. A primary source of pilots for the major US passenger and cargo carriers are the US regional airlines. As a result of the pilot shortage and attrition, the Company has increased overall hourly pay by nearly 118% for captains and 172% for new-hire first officers.

In response to this pilot shortage and attrition, pilot wage increases and their negative impacts on our financial results, we have implemented and continue to put in place the following plans and initiatives:

- Working collaboratively with our major partners, we have and continue to address financial and operational impacts of pilot attrition, hiring and overall associated costs.
- We established the Mesa Pilot Development Program (the "*MPD Program*") to increase the pilot throughput. We have purchased 29 state-of-the-art Pipistrel Alpha Trainer 2 aircraft, with the option to buy an additional 75 over the next year. This new fleet will be the backbone of our MPD Program to help commercial pilots accelerate their accumulation of flight hours to reach the minimum flight hours required by FAA. As part of the program, pilots will be provided with the opportunity to accumulate up to 1,500 flight hours required to fly a commercial aircraft at Mesa Airlines. Flights costs of \$25 per hour, per pilot, will be fully financed by us with zero interest, providing no upfront out-of-pocket expense for flight time while the candidate is accruing the required hours to earn their ATP certificate.

- We added flight training simulators and flight training instructors to expand our training capacity to backfill pilots lost to attrition.
- We increased the hourly pay for pilots to exceed the industry average in an effort to retain current pilots and attract new pilots.
- We expanded the United Aviate program participation to include all pilots flying for Mesa. Previously, pilots had to fly under the United Express contract for a minimum of two (2) years to qualify for the flow through to United Airlines. Now, all pilots regardless of contract, are eligible to flow through to United Airlines enhancing Mesa's ability to attract and retain pilots.
- We continue to evaluate other initiatives to increase pilot recruitment and accelerate training throughput.
- We formally listed 11 of our CRJ-900 aircraft and one (1) CRJ-200 aircraft for sale to raise capital and retire debt.
- We listed 18 CRJ-700 aircraft during the reporting period, of which 10 were sold. The approximate proceeds from the sale in the quarter was \$50 million.
- We initiated discussions to refinance and defer repayment of our outstanding and drawn balance on our revolving credit facility with CIT Bank, N.A which is currently due in December 2022.
- We delayed and/or deferred major spending on aircraft and engine maintenance to match the current and projected level of flight activity.

While these initiatives outlined above may alleviate pressure on financial performance, there is no guarantee these initiatives will come to fruition or otherwise achieve their desired objective. See the disclosure under Note 1 - Organizations and Operations - Impact of Pilot Shortage and Attrition" in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a discussion of the above initiatives that were implemented subsequent to our fiscal year ended September 30, 2022 and the disclosures under Note 18 - Subsequent Events in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a discussion of certain other agreements entered into subsequent to our fiscal year ended September 30, 2022, including an amendment to our American CPA to wind down our operations with American, an expansion of our United CPA to transition aircraft from the American CPA to operate under the United CPA, and certain other financial accommodations.

COVID-19 Pandemic

Beginning in fiscal 2020, COVID-19 surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. The COVID-19 pandemic negatively affected our revenue and operating results during fiscal 2022, 2021, and 2020. Any similar outbreaks in the future may have a material impact on our financial condition, liquidity, and results of operations in future periods. See "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for discussion regarding the impact of the COVID-19 pandemic on our financial results. Also, see "Part I. Item 1A. Risk Factors" for discussion of the risks and uncertainties associated with the COVID-19 pandemic.

Our Business Strategy

Our business strategy consists of the following elements:

Maintain Low-Cost Structure

We have established ourselves as a low cost, efficient and reliable provider of regional airline and cargo flight services. We intend to continue our disciplined cost control approach through responsible outsourcing of certain operating functions, by flying large regional aircraft with associated lower maintenance costs and common flight crews across fleet types, and through the diligent control of corporate and administrative costs by implementing company-wide efforts to improve our cost structure.

Attractive Work Opportunities

We believe our employees have been, and will continue to be, a key to our success. Our ability to attract, recruit, and retain pilots has supported our industry-leading fleet growth. We intend to continue to offer competitive compensation packages, foster a positive and supportive work environment and provide opportunities to fly state-of-the-art, large-gauged regional jets to differentiate us from other carriers and make us an attractive place to work and build a career.

Maintain a Prudent and Conservative Capital Structure

We intend to continue to maintain a prudent capital structure, including with respect to the amount of debt we carry. We believe that our balance sheet and credit profile will enable us to optimize terms with lessors and vendors.

Minimize Tail Risk

We have structured our aircraft leases and financing arrangements to minimize or eliminate, as much as possible, so-called "tail risk," which is the amount of aircraft-related lease obligations or projected negative equity existing beyond the term of that aircraft's corresponding capacity purchase or flight services agreement. We intend to continue to align the terms of our aircraft leases and financing agreements with the terms of our capacity purchase agreements and flight services agreement to maintain low "tail risk."

Aircraft Fleet

We fly only large regional jets manufactured by Bombardier Aerospace ("Bombardier") and Embraer S.A. ("Embraer"), as well as 737 cargo jets manufactured by Boeing. Mitsubishi Heavy Industries ("MHI"), who acquired the CRJ business from Bombardier, and Embraer are the primary manufacturers of regional jets operated in the United States, which allows us to enjoy operational, recruiting and cost advantages over other regional airlines that operate smaller regional aircraft from less prominent manufacturers.

As of September 30, 2022, we had 158 aircraft (owned and leased) consisting of the following:

	Embraer Regional Jet-175 (70- 76 seats)	Canadair Regional Jet-700 (50-70 seats)	Canadair Regional Jet-900 (76-79 seats)⁽¹⁾	Canadair Regional Jet-200 (50 seats)	Boeing 737 (Cargo)	Total
American Eagle	—	—	42	—	—	42
United Express	80	—	—	—	—	80
DHL Express	—	—	—	—	3	3
Held for sale	—	8	11	1	—	20
Leased to third party	—	2	—	—	—	2
Subtotal	80	10	53	1	3	147
Unassigned	—	—	11	—	—	11
Total	80	10	64	1	3	158

⁽¹⁾ As of September 30, 2022, the Company is utilizing 11 spare aircraft to support our American CPA. Additionally, the Company classified 11 CRJ-900 aircraft as assets held for sale during the year ended September 30, 2022.

The following table lists the aircraft we own and lease as of September 30, 2022 and the passenger capacity of such aircraft:

Type of Aircraft	Owned	Leased	Total	Passenger Capacity
E-175 Regional Jet	18	62 (2)	80	70-76
CRJ-900 Regional Jet	49	15	64	76-79
CRJ-700 Regional Jet	8	2	10	50-70
CRJ-200 Regional Jet	1	—	1	50
Boeing 737 Cargo Jet	—	3 (3)	3	
Total	76	82	158	

(2) All 62 of these E-175 aircraft are owned by United and leased to us at nominal amounts.

(3) Two (2) of these Boeing 737 aircraft are subleased to us by DHL at nominal amounts and the third aircraft is leased to us by a third party.

MHI and Embraer regional jets are among the quietest commercial jets currently available and offer many of the amenities of larger commercial jet aircraft, including flight attendant service, a stand-up cabin, overhead and under seat storage, lavatories and in-flight snack and beverage service. The speed of MHI and Embraer regional jets is comparable to larger aircraft operated by major airlines, and they have a range of approximately 1,600 miles and 2,100 miles, respectively. We do not currently have any existing arrangements with MHI or Embraer to acquire additional aircraft.

Capacity Purchase and Flight Services Agreements

Our agreements consist of the following:

- Operation of CRJ-900 aircraft under our American CPA;
- Operation of E-175 aircraft under our United CPA;
- Operation of Boeing 737 aircraft under our DHL FSA.

The financial arrangements between the Company and its major partners include a revenue-guarantee arrangement. Under these revenue-guarantee provisions, our major partners pay us a fixed minimum monthly amount per aircraft under contract, plus additional amounts related to departures and block hours flown. We also receive direct reimbursement of certain operating expenses, including insurance. Other expenses, including fuel and ground operations are directly paid to suppliers by our major partners. We believe we are in material compliance with the terms of our capacity purchase agreements and flight services agreement with our major partners.

We benefit from our capacity purchase agreements, flight services agreement, and revenue guarantees because we are sheltered, to an extent, from some of the elements that cause volatility in airline financial performance, including variations in ticket prices, fluctuations in number of passengers and fuel prices. However, we do not benefit from positive trends in ticket prices (including ancillary revenue programs), the number of passengers enplaned, or reductions in fuel prices. Our major partners retain all revenue collected from passengers carried on our flights. In providing regional flying under our capacity purchase agreements, and cargo flying under our flight services agreement, we use the logos, service marks and aircraft paint schemes of our major partners.

The following table summarizes our available seat miles ("ASMs") flown and contract revenue recognized under our capacity purchase agreements for our fiscal years ended September 30, 2022 and 2021, respectively:

	Year Ended September 30, 2022			Year Ended September 30, 2021		
	Available Seat Miles (in thousands)	Contract Revenue	Contract Revenue per ASM (in cents)	Available Seat Miles (in thousands)	Contract Revenue	Contract Revenue per ASM (in cents)
American	2,668,953	\$ 234,184	¢ 8.77	3,271,841	\$ 221,986	¢ 6.78
United	4,005,795	\$ 207,003	¢ 5.17	4,579,957	\$ 198,212	¢ 4.33
Other	—	\$ 37,295	—	—	\$ 14,320	—
Total	6,674,748	\$ 478,482	¢ 7.17	7,851,798	\$ 434,518	¢ 5.53

American Capacity Purchase Agreement

As of September 30, 2022, we operated 42 CRJ-900 aircraft for American under our American CPA. In exchange for providing flight services under our American CPA, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown during each month. In addition, we may also receive incentives or incur penalties based upon our operational performance, including controllable on-time departures and controllable completion percentages. American also reimburses us for certain costs on an actual basis, including passenger liability and hull insurance and aircraft property taxes, all as set forth in our American CPA. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by American. In addition, American also provides, at no cost to us, certain ground handling and customer service functions, as well as airport-related facilities and gates at American hubs and cities where we operate.

On November 19, 2020, we entered into an Amended and Restated American Capacity Purchase Agreement (the "*Amended and Restated American CPA*" or the "*American CPA*") which was effective as of January 1, 2021 and amended and restated the Code Share and Revenue Sharing Agreement dated as of March 20, 2001 (as amended, supplemented, and modified, the "*Existing CPA*"), between Mesa Airlines and American. The Amended and Restated American CPA covers 40 CRJ-900 aircraft and provides for a new five-year term ending December 31, 2025. The Amended and Restated American CPA is subject to termination prior December 31, 2025, subject to our right to cure, in various circumstances including:

- If either American or we become insolvent, file for bankruptcy, or fail to pay our debts as they become due, the non-defaulting party may terminate the agreement;
- Failure by us or American to perform the covenants, conditions, or provisions of our American CPA, subject to certain notice and cure rights;
- If our FAA or DOT certification used in connection with our scheduled flights is for any reason suspended, revoked or materially impaired or otherwise not in full force and effect and we have not resumed operations, except as a result of an emergency airworthiness directive from the FAA affecting all similarly equipped aircraft, American may terminate the CPA;
- If our controllable flight completion rate or our controllable on time departures fall below certain levels for a specified period of time, subject to our right to cure;
- Upon the occurrence of a force majeure event (as defined in the American CPA) that lasts for a specified period of consecutive days and affects our ability to operate scheduled flights, including a future epidemic or pandemic;
- If a labor dispute affects our ability to operate over a specified number of days or we operate in violation of any existing American collective bargaining agreement; or
- Upon a change in our ownership or control without the written approval of American.

Under the American CPA, American has the option in its sole discretion to withdraw up to: (i) 10 aircraft during calendar year 2021, (ii) five (5) aircraft during each of calendar years 2022 and 2023, and (iii) during the period from January 1, 2024 to July 31, 2024, American can remove the first 20 aircraft to the extent not otherwise removed in 2021 – 2023, and thereafter American has the right to remove the last 20 aircraft. American also has the right and option to withdraw one (1) aircraft upon each occurrence of the following: (i) if our controllable flight completion factor ("CCF") falls below certain levels for a specified period of time, (ii) if our controllable on time departures ("CD0") fall below certain levels for a specified period of time, and (iii) if we fail to meet certain cabin interior and refurbishment requirements as defined in the American CPA.

During fiscal year 2021, we entered into amendments to the American CPA. The amendments reflect the following:

- The addition of CRJ-900 aircraft to the American CPA (collectively, the "Incremental Aircraft") in accordance with the following schedule: (i) three (3) aircraft, from January 5, 2021 to March 3, 2021, (ii) increasing to a total of five (5) aircraft, from March 4, 2021 to May 5, 2021, (iii) decreasing to a total of three (3) aircraft, from May 6, 2021 to June 2, 2021, and (iv) increasing to a total of five (5) aircraft, from June 3, 2021 to August 17, 2021.
- A temporary reduction in certain rates for the period December 2020 through September 2021.
- The waiver of the operational performance metrics for the month of August 2021, and extension of the deadline for completing certain cabin interior and refurbishment requirements as defined in the American CPA to December 31, 2021.
- Increases to incentive and penalty compensation under the American CPA, effective beginning in October 2021.

On June 10, 2022, we amended our American CPA, pursuant to Amendment No. 8 thereto, to modify certain commercial terms thereunder. On June 20, 2022, we amended our American CPA, pursuant to Amendment No. 9 thereto, which amended and restated Schedule 1 (Covered Aircraft) to the American CPA and set forth certain equipment modification requirements with respect to Covered Aircraft added to such Schedule.

For the months of May and June 2022, we did not meet the CCF or CD0 minimum performance levels under the American CPA. The failure to meet the CCF or CD0 minimum performance levels for two (2) consecutive months under the terms of the American CPA gives American the right to remove two (2) additional aircraft from the CPA, one (1) aircraft for not meeting the CCF minimum performance level for two (2) consecutive months and one (1) aircraft for not meeting the CD0 minimum performance level for two (2) consecutive months. The Company's failure to meet the CCF or CD0 minimum performance levels for three (3) consecutive months gives American the right to terminate the CPA upon 90 days' notice and to provide a wind-down schedule. Subsequent to June 30, 2022, we entered into Amendment No. 10 to our American CPA which, among other things, reset the CCF and CD0 3-month measurement periods for purposes of American's termination rights to commence August 2022. In addition to the foregoing, our block hour utilization has fallen below required levels in prior months, which also gives American the right to withdraw certain aircraft, subject to complying with applicable notice requirements under the American CPA.

For the months of August, September, and October 2022, we did not meet the CD0 minimum performance levels under the American CPA. As noted above, the failure to meet such performance levels for two (2) consecutive months under the terms of the American CPA gives American the right to remove one (1) additional aircraft from the CPA for not meeting the CD0 minimum performance levels for two (2) consecutive months. The Company's failure to meet the CD0 minimum performance levels for three (3) consecutive months gives American the right to terminate the CPA upon 90 days' notice and to provide a wind-down schedule.

In December 2022, we entered into Amendment No. 11 to our American CPA. See the disclosure under Note 18 – "Subsequent Events" in the notes to the audited consolidated financial statements included in this Annual Report on Form 10-K for a discussion of Amendment No. 11 which includes among other things, disclosure regarding the wind-down of our operations with American and the termination of American CPA.

United Capacity Purchase Agreement

As of September 30, 2022, we operated 20 E-175LL and 60 E-175 aircraft for United under our United CPA. United owns 42 of the 60 E-175 aircraft and all of the E-175LL aircraft and leases them to us at nominal amounts. The E-175 aircraft owned by United and leased to us have terms expiring between 2024 and 2028, and 18 E-175 aircraft owned by us have terms expiring in 2028. The E-175LL aircraft have terms expiring 2032 and 2033.

In exchange for providing flight services under our United CPA, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown and the results of passenger satisfaction surveys. United also reimburses us for certain costs on an actual basis, including property tax per aircraft and passenger liability insurance. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by United.

United reimburses us on a pass-through basis for certain costs related to heavy airframe and engine maintenance, landing gear, auxiliary power units ("APUs") and component maintenance for the aircraft owned by United. Our United CPA permits United, subject to certain conditions, including the payment of certain costs tied to aircraft type, to terminate the agreement in its discretion, or remove aircraft from service, by giving us notice of 90 days or more. If United elects to terminate our United CPA in its entirety or permanently remove select aircraft from service, we are permitted to return any of the affected aircraft leased from United at no cost to us. In addition, if United removes any of our 18 owned E-175 aircraft from service at its direction, United would remain obligated, at our option, to assume the aircraft ownership and associated debt with respect to such aircraft through the end of the term of the United CPA.

On November 26, 2019, we amended and restated our United CPA to, among other things, incorporate the terms of the 14 prior amendments to that Agreement and to extend the term thereof through the addition of 20 new Embraer E-175LL aircraft to the scope of such Agreement. Under this amendment and restatement, these new aircraft were to be financed and owned by us and operated for a period of 12 years from the in-service date. Deliveries of the new E-175LL aircraft were scheduled to begin in May 2020. In March 2020, the deliveries of the new E-175LL aircraft were negotiated between United and Embraer to begin in September 2020 and be completed by the quarter ended June 30, 2021. Commencing five (5) years after the actual in-service date, United has the right to remove the E-175LL aircraft from service by giving us notice of 90 days or more, subject to certain conditions, including the payment of certain wind-down expenses plus, if removed prior to the 10-year anniversary of the in-service date, certain accelerated margin payments.

On November 4, 2020, we amended and restated our United CPA to, among other things, amend the ownership by United, in lieu of Mesa Airlines, of the 20 new E175LL aircraft. Under this amendment, these aircraft were financed by United and leased to the Company to operate for a period of 12 years from the aircraft acceptance and in-service date. We agreed to adjusted rates to account for the change in ownership of the E175LL aircraft, granted United relief from certain provisions related to minimum utilization until December 31, 2021 and the additional right to remove one (1) or more E-175LL aircraft in the event that we fail to meet certain financial covenants. We also agreed to a one-time provision for United to prepay \$81.5 million under the United CPA for our future performance (the "Prepayment") and the application of certain discounts to certain payment obligations of United under the United CPA. Weekly payments under the United CPA were discounted following the Prepayment, with \$65.1 million of the Prepayment earned during our first and second quarters of fiscal 2021 and the remaining \$16.4 million repaid to United during the second quarter of fiscal 2021. The terms of the Prepayment also included affirmative and negative covenants and events of default customary for transactions of this type. Proceeds from the Prepayment were used to retire debt on certain airframes and engines that now serve as collateral under the term loan facility provided to Mesa Airlines by the U.S. Department of the Treasury.

In September 2021, we amended our United CPA to, among other things, adjust certain rates to account for the change in ownership of the E-175LL aircraft, and provide for temporary reduced rates during periods in which the Company receives government assistance.

Pursuant to the United CPA, we agreed to lease our CRJ-700 aircraft to another United Express service provider for a term of nine (9) years. We ceased operating our CRJ-700 fleet in February 2021 in connection with the transfer of those aircraft into a lease agreement. During August of 2022, we committed to a formal plan to sell 18 of our CRJ-700 aircraft and subsequently terminated the leases on such aircraft.

Our United CPA is subject to early termination prior to its expiration in various circumstances including:

- If certain operational performance factors fall below a specified percentage for a specified time, subject to notice under certain circumstances;
- If we fail to perform the material covenants, agreements, terms or conditions of our United CPA or similar agreements with United, subject to 30 days' notice and cure rights;
- If either United or we become insolvent, file bankruptcy, or fail to pay debts when due, the non-defaulting party may terminate the CPA; or
- If we merge with, or if control of us is acquired by another air carrier or a corporation directly or indirectly owning or controlling another air carrier;
- United, subject to certain conditions, including the payment of certain costs tied to aircraft type, may terminate the CPA in its discretion, or remove E-175 aircraft from service, by giving us notice of 90 days or more;
- If United elects to terminate our United CPA in its entirety or permanently remove certain aircraft from service, we are permitted to return any of the affected E-175 aircraft leased from United at no cost to us; and
- Commencing five (5) years after the actual in-serve date, United has the right to remove the E-175 aircraft from service by giving us notice of 90 days or more, subject to certain conditions, including the payment of certain wind-down expenses plus, if removed prior to the 10-year anniversary of the in-service date, certain accelerated margin payments..

In December 2022, we entered into the Third Amended and Restated Capacity Purchased Agreement with United which amended and restated the existing United CPA (the "Amended and Restated United CPA"). See the disclosure under Note 18 – "Subsequent Events" in the notes to the audited consolidated financial statement included in this Annual Report on Form 10-K for a discussion of the Amended and Restated United CPA which includes among others, disclosure regarding the transition of the aircraft operated under the American CPA to be operated under the Amended and Restated United CPA.

DHL Flight Services Agreement

On December 20, 2019, we entered into our DHL FSA. As of September 30, 2022, we operate three (3) Boeing 737-400F aircraft to provide cargo air transportation services to DHL. In exchange for providing such services, we receive a fee per block hour with a minimum block hour guarantee. We are also eligible for a monthly performance bonus or subject to a monthly penalty based on timeliness and completion performance. Ground support including fueling and airport fees are paid directly by DHL.

Under our DHL FSA, DHL leases two (2) Boeing 737-400F aircraft and subleases them to us at nominal amounts. DHL reimburses us on a pass-through basis for all costs related to heavy maintenance including C-checks, off-wing engine

maintenance and overhauls including Life Limited Parts (LLPs), landing gear overhauls and LLPs, thrust reverser overhauls, and APU overhauls and LLPs. Certain items such as fuel, de-icing fluids, landing fees, aircraft ground handling fees, en-route navigation fees and custom fees are paid directly to suppliers by DHL or otherwise reimbursed if incurred by us.

The DHL FSA expires five (5) years from the commencement date of the first aircraft placed into service, which was in October 2020. DHL has the option to extend the agreement with respect to one (1) or more aircraft for a period of one (1) year with 90 days' advance written notice.

Our DHL FSA is subject to termination rights prior to its expiration in various circumstances including:

- If either party fails to comply with the obligations, warranties, representations, or undertakings under the DHL FSA, subject to certain notice and cure rights;
- If either party is declared bankrupt or insolvent;
- If we are unable to legally operate the aircraft under the DHL FSA for a specified number of days;
- At any time after the first anniversary of the commencement date of the first aircraft placed in service with 90 days' written notice;
- If we fail to comply with performance standards for three (3) consecutive measurement periods;
- If we are subject to a labor incident that materially and adversely affects our ability to perform services under the DHL FSA for a specified number of days;
- Upon a change in control or ownership of the Company; and
- DHL may terminate the agreement for a specific aircraft if it is subject to a total loss and we do not provide alternate services at our expense, or if the aircraft becomes unavailable for more than 30 days due to unscheduled maintenance.

For the months of April, May, and June 2022, we did not meet the CCF and CA minimum performance levels under the DHL FSA. The failure to meet the minimum performance levels for three (3) consecutive months under the terms of the DHL FSA gives DHL the right to terminate the FSA. The Company has received a waiver arising out of the failure to meet the aforementioned CCF and CA performance levels.

Maintenance and Repairs

Airlines are subject to extensive regulation. We have a FAA mandated and approved maintenance program. Aircraft maintenance and repair consists of routine and non-routine maintenance, and work performed is divided into three (3) general categories: line maintenance, heavy maintenance, and component service. We also outsource certain aircraft maintenance and other operating functions. We use competitive bidding among qualified vendors to procure these services. We have long-term maintenance contracts with AAR to provide fixed-rate parts procurement and component overhaul services for our aircraft fleet. Under these agreements, AAR provides maintenance and engineering services on any aircraft that we designate during the term of the agreement, along with access to a spare parts inventory pool, in exchange for a fixed monthly fee.

Line maintenance consists of routine daily and weekly scheduled maintenance checks on our aircraft. Line maintenance is performed at certain locations throughout our system and represents the majority of and most extensive maintenance we perform. Major airframe maintenance checks consist of a series of more complex tasks that can take from one (1) to four (4) weeks to accomplish and typically are required approximately every 28 months, on average, across our fleet. Engine overhauls and engine performance restoration events are quite extensive and can take two (2) months. We maintain an inventory of spare engines to provide for continued operations during engine maintenance events. We expect to begin the initial planned engine maintenance overhauls on our new engine fleet approximately four (4) to six (6) years after the date of manufacture and introduction into our fleet, with subsequent engine maintenance every four (4) to six (6) years thereafter. Due to our current fleet size, we believe outsourcing all of our heavy maintenance, engine restoration, and major part repair is more economical than performing this work using our internal maintenance team.

Competition

We consider our primary competition to be U.S. regional airlines that currently hold or compete for capacity purchase agreements for passenger services with major airlines. Our competition includes, therefore, nearly every other domestic regional airline, including Air Wisconsin Airlines Corporation; Endeavor Air, Inc. (owned by Delta) ("*Endeavor*"); Envoy Air, Inc. ("*Envoy*"), PSA Airlines, Inc. ("*PSA*") and Piedmont Airlines, Inc. ("*Piedmont*") (Envoy, PSA and Piedmont are owned by American); Horizon Air Industries, Inc. (owned by Alaska Air Group, Inc.) ("*Horizon*"); SkyWest Inc., parent of SkyWest Airlines, Inc.; Republic Airways Holdings Inc.; and Trans States Airlines, Inc.

Major airlines typically offer capacity purchase arrangements to regional airlines on the basis of the following criteria: availability of labor resources; proposed contract economic terms; reliable and on-time flight operations; corporate financial resources including ability to procure and finance aircraft; customer service levels; and other factors.

Certain of our competitors are larger and have significantly greater financial and other resources than we do. Moreover, economic downturns, combined with competitive pressures, have contributed to a number of reorganizations, bankruptcies, liquidations, and business combinations among major and regional carriers. The effect of economic downturns is somewhat mitigated by our reliance on capacity purchase agreements with revenue-guarantee provisions, but the renewal and continued profitability of these partnerships with our major partners is not guaranteed.

Seasonality

Our results of operations for any interim period are not necessarily indicative of those for the entire year since the airline industry is subject to seasonal fluctuations and general economic conditions. Our operations are somewhat favorably affected by increased utilization of our aircraft in the summer months and are unfavorably affected by increased fleet maintenance and by inclement weather during the winter months.

Aircraft Fuel

Our capacity purchase and flight services agreements provide that our major partners source, procure, and directly pay third-party vendors for all fuel used in the performance of those agreements. Accordingly, we do not recognize fuel expenses or revenues for flying under our capacity purchase and flight services agreements and we face very limited exposure to fuel price fluctuations.

Insurance

We maintain insurance policies that we believe are of types customary in the airline industry and as required by the DOT, lessors and other financing parties, and our major partners under the terms of our capacity purchase and flight services agreements. The policies principally provide liability coverage for public and passenger injury; damage to property; loss of or damage to flight equipment; fire; auto; directors' and officers' liability; advertiser and media liability; cyber risk liability; fiduciary; workers' compensation and employer's liability; and war risk (terrorism). Although we currently believe our insurance coverage is adequate, we cannot assure you that the amount of such coverage will not be changed or that we will not be forced to bear substantial losses from accidents.

Human Capital Management

As of September 30, 2022, we employed approximately 2,454 employees, consisting of 851 pilots or pilot recruits, 791 flight attendants, 35 flight dispatchers, 478 maintenance employees and 299 employees in administrative or other roles. Our continued success is partly dependent on our ability to continue to attract and retain qualified personnel. We have never been the subject of a labor strike or labor action that materially impacted our operations.

FAA regulations require pilots to have an Airline Transport Pilot ("*ATP*") license with specific ratings for the aircraft to be flown, and to be medically certified as physically fit to fly. FAA and medical certifications are subject to periodic renewal requirements including recurrent training and recent flying experience. Mechanics, quality-control inspectors, and flight dispatchers must be certificated and qualified for specific aircraft. Flight attendants must have initial and periodic competency training and qualification. Training programs are subject to approval and monitoring by the FAA. Management personnel directly involved in the supervision of flight operations, training, maintenance, and aircraft inspection must also meet experience standards prescribed by FAA regulations. All safety-sensitive employees are subject to pre-employment, random, and post-accident drug testing.

The airline industry has from time to time experienced a shortage of qualified personnel, particularly with respect to pilots and maintenance technicians. In addition, as is common with most of our competitors, we have faced considerable turnover of our employees. Regional airline pilots, flight attendants, and maintenance technicians often leave to work for larger airlines, which generally offer higher salaries and better benefit programs than regional airlines are financially able to offer. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, the result will be significantly higher training costs than otherwise would be necessary, as well as a shortage in the required number of applicable personnel, and we may need to request a reduced flight schedule with our major partners, which may result in operational performance penalties under our capacity purchase agreements or flight services agreement. We cannot assure that we will be able to recruit, train and retain the qualified employees that we need to carry out our expansion plans or replace departing employees.

As of September 30, 2022, approximately 66.9% of our employees were represented by labor unions under collective-bargaining agreements, as set forth below. No other employees of ours or our subsidiaries are parties to any other collective bargaining agreement or union contracts.

Employee Groups	Number of Employees	Representative	Labor Agreement Amendable As of
Pilots	851	Air Line Pilots Association	10/17/2022
Flight Attendants	791	Association of Flight Attendants	8/30/2022
Dispatchers	35		
Maintenance Department	478		
Administrative	299		

The Railway Labor Act ("RLA") governs our relations with labor organizations. Under the RLA, the collective bargaining agreements generally do not expire, but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, they must notify the other party in the manner agreed to by the parties. Under the RLA, after receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the National Mediation Board ("NMB") to appoint a federal mediator. The RLA prescribes no set timetable for the direct negotiation and mediation process. It is not unusual for those processes to last for many months, and even for a few years. If no agreement is reached in mediation, the NMB in its discretion may declare at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day "cooling off" period commences. During that period (or after), a Presidential Emergency Board ("PEB") may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by another "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to "self-help," including the imposition of any or all of its proposed amendments and the hiring of new employees to replace any striking workers. Congress and the President have the authority to prevent "self-help" by enacting legislation that, among other things, imposes a settlement on the parties. The table above sets forth our employee groups and status of the collective bargaining agreements.

Refer to "Impact of COVID-19 Pandemic" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for information on human capital management actions taken by the Company in response to the COVID-19 pandemic.

Safety and Security

We are committed to the safety and security of our passengers and employees. We have taken many steps, both voluntarily and as mandated by governmental authorities, to increase the safety of our operations. Some of the safety and security measures we have taken with our major partners include aircraft security and surveillance, positive bag matching procedures, enhanced passenger and baggage screening and search procedures, and securing of cockpit doors. We are committed to complying with future safety and security requirements.

Our ongoing focus on safety relies on training our employees to proper standards and providing them with the tools and equipment they require so they can perform their job functions in a safe and efficient manner. Safety in the workplace targets several areas of our operation including dispatch, flight operations and maintenance.

The TSA and the U.S. Customs and Border Protection, each a division of the U.S. Department of Homeland Security, are responsible for certain civil aviation security matters, including passenger and baggage screening at U.S. airports, and international passenger prescreening prior to entry into or departure from U.S. international flights are subject to customs, border, immigration, and similar requirements of equivalent foreign governmental agencies. We are currently in compliance with all directives issued by such agencies. We maintain active, open lines of communication with the TSA at all of our locations to ensure proper standards for security of our personnel, equipment and facilities are exercised throughout our operations.

Facilities

In addition to aircraft, we have office and maintenance facilities to support our operations. Each of our facilities are summarized in the following table:

Type	Location	Ownership	Approximate Square Feet
Corporate Headquarters	Phoenix, Arizona	Leased	33,770
Training Center	Phoenix, Arizona	Leased	23,783
Parts/Stores	Phoenix, Arizona	Leased	12,000
Hangar	Phoenix, Arizona	Leased	22,467
Office, Hangar and Warehouse	El Paso, Texas	Leased	31,292
Office, Hangar	Dallas, Texas	Leased	30,440
Parts Storage	Dallas, Texas	Leased	8,143
Hangar	Houston, Texas	Leased	74,524
Hangar	Louisville, Kentucky	Leased	26,762
Hangar	Dulles, Washington	Leased	28,451
Warehouse	Tucson, Arizona	Leased	10,590
Warehouse, Office	Erlanger, Kentucky	Leased	6,025

Our corporate headquarters and training facilities in Phoenix, Arizona are subject to long-term leases expiring on November 30, 2032 and May 31, 2025, respectively.

We believe our facilities are suitable and adequate for our current and anticipated needs.

Foreign Ownership

Under DOT regulations and federal law, we must be owned and controlled by U.S. citizens. The restrictions imposed by federal law and regulations currently require that at least 75% of our voting stock must be owned and controlled, directly and indirectly, by persons or entities who are U.S. citizens, as defined in the Federal Aviation Act, that our president and at least two-thirds of the members of our Board of Directors and other managing officers be U.S. citizens, and that we be under the actual control of U.S. citizens. In addition, at least 51% of our total outstanding stock must be owned and controlled by U.S. citizens and no more than 49% of our stock may be held, directly or indirectly, by persons or entities who are not U.S. citizens and are from countries that have entered into "open skies" air transport agreements with the U.S. which allow unrestricted access between the United States and the applicable foreign country and to points beyond the foreign country on flights serving the foreign country. We are currently in compliance with these ownership provisions.

Government Regulation

Aviation Regulation

The DOT and FAA have regulatory authority over air transportation in the United States and all international air service is subject to certain U.S. federal requirements and approvals, as well as the regulatory requirements of the appropriate authorities of the foreign countries involved. The DOT has authority to issue certificates of public convenience and necessity, exemptions and other economic authority required for airlines to provide domestic and foreign air transportation. International routes and international code-sharing arrangements are regulated by the DOT and by the governments of the foreign countries involved. A U.S. airline's ability to operate flights to and from international destinations is subject to the air transport agreements between the United States and the foreign country and the carrier's ability to obtain the necessary authority from the DOT and the applicable foreign government.

The U.S. government has negotiated "open skies" agreements with many countries, which allow broad access between the United States and the applicable foreign country. With certain other countries, however, the United States has a restricted air transportation agreement. Our international flights to Mexico are governed by a recently implemented liberalized bilateral air transport agreement which the DOT has determined has all of the attributes of an "open skies" agreement. Our flights to Canada, Cuba and the Bahamas are governed by bilateral air transport agreements between the United States and such countries. Changes in U.S., Mexican, Canadian, Cuban, or Bahamian aviation policies could result in the alteration or termination of the corresponding air transport agreement, or otherwise affect our operations to and from these countries. In particular, there is still a degree of uncertainty about the future of scheduled commercial flight operations between the United States and Cuba as a result of changes in diplomatic relations between the two (2) governments, as well as travel and trade restrictions implemented by the U.S. government in 2017. We are largely sheltered from the economic impact changes to existing "open skies" agreements or volatility in U.S., Mexican, Canadian, Cuban, or Bahamian aviation policies because our major partners control route selection and scheduling under our capacity purchase agreements.

The FAA is responsible for regulating and overseeing matters relating to the safety of air carrier flight operations, including the control of navigable air space, the qualification of flight personnel, flight training practices, compliance with FAA airline operating certificate requirements, aircraft certification and maintenance requirements and other matters affecting air safety. The FAA requires each commercial airline to obtain and hold an FAA air carrier certificate. We currently hold an FAR-121 air carrier certificate. In July 2013, as directed by the U.S. Congress, the FAA issued more stringent pilot qualification and crew member flight training standards, which increased the required training time for new airline pilots (the "*FAA Qualification Standards*"). The FAA Qualification Standards, which became effective in August 2013, require first officers to hold an ATP certificate, requiring 1,500 hours total flight time as a pilot. Previously, first officers were required to have only a commercial pilot certificate, which required 250 hours of flight time. The rule also mandates stricter rules to minimize pilot fatigue.

Airport Access

Flights at three (3) major domestic airports are regulated through allocations of landing and takeoff authority (i.e., "*slots*" and "*operating authorizations*") or similar regulatory mechanisms, which limit take-offs and landings at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period. In the United States, the FAA currently regulates the allocation of slots, slot exemptions, operating authorizations, or similar capacity allocation mechanisms at two (2) of the airports we serve, Ronald Reagan Washington National Airport (DCA) in Washington, D.C., and New York's LaGuardia Airport (LGA). In addition, John Wayne Airport (SNA) in Orange County, California, has a locally imposed slot system. Our operations at these airports generally require the allocation of slots or analogous regulatory authorizations, which are obtained by our major partners.

Consumer Protection Regulation

The DOT also has jurisdiction over certain economic issues affecting air transportation and consumer protection matters, including unfair or deceptive practices and unfair methods of competition, lengthy tarmac delays, air carriers, airline advertising, denied boarding compensation, ticket refunds, baggage liability, contracts of carriage, customer service commitments, customer complaints, and transportation of passengers with disabilities. The DOT frequently adopts new consumer protection regulations, such as rules to protect passengers addressing lengthy tarmac delays, chronically delayed flights, capacity purchase disclosure and undisclosed display bias, and is reviewing new guidelines to address the transparency of airline non-ticket fees and refunding baggage fees for delayed checked baggage. The DOT also has authority to review certain joint venture agreements, code-sharing agreements (where an airline places its designator code on a flight operated by another airline) and wet-leasing agreements (where one (1) airline provides aircraft and crew to another airline) between carriers and regulates other economic matters such as slot transactions.

Environmental Regulation

We are subject to various federal, state, local and foreign laws and regulations relating to environmental protection matters. These laws and regulations govern such matters as environmental reporting, storage and disposal of materials and chemicals and aircraft noise. We are, and expect in the future to be, involved in various environmental matters and conditions at, or related to, our properties. We are not currently subject to any environmental cleanup orders or actions imposed by regulatory authorities. We are not aware of any active material environmental investigations related to our assets or properties.

Other Regulations

Airlines are also subject to various other federal, state, local, and foreign laws and regulations. For example, the U.S. Department of Justice has jurisdiction over certain airline competition matters. Labor relations in the airline industry are generally governed by the RLA. The privacy and security of passenger and employee data is regulated by various domestic and foreign laws and regulations.

The U.S. government and foreign governments may consider and adopt new laws, regulations, interpretations, and policies regarding a wide variety of matters that could directly or indirectly affect our results of operations. We cannot predict what laws, regulations, interpretations, and policies might be considered in the future, nor can we judge what impact, if any, the implementation of any of these proposals or changes might have on our business.

Legal Proceedings

The Company is subject to two (2) putative class action lawsuits alleging federal securities law violations in connection with its initial public offering in August 2018 ("*IPO*") — one (1) in the Superior Court of the State of Arizona and one (1) in U.S. District Court of Arizona. These purported class actions were filed in March and April 2020 against the Company, certain current and former officers and directors, and certain underwriters of the Company's IPO. The state and federal lawsuits each make the same or similar allegations of violations of the Securities Act of 1933, as amended, for allegedly making materially false and misleading statements in, or omitting material information from, our IPO registration statement.

On March 2, 2022, the parties in the federal lawsuit attended a mediation and reached an agreement in principle to settle all claims asserted in that action for the sum of \$5 million, which will be paid by the Company's directors' and officers' insurance carriers. The settlement is subject to preliminary and final approval by the federal court. The motion for preliminary approval was filed on May 6, 2022, and no objections to the settlement were filed by the deadline for such objections. The parties are waiting for the Court to schedule a date for the preliminary approval hearing. If preliminary and final approval is obtained, the claims of all putative class members, whether asserted in the federal or state actions, will be extinguished, unless and only to the extent that a particular class member takes affirmative steps to have its claims excluded.

In addition, we are subject to certain legal actions which we consider routine to our business activities. As of September 30, 2022, our management believed the ultimate outcomes of other routine legal matters are not likely to have a material adverse effect on our financial position, liquidity or results of operations.

We are also involved in various legal proceedings (including, but not limited to, insured claims) and FAA civil action proceedings that we do not believe will have a material adverse effect upon our business, financial condition, or results of operations, although no assurance can be given to the ultimate outcome of any such proceedings.

Corporate Information

We are a Nevada corporation with our principal executive office located in Phoenix, Arizona. We were founded in 1982 and reincorporated in Nevada in 1996. In addition to operating Mesa Airlines, we also wholly own Mesa Air Group-Airline Inventory Management, LLC ("*MAG-AIM*"), an Arizona limited liability company, which was established to purchase, distribute and manage Mesa Airlines' inventory of spare rotatable and expendable parts. MAG-AIM's financial results are reflected in our consolidated financial statements.

Our principal executive offices are located at 410 North 44th Street, Suite 700, Phoenix, Arizona 85008, and our telephone number is (602) 685-4000. Our website is located at www.mesa-air.com. The information on, or accessible through, our website does not constitute part of, and is not incorporated into, this Annual Report on Form 10-K.

Mesa Airlines, the Mesa Airlines logo and our other registered or common law trade names, trademarks, or service marks appearing in this Annual Report on Form 10-K are our intellectual property. This Annual Report on Form 10-K contains additional trade names, trademarks, and service marks of other companies that are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us, by these companies. We have omitted the © and ™ designations, as applicable, for the trademarks used in this Annual Report on Form 10-K.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), are filed with the Securities and Exchange Commission (the "*SEC*"). We are subject to the informational requirements of the Exchange Act, and we file or furnish reports, proxy statements and other information with the SEC. Such reports and other information we file with the SEC are available free of charge at <http://investor.mesa-air.com/financial-information/sec-filings> when such reports are available on the SEC's website. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. We periodically provide other information for investors on our corporate website, www.mesa-air.com, and our investor relations website, investor.mesa-air.com. This includes press releases and other information about financial performance, information on corporate governance and details related to our annual meeting of shareholders. The information contained on the websites referenced in this Annual Report on Form 10-K is not incorporated by reference into this filing. Further, our references to website URLs are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. Certain factors may have a material adverse effect on our business, financial condition, and results of operation. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this Annual Report on Form 10-K, including our financial statements and the related notes, and in our other filings with the SEC. Our business, financial condition, operating results, cash flow, and prospects could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risk Factor Summary

The following is a summary of the material risk factors that could adversely affect our business, financial condition, and results of operations:

- We are highly dependent on our agreements with our major partners and our operations may be negatively impacted if our major partners experience events that negatively impact their financial strength or operations.
- Reduced utilization levels of our aircraft under our agreements with our major partners would adversely impact our financial results.
- If our major partners experience events that negatively impact their financial strength or operations, our operations may be negatively impacted.
- We have a significant amount of debt and other contractual obligations, certain of which are subject to financial and other covenants.
- The loss of key personnel or the inability to attract additional qualified personnel could adversely affect our business.
- If the supply of pilots to the airline industry remains constrained and pilot attrition continues to exceed historical levels, our results of operations and financial condition would be negatively impacted.
- Increases in our labor costs may adversely affect our business, results of operations, and financial condition.
- Our major partners may expand their direct operation of regional jets or seek other independent airlines to service their regional aircraft needs.
- We may be limited from expanding our flying within our major partners' flight systems.
- The residual value of our owned aircraft may be less than estimated in our depreciation policies.
- The amounts we receive under our agreements with our major partners may be less than the corresponding costs we incur.
- Strikes, labor disputes and increased unionization of our workforces may adversely affect our ability to conduct our business and reduce our profitability.
- We face tail risk in that we have aircraft lease commitments that extend beyond our existing contractual terms on certain aircraft, and may incur substantial maintenance costs as part of return obligations on leased aircraft.
- We may become involved in litigation that may materially adversely affect us.
- Maintenance costs will likely increase as the age of our jet fleet increases.
- Disagreements regarding the interpretation of our agreements with our major partners could have an adverse effect on our operating results and financial condition.
- If we face problems with any of our third-party service providers, our operations could be adversely affected.
- Regulatory changes or tariffs could negatively impact our business and financial condition.
- The issuance of operating restrictions applicable to one of the fleet types we operate could negatively impact our business and financial condition.
- If we have a failure in our technology or security breaches of our information technology infrastructure our business and financial condition may be adversely affected.
- We are subject to various environmental and noise laws and regulations.
- Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.
- We may not be able to successfully implement our growth strategy, or make opportunistic acquisitions.
- Our ability to obtain financing or access capital markets may be limited.

- Negative publicity regarding our customer service could have a material adverse effect on our business, results of operations and financial condition.
- Risks associated with our presence in international emerging markets may materially adversely affect us.
- Future public health threats similar to COVID-19 that negatively impact the demand for air travel could adversely impact our business.
- The airline industry is highly competitive and has undergone a period of consolidation and transition leaving fewer potential major partners.
- We are subject to significant governmental regulation.
- Airlines are often affected by factors beyond their control including: air traffic congestion at airports; air traffic control inefficiencies; adverse weather conditions, such as hurricanes or blizzards; increased security measures; new travel-related taxes; or the outbreak of disease; any of which could have a material adverse effect on our business, results of operations, and financial condition.
- Terrorist activities or warnings have dramatically impacted the airline industry and are likely to continue to do so.
- The occurrence of an aviation accident involving our aircraft would negatively impact our operations and financial condition.
- The market price of our common stock may be volatile, which could cause the value of an investment in our stock to decline.
- If securities or industry analysts do not publish research or reports about our business or publish negative reports about our business, our stock price and trading volumes could decline.
- Additional issuances of our common stock, whether by us or as a result of the exercise of our outstanding warrants, could materially affect the value of our common stock.
- Our corporate charter limits certain transfers of our stock, which could have an effect on the market price and liquidity of our common stock.
- We currently do not intend to pay dividends on our common stock.
- As an emerging growth company, reduced disclosure and regulatory requirements applicable to us may make our stock less attractive to investors.
- The requirements of being a public company may strain our resources, increase our operating costs and divert management's attention.
- We are required to assess our internal control over financial reporting on an annual basis, and any future adverse findings from such assessment could result in a loss of investor confidence in our financial reports and have a material adverse effect on our business.

For a more complete discussion of the material risk factors relevant to us, see below.

Risks Related to Our Business

We are highly dependent on our agreements with our major partners.

We derive substantially all of our operating revenue from our capacity purchase agreements with our major partners. American accounted for approximately 45% and 45% of our total revenue for our fiscal years ended September 30, 2022 and 2021, respectively. United accounted for approximately 48% and 52% of our revenue for our fiscal years ended September 30, 2022 and 2021, respectively. A termination of either our American or United capacity purchase agreements would have a material adverse effect on our business prospects, financial condition, results of operations, and cash flows. See "Item 1. Business" for additional information on our capacity purchase agreements with American and United.

If our capacity purchase agreements with American or United were terminated or not renewed, we would be significantly impacted and likely would not have an immediate source of revenue or earnings to offset such loss. Neither American nor United are under any obligation to renew their respective capacity purchase agreements with us. A termination or expiration of either of these agreements would likely have a material adverse effect on our financial condition, cash flows, ability to satisfy debt and lease obligations, operating revenues, and net income unless we are able to enter into satisfactory substitute arrangements for the utilization of the affected aircraft by other airline partners, or, alternatively, obtain the airport facilities, gates, ticketing and ground services and make the other arrangements necessary to fly as an independent airline. We may not be able to enter into substitute capacity purchase arrangements, and any such arrangements we might secure may not be as favorable to us as our current agreements. Operating an airline independently from our major partners would be a significant departure from our business plan and would likely require significant time and resources, which may not be available to us when needed.

Reduced utilization levels of our aircraft under our agreements with our major partners, to the extent they continue, would have a material adverse impact our results of operations and financial condition.

Historically, our major partners have utilized our flight operations at levels at or near the maximum capacity of our fleet allocations under the applicable CPA agreements. As previously reported, we operated at significantly lower block hours during fiscal 2020 and fiscal 2021 due to the COVID pandemic, though we experienced a recovery in demand for air travel during the second half of fiscal 2021, which has continued into fiscal 2022.

Notwithstanding the increase in demand for air travel, in recent periods our high level of pilot attrition and pilot training output limitations has resulted in a reduction of our block hours flown. If we continue to experience pilot attrition above historic levels, we may experience further reductions in the block hours flown under our CPAs by our major partners, and we may not be able to maintain operating efficiencies previously obtained, each of which would negatively impact our operating results and financial condition. There can be no assurance that we will be able to adequately address the pilot attrition issues or that our major partners will increase the utilization of our aircraft to historical levels in future periods if we do experience an improvement in pilot attrition. If pilot attrition persists, we may experience additional declines in utilization levels, which would in turn have a material adverse impact on our financial condition and results of operations.

Our American CPA establishes minimum levels of flight operations. In prior periods, the FAA Qualification Standards and associated regulation related to pilot qualification and flight training standards have negatively impacted our ability to hire pilots at a rate sufficient to support required utilization levels, resulting in certain cases issuing credits to American pursuant to the terms of our American CPA, temporarily removing aircraft from service or performance penalties. Additionally, American may withdraw covered aircraft under certain circumstances pursuant to the terms of our American CPA.

Our United CPA does not require United to schedule any specified minimum level of flight operations for our aircraft. Additionally, United may remove aircraft from our United CPA with 90 days' prior notice to us. While United pays us a fixed monthly revenue amount for each aircraft under contract, a significant reduction in the utilization levels of our fleet in the future or removal of aircraft from our United CPA at United's election could reduce our revenues based on the number of flights and block hours flown for United.

Continued challenges with hiring, training, and retaining replacement pilots may lead to reduced utilization levels of our aircraft and additional penalties under our capacity purchase agreements and our operations and financial results could be materially and adversely impacted. Additionally, our major partners may change routes and frequencies of flights, which can negatively impact our operating efficiencies. Changes in schedules may increase our flight costs, which could exceed the reimbursed rates paid by our major partners. Reduced utilization levels of our aircraft or other changes to our schedules under our capacity purchase agreements would adversely impact our operating results and financial condition.

If our major partners experience events that negatively impact their financial strength or operations, our operations also may be negatively impacted.

We may be directly affected by the financial and operating strength of our major partners. Any events, such as COVID-19 or other pandemics, that negatively impact the financial strength of our major partners or have a long-term effect on the use of our major partners by airline travelers would likely have a material adverse effect on our business, financial condition, and results of operations. In the event of a decrease in the financial or operational strength of any of our major partners, such partner may seek to reduce, or be unable to make, the payments due to us under their capacity purchase or flight services agreement. In addition, in some cases, they may reduce utilization of our aircraft. Although we receive guaranteed monthly revenue for each aircraft under contract and a fixed fee for each block hour or flight actually flown, our major partners are not required to schedule any specified level of flight operations for our aircraft. If any of our current or future major partners become bankrupt, our agreement with such partner may not be assumed in bankruptcy and could be terminated. This and other events, which are outside of our control, could have a material adverse effect on our business, financial condition, and results of operations. In addition, any negative events that impact other regional carriers and that affect public perception of such carriers generally could also have a material adverse effect on our business, financial condition, and results of operations.

We have a significant amount of debt and other contractual obligations that could impair our liquidity and thereby harm our business, results of operations and financial condition.

The airline business is a capital-intensive business and, as a result, we are highly leveraged. As of September 30, 2022, we had approximately \$615.3 million in total long-term principal balance (including current portion of \$97.2 million, of which \$2.7 million pertain to finance lease obligations) and \$19.4 million available for borrowing under our CIT Revolving Credit Facility. Substantially all of our long-term debt was incurred in connection with the acquisition of aircraft and aircraft engines. During our fiscal years ended September 30, 2022, 2021, and 2020, our principal debt service payments totaled \$114.9 million, \$271.0 million, and \$138.3 million, respectively.

We also have significant long-term lease obligations, primarily relating to our aircraft fleet, office space, and other facilities. As of September 30, 2022, we had 16 aircraft under operating leases (excluding aircraft leased at nominal amounts from United and DHL) in addition to other leases of facilities and equipment, with an average remaining term of 3.8 years. As of September 30, 2022, future minimum lease payments due under all long-term operating leases were approximately \$37.2 million and future debt service obligations were \$720.7 million, including finance lease obligations and interest payments.

The Company's substantial level of indebtedness, non-investment grade credit ratings, and the availability of Company assets as collateral for future loans or other indebtedness, which available collateral would be reduced under other future liquidity-raising transactions and was reduced during our fiscal year ended September 30, 2021 as a result of CARES Act loan program borrowings, may make it difficult for the Company to raise additional capital if required to meet its liquidity needs on acceptable terms, or at all.

The Company is evaluating strategies to obtain the required additional funding for future operations. These strategies may include, but are not limited to, obtaining equity financing, issuing debt, entering into other financing arrangements, restructuring of operations to grow revenues and decrease expenses, or selling the aircraft held for sale. However, given the impact of the current economic condition on the U.S. financial markets, the Company may be unable to access further equity or debt financing when needed. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. If the Company's liquidity is materially diminished, the Company's cash flow available to fund its working capital requirements, capital expenditures and business development efforts may be materially and adversely affected.

We cannot assure you that our operations will generate sufficient cash flow to make our required payments, or that we will be able to obtain financing to acquire additional aircraft or make other capital expenditures necessary for expansion. Our ability to pay the high level of fixed costs associated with our contractual obligations will depend on our operating performance, cash flow, and ability to secure adequate financing, which will in turn depend on, among other things, the success of our current business strategy, the U.S. economy, availability and cost of financing, as well as general economic and political conditions and other factors that are, to some extent, beyond our control. The amount of our fixed obligations could have a material adverse effect on our business, results of operations and financial condition. The degree to which we are leveraged could have important consequences to holders of our securities, including the following:

- we must dedicate a substantial portion of cash flow from operations to the payment of principal and interest on applicable indebtedness which, in turn, reduces funds available for operations and capital expenditures;
- our flexibility in planning for, or reacting to, changes in the markets in which we compete may be limited;
- we may be at a competitive disadvantage relative to our competitors with less indebtedness;
- we are rendered more vulnerable to general adverse economic and industry conditions;
- we are exposed to increased interest rate risk given that a majority of our indebtedness obligations are at variable interest rates; and
- our credit ratings may be reduced, and our debt and equity securities may significantly decrease in value.

Additionally, failure to pay our operating leases, debt or other fixed cost obligations or a breach of our contractual obligations could result in a variety of further adverse consequences, including the exercise of remedies by our creditors and lessors. In such a situation, it is unlikely that we would be able to cure our breach, fulfill our obligations, make required lease payments, or otherwise cover our fixed costs, which would have a material adverse effect on our business, results of operations and financial condition. In addition, several of the Company's debt agreements contain affirmative and negative covenants that, among other things, restrict the ability of the Company and its subsidiaries to enter into, create, incur, assume, or suffer to exist any liens. See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report for additional information regarding the Company's liquidity and capital resources as of September 30, 2022.

We are required to comply with certain ongoing financial and other covenants under certain credit facilities and leases, and if we fail to meet those covenants or otherwise suffer a default thereunder, our lenders and lessors may accelerate the payment of such obligations.

Under our (i) credit and guaranty agreement with CIT ("*CIT Revolving Credit Facility*"), we are required to comply with a minimum consolidated interest and rental coverage ratio at the end of each fiscal quarter during the term of such credit facility, (ii) credit agreement with EDC, we are required to comply with a minimum fixed charge coverage ratio at the end of each fiscal quarter during the term of such credit facility, (iii) aircraft lease facility ("*RASPRO Lease Facility*") with RASPRO we are required to comply with minimum current ratio and debt ratio covenants and a minimum available cash covenant

until all amounts outstanding thereunder have been paid in full, and (iv) loan and guarantee agreement with the U.S. Department of the Treasury, we are required to comply with a minimum collateral coverage ratio, measured monthly during the term of such credit facility, and a minimum liquidity level, measured at the close of any business day during the term of such credit facility.

Failure to comply with the terms of these credit facilities and financing arrangements and the ongoing financial and other covenants thereunder would result in an event of default (as defined in the applicable credit facility and financing agreement) and, to the extent the applicable lenders so elect, an acceleration of our existing indebtedness following the expiration of any applicable cure periods, causing such debt to be immediately due and payable. Acceleration of such indebtedness would also trigger cross-default clauses under our other indebtedness. It could also result in the termination of all commitments to extend further credit under the CIT Revolving Credit Facility. We currently do not have sufficient liquidity to repay all of our outstanding debt in full if such debt were accelerated. If we are unable to pay our debts as they come due, or obtain waivers for such payments, our secured lenders could foreclose on any assets securing such debt. These events could materially adversely affect our business, results of operations and financial condition.

The loss of key personnel upon whom we depend on to operate our business or the inability to attract additional qualified personnel could adversely affect our business.

We believe that our future success will depend in large part on our ability to retain or attract highly qualified management, technical and other personnel. We may not be successful in retaining key personnel or in attracting other highly qualified personnel. Among other things, the CARES Act imposes significant restrictions on executive compensation, which will remain in place through the date that is one (1) year after the amounts outstanding under our Loan and Guarantee Agreement with the U.S. Department of the Treasury are fully repaid. Such restrictions, over time, will likely result in lower executive compensation in the airline industry than is prevailing in other industries which may present retention challenges in the case of executives presented with alternative, non-airline opportunities. Any inability to retain or attract significant numbers of qualified management and other personnel would have a material adverse effect on our business, results of operations, and financial condition.

If the supply of pilots to the airline industry remains constrained and pilot attrition continues to exceed historical levels, our results of operations and financial condition would be negatively impacted.

In prior periods, the FAA Qualification Standards (and associated regulations) related to pilot qualification and flight training standards discussed in "Item 1. Government Regulation" dramatically reduced the supply of qualified pilot candidates and negatively impacted our ability to hire pilots at a rate sufficient to support required utilization levels under our CPAs, resulting in certain cases issuing credits to our major partners, temporarily removing aircraft from service under a CPA, or performance penalties.

More recently, our operations have continued to be negatively impacted by the pilot shortages that have plagued the airline industry as whole, and by the associated pilot attrition that we believe has disproportionately impacted regional airlines, including us. Our pilots continue to be recruited by other carriers, primarily the major carriers and heavy equipment cargo operators, which generally offer higher salaries and more extensive benefit programs. The magnitude of this attrition in fiscal 2022 created significant backlogs in training, further exacerbating an already challenging environment. These events have had, and continue to have, a negative impact on pilot scheduling, work hours, and the number of pilots required to support our operations.

There has been significant press coverage during fiscal 2022 regarding the issues stemming from the pilot shortages (namely flight cancellations and delays by the major carriers), with no airline being immune to the issues created by the pilot shortage or the associated negative press. As we have in the past, we are taking important steps to further attract, hire and retain qualified pilots, including the ongoing implementation of significant pilot wage and bonus increases, pilot retention initiatives, increases in training capacity, and other cost efficiency initiatives. Notwithstanding these steps, our current rate of hiring has not kept pace with attrition. As such, even with increases in training capacity we are not currently able to hire qualified pilots at a rate sufficient to fill all available classroom training spaces, which in turn has negatively impacted the number of pilots available for scheduled operations. No assurance can be given that the measures we are currently taking or may take in the future will enable us to attract, hire and train pilots at a rate necessary to support our operations.

In August 2022, we entered into a Letter of Agreement with the Airline Pilots Association ("ALPA"), which provided for increased overall hourly pay increases of nearly 118% for captains and 172% for new-hire first officers. While we remain engaged in negotiations with ALPA over other areas of our collective bargaining agreement with ALPA, we believe these pay increases will positively impact our ability to attract, hire, and retain pilots in future periods.

In addition to the foregoing, our pilot premium wage and bonus initiatives have substantially increased our labor costs and continue to negatively impact our operations and financial condition. Other regional air carriers have implemented similar measures, which has only served to increase the competition for qualified pilots and the costs associated with hiring pilots. We expect these increased costs, to the extent they persist, to materially and adversely impact our financial condition and results of operations in future periods.

If the high levels of pilot attrition persist and we are unable to attract, hire and retain pilots at a rate sufficient to support required utilization levels under our CPAs, we may be required to issue credits or provide offsets to our major partners, as we have done in the past, and to reduced flight schedules with our major partners, which has resulted in and may continue to result in monetary performance penalties under our CPAs, as well as give rise to the ability of our major partners in certain circumstances to elect to remove aircraft from the scope of our CPAs. Should any of these events arise in the future, they could have a material and adverse impact on our financial condition and results of operations.

Mechanic attrition, together with difficulty recruiting and retaining qualified maintenance technicians, may negatively affect our operations and financial condition.

Our operations rely on qualified personnel, including maintenance technicians. Our maintenance technicians may seek employment at mainline airlines, which generally offer higher salaries and more extensive benefit programs than regional airlines are financially able to offer. Should the turnover of maintenance technicians increase, we may not be able to hire sufficient maintenance technicians to replace those leaving. Additionally, FAA regulations regarding personnel certification and qualifications, and potential future changes in FAA regulations, could limit the number of qualified new entrants that we could hire. In the event we are unable to hire and retain qualified mechanics, our business and financial condition could be adversely affected.

Increases in our labor costs, which constitute a substantial portion of our total operating costs, may adversely affect our business, results of operations and financial condition.

As a result of the FAA Qualification Standards, the supply of qualified pilots has been dramatically reduced. This shortage of pilots has driven up our pilot salaries and sign-on bonuses and resulted in a material increase in our labor costs. A continued shortage of pilots could require us to further increase our labor costs, which would result in a material reduction in our earnings.

Our major partners may expand their direct operation of regional jets or seek other independent airlines to service their regional aircraft needs, thus limiting the expansion of our relationships with them.

We depend on our major partners electing to contract with us instead of operating their own regional jets or operating their own "captive" regional airlines through wholly owned subsidiaries. Currently, the captive regional airlines include Endeavor (owned by Delta), Envoy (owned by American), PSA (owned by American), Piedmont (owned by American), and Horizon (owned by Alaska). These major airlines possess the financial and other resources to acquire and operate their own regional jets, create, or grow their own captive regional airlines, or acquire other regional air carriers instead of entering into contracts with us. In particular, American, which procures approximately 40% of its regional flying from its wholly owned regional subsidiaries, has expressed a goal of increasing its share to a majority of American's regional flying over time. We have no guarantee that in the future our major partners will choose to enter into contracts with us, or renew their existing agreements with us, instead of operating their own regional jets, allocating flying to their captive regional airlines, or entering into relationships with competing regional airlines. A decision by American or United to phase out or limit our capacity purchase agreements or to enter into similar agreements with our competitors could have a material adverse effect on our business, financial condition, or results of operations.

We may be limited from expanding our flying within our major partners' flight systems and there are constraints on our ability to provide services to airlines other than American and United.

Additional growth opportunities within our major partners' flight systems are limited by various factors, including a limited number of independent regional aircraft that each such major partner can operate in its regional network due to "scope" clauses in the current collective bargaining agreements with their pilots that restrict the number and size of regional jets that may be operated in their flight systems not flown by their pilots. Except as contemplated by our existing agreements, we cannot be sure that our major partners will contract with us to fly any additional aircraft.

We may not have additional growth opportunities or may agree to modifications to our agreements that reduce certain benefits to us in order to obtain additional aircraft, or for other reasons. Given the competitive nature of the airline industry, we believe limited growth opportunities may result in competitors accepting reduced margins and less favorable contract terms in order to secure new or additional capacity purchase operations. Even if we are offered growth opportunities by our major partners, those opportunities may involve economic terms or financing commitments that are unacceptable to us.

Additionally, our major partners may reduce the number of regional jets in their system by not renewing or extending existing flying arrangements with regional operators or transitioning those flying arrangements to their own captive regional carriers. Any one or more of these factors may reduce or eliminate our ability to expand our flight operations with our existing major partners.

Additionally, our capacity purchase agreements limit our ability to provide regional flying services to other airlines in certain major airport hubs of American and United. These restrictions may make us a less attractive partner to other major airlines whose regional flying needs do not align with our geographical restrictions.

The residual value of our owned aircraft may be less than estimated in our depreciation policies.

As of September 30, 2022, we had approximately \$865.3 million of property and equipment and related assets, net of accumulated depreciation, of which \$660.8 million relates to aircraft. In accounting for these long-lived assets, we make estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long-lived assets, a significant change in the condition of the long-lived assets and operating cash flow losses associated with the use of the long-lived assets. In the event the estimated residual value of any of our aircraft types is determined to be lower than the residual value assumptions used in our depreciation policies, the applicable aircraft type in our fleet may be impaired and may result in a material reduction in the book value of applicable aircraft types we operate or we may need to prospectively modify our depreciation policies. An impairment on any of the aircraft types we operate or an increased level of depreciation expense resulting from a change to our depreciation policies could result in a material negative impact to our financial results. For our fiscal year ended September 30, 2022, we recognized approximately \$109.7 million of impairment losses on our owned and leased aircraft and related assets. See Note 8 – “Balance Sheet Information” in the notes to the audited consolidated financial statements included in this Annual Report on Form 10-K for further discussion of our impairment of long-lived assets.

The amounts we receive under our agreements may be less than the corresponding costs we incur.

Under our capacity purchase agreements with American and United and flight services agreement with DHL, a portion of our compensation is based upon pre-determined rates typically applied to production statistics (such as departures and block hours flown). The primary operating costs intended to be compensated by the pre-determined rates include labor costs, including crew training costs, certain aircraft maintenance expenses and overhead costs. During our fiscal year ended September 30, 2022, approximately \$51.4 million, or 8.5%, of our operating costs under our agreements were pass-through costs, excluding fuel which is paid directly to suppliers by our major partners. If our operating costs for labor, aircraft maintenance and overhead costs exceed the compensation earned from our pre-determined rates under our agreements, our financial position and operating results will be negatively affected.

Strikes, labor disputes and increased unionization of our workforces may adversely affect our ability to conduct our business and reduce our profitability.

As of September 30, 2022, approximately 66.9% of our workforce was represented by labor unions, including the Air Line Pilots Association, International (“ALPA”) and the Association of Flight Attendants (“AFA”). In August 2022, we entered into a Letter of Agreement with the Airline Pilots Association (“ALPA”), which provided for increased overall hourly pay increases of nearly 118% for captains and 172% for new-hire first officers. While we remain engaged in negotiations with ALPA over other areas of our collective bargaining agreement, we believe these pay increases will positively impact our ability to attract, hire, and retain pilots in future periods.

The inability to negotiate acceptable contracts with existing unions or with new unions could result in work stoppages by the affected workers, lost revenues resulting from the cancellation of flights and increased operating costs as a result of higher wages or benefits paid to union members. The terms and conditions of our future collective bargaining agreements may be affected by the results of collective bargaining negotiations at other airlines that may have a greater ability, due to larger scale, greater efficiency or other factors, to bear higher costs than we can. In addition, if we are unable to reach agreement with any of our unionized work groups in future negotiations regarding the terms of their collective bargaining agreements, we may be subject to work interruptions, stoppages, or shortages. We may also become subject to additional collective bargaining agreements in the future as non-unionized workers may unionize. We are also subject to various ongoing employment disputes outside of the collective bargaining agreements. We consider these disputes to not be material, but any current or future dispute could become material.

Relations between air carriers and labor unions in the United States are governed by the RLA. Under the RLA, collective bargaining agreements generally contain “*amendable dates*” rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the NMB. This process continues until either the parties

have reached agreement on a new collective bargaining agreement, or the parties have been released to "self-help" by the NMB. In most circumstances, the RLA prohibits strikes; however, after release by the NMB, carriers and unions are free to engage in self-help measures such as lockouts and strikes.

Any strike, labor dispute or increased unionization among our employees could disrupt our operations, reduce our profitability, or interfere with the ability of our management to focus on executing our business strategies. For example, if a labor strike were to continue for several consecutive days, our major partners may have cause to terminate the applicable CPA. As a result, our business, results of operations and financial condition may be materially adversely affected.

We face tail risk in that we have aircraft lease commitments that extend beyond our existing contractual terms on certain aircraft.

We currently have aircraft with leases extending past the term of their corresponding agreement. We may not be successful in extending the flying contract terms on these aircraft with our major partners. In that event, we intend to pursue alternative uses for those aircraft over the remaining portions of their leases including, but not limited to, operating the aircraft with another major airline under a negotiated capacity purchase agreement, subleasing the aircraft to another operator or marketing them for sale. Additionally, we may negotiate an early lease return agreement with an aircraft's lessor. In such event, we may incur cash and non-cash early lease termination costs that would negatively impact our operations and financial condition. Additionally, if we are unable to extend a flying contract with an existing major partner but reach an agreement to place an aircraft into service with a different major partner, we likely will incur inefficiencies and incremental costs, such as changing the aircraft livery, which would negatively impact our financial results.

We may incur substantial maintenance costs as part of our leased aircraft return obligations.

Our aircraft lease agreements contain provisions that require us to return aircraft airframes and engines to the lessor in a specified condition or pay an amount to the lessor based on the actual return condition of the equipment. These lease return costs are recorded in the period in which they are incurred. We estimate the cost of maintenance lease return obligations and accrue such costs over the remaining lease term when the expense is probable and can be reasonably estimated. Any unexpected increase in maintenance return costs may negatively impact our financial position and results of operations.

We may become involved in litigation that may materially adversely affect us.

From time to time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including employment, commercial, product liability, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability and/or require us to change our business practices. Because of the potential risks, expenses, and uncertainties of litigation, we may, from time to time, settle disputes, even where we believe that we have meritorious claims or defenses. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, results of operations and financial condition.

Disagreements regarding the interpretation of our agreements with our major partners could have an adverse effect on our operating results and financial condition.

To the extent that we experience disagreements regarding the interpretation of our capacity purchase or other agreements, we will likely expend valuable management time and financial resources in our efforts to resolve those disagreements. Those disagreements may result in litigation, arbitration, settlement negotiations, or other proceedings. Furthermore, there can be no assurance that any or all of those proceedings, if commenced, would be resolved in our favor or that we would be able to exercise sufficient leverage in any proceeding relative to our major partner to achieve a favorable outcome. An unfavorable result in any such proceeding could have adverse financial consequences or require us to modify our operations. Such disagreements and their consequences could have an adverse effect on our operating results and financial condition.

We rely on third-party suppliers as the sole manufacturers of our aircraft and aircraft engines.

We depend upon MHI, Boeing, and Embraer as the sole manufacturers of our aircraft and GE as the sole manufacturer of our aircraft engines. Our operations could be materially and adversely affected by the failure or inability of MHI, Boeing, Embraer or GE to provide sufficient parts or related maintenance and support services to us in a timely manner, or the interruption of our flight operations as a result of unscheduled or unanticipated maintenance requirements for our aircraft or engines.

Maintenance costs will likely increase as the age of our jet fleet increases.

The average age of our E-175, CRJ-900, Boeing 737 and CRJ-700 type aircraft is approximately 6.9, 16.0, 29.0, and 17.5 years, respectively. We have incurred relatively low maintenance expenses on our E-175 aircraft because most of the parts are under multi-year warranties and a limited number of heavy airframe checks and engine overhauls have occurred. Our maintenance costs will increase significantly, both on an absolute basis and as a percentage of our operating expenses, as our fleet ages and the E-175 warranties expire. In addition, because our current aircraft were acquired over a relatively short period of time, significant maintenance events scheduled for these aircraft will occur at roughly the same intervals, meaning we will incur our most expensive scheduled maintenance obligations across our present fleet at approximately the same time. These more significant maintenance activities will result in out-of-service periods during which aircraft are dedicated to maintenance activities and unavailable for flying under our agreements. Any unexpected increase in our maintenance costs as our fleet ages or decreased revenues resulting from out-of-service periods could have an adverse effect on our cash flows, operating results, and financial condition.

If we face problems with any of our third-party service providers, our operations could be adversely affected.

Our reliance upon others to provide essential services on behalf of our operations may limit our ability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including aircraft maintenance, ground facilities and IT services, and expect to enter into additional similar agreements in the future. In particular, we rely on AAR and Aviall to provide fixed-rate parts procurement and component overhaul services for our aircraft fleet and GE to provide engine support. Our agreements with AAR, and other service providers, are subject to termination after notice. If our third-party service providers terminate their contracts with us, or do not provide timely or consistently high-quality service, we may not be able to replace them in a cost-efficient manner or in a manner timely enough to support our operational needs, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, our operations could be materially and adversely affected by the failure or inability of AAR, Aviall or GE to provide sufficient parts or related maintenance and support services to us in a timely manner.

Regulatory changes or tariffs could negatively impact our business and financial condition.

We import a substantial portion of the equipment we utilize in our operations. For example, the sole manufacturers of our regional aircraft, MHI and Embraer, are headquartered in Japan and Brazil, respectively. We cannot predict the impact of potential regulatory changes or action by U.S. regulatory agencies, including the potential impact of tariffs or changes in international trade treaties on the cost and timing of parts and aircraft. Our business may be subject to additional costs as a result of potential regulatory changes, which could have an adverse effect on our operations and financial results.

The issuance of operating restrictions applicable to one of the fleet types we operate could negatively impact our business and financial condition.

We rely on a limited number of aircraft types, including CRJ-700, CRJ-900, Boeing 737, and E-175 aircraft. The issuance of FAA or manufacturer directives restricting or prohibiting the use of the aircraft types we operate could negatively impact our business and financial results.

If we have a failure in our technology or security breaches of our information technology infrastructure our business and financial condition may be adversely affected.

The performance and reliability of our technology, and the technology of our major partners, are critical to our ability to compete effectively. Any internal technological error or failure or large-scale external interruption in the technological infrastructure we depend on, such as power, telecommunications, or the internet, may disrupt our internal network. Any individual, sustained or repeated failure of our technology or that of our major partners could impact our ability to conduct our business, lower the utilization of our aircraft and result in increased costs. Our technological systems and related data, and those of our major partners, may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, and other security issues.

In addition, as a part of our ordinary business operations, we collect and store sensitive data, including personal information of our employees and information of our major partners. Our information systems are subject to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. The methods used to obtain unauthorized access, disable, or degrade service or sabotage systems are constantly evolving, and may be difficult to anticipate or to detect for long periods of time. We may not be able to prevent all data security breaches or misuse of data. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, employees' or business partners' information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business and financial condition.

We are subject to various environmental and noise laws and regulations, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to increasingly stringent federal, state, local, and foreign laws, regulations and ordinances relating to the protection of the environment and noise, including those relating to emissions to the air, discharges (including storm water discharges) to surface and subsurface waters, safe drinking water and the use, management, disposal and release of, and exposure to, hazardous substances, oils and waste materials. We are or may be subject to new or proposed laws and regulations that may have a direct effect (or indirect effect through our third-party specialists or airport facilities at which we operate) on our operations. In addition, U.S. airport authorities are exploring ways to limit de-icing fluid discharges. Any such existing, future, new or potential laws and regulations could have an adverse impact on our business, results of operations, and financial condition.

Similarly, we are subject to environmental laws and regulations that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under certain laws, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of fault or the amount of wastes directly attributable to us.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

As of September 30, 2022, we had aggregate federal and state net operating loss ("NOL") carryforwards of approximately \$591.4 million and \$247.0 million, which expire in fiscal years 2027-2038 and 2022-2042, respectively. Approximately \$180.9 million of our federal NOL carryforwards are not subject to expiration. Our unused losses generally carry forward to offset future taxable income, if any, until such unused losses expire. We may be unable to use these losses to offset income before such unused losses expire. However, US federal net operating losses generated in fiscal years 2018 and forward are not subject to expiration and, if not utilized by fiscal 2023, are only available to offset eighty percent of taxable income each year due to changes in tax law attributable to the passage of Tax Cuts and Jobs Act. In addition, if a corporation undergoes an "ownership change" (generally defined as a greater than 50% cumulative change in the equity ownership of certain shareholders over a rolling three-year period) under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset future taxable income or taxes may be limited. We have experienced ownership changes in the past and may experience ownership changes as a result of future changes in our stock ownership (some of which changes may not be within our control). This, in turn, could materially reduce or eliminate our ability to use our losses or tax attributes to offset future taxable income or tax and have an adverse effect on our future cash flows.

We may not be able to successfully implement our growth strategy.

Our growth strategy includes, among other things, providing regional flying to other airlines and/or entering into the cargo and express shipping business. We face numerous challenges in implementing our growth strategy, including our ability to:

- provide regional flying to other airlines with hub cities that overlap with our existing airline partners; and
- enter into relationships with third parties to carry their cargo on terms that are acceptable to us.

Our capacity purchase agreements limit our ability to provide regional flying services to other airlines in certain major airport hubs of American and United. These restrictions may make us a less attractive partner to other major airlines whose regional flying needs do not align with our geographical restrictions.

The potential benefits of entering the air cargo and express shipping sector will depend substantially on our ability to enter into additional relationships with integrated logistics companies and transition our existing business strategies into a new sector. We may be unsuccessful in entering into relationships with integrated logistics companies to carry cargo on terms that are acceptable to us. Additionally, our ability to transition our existing business strategies into a new sector may be costly, complex, and time-consuming, and our management will have to devote substantial time and resources to such effort. As we transition into this new sector, we may experience difficulties or delays in securing gate access and other airport services necessary to operate in the air cargo and express shipping sector. Our inability to successfully implement our growth strategies could have a material adverse effect on our business, financial condition, and results of operations and any assumptions underlying estimates of expected cost savings or expected revenues may be inaccurate.

We may not be able to make opportunistic acquisitions should we elect to do so as part of our growth strategy.

If we elect to pursue an acquisition, our ability to successfully implement this transaction would depend on a variety of factors, including the approval of our acquisition target's major partners, obtaining financing on acceptable terms and compliance with the restrictions contained in our debt agreements. If we need to obtain our lenders' consent prior to an acquisition, they may refuse to provide such consent or condition their consent on our compliance with additional restrictive covenants that limit our operating flexibility. Acquisition transactions involve risks, including those associated with integrating the operations or (as applicable) separately maintaining the operations, financial reporting, disparate technologies and personnel of acquired companies; managing geographically dispersed operations; the diversion of management's attention from other business concerns; unknown risks; and the potential loss of key employees. We may not successfully integrate any businesses we may acquire in the future and may not achieve anticipated revenue and cost benefits relating to any such transactions. Strategic transactions may be expensive, time consuming and may strain our resources. Strategic transactions may not be accretive to our earnings and may negatively impact our results of operations as a result of, among other things, the incurrence of debt, one-time write-offs of goodwill and amortization expenses of other intangible assets. In addition, strategic transactions that we may pursue could result in dilutive issuances of equity securities.

Our ability to obtain financing or access capital markets may be limited.

There are a number of factors that may limit our ability to raise financing or access capital markets in the future, including our significant debt and future contractual obligations, our liquidity and credit status, our operating cash flows, the market conditions in the airline industry, U.S. and global economic conditions, the general state of the capital markets and the financial position of the major providers of commercial aircraft financing. We cannot assure you that we will be able to source external financing for future aircraft acquisitions or for other significant capital needs, and if we are unable to source financing on acceptable terms, or unable to source financing at all, our business could be materially adversely affected. To the extent we finance our activities with additional debt, we may become subject to additional financial and other covenants that may restrict our ability to pursue our business strategy or otherwise constrain our growth and operations.

Negative publicity regarding our customer service could have a material adverse effect on our business, results of operations and financial condition.

Our business strategy includes the implementation of our major partners' brand and product in order to increase customer loyalty and drive future ticket sales. In addition, we also receive certain amounts under our United CPA upon the results of passenger satisfaction surveys. However, we may experience a high number of passenger complaints related to, among other things, our customer service. These complaints, together with delayed and cancelled flights, and other service issues, are reported to the public by the DOT. If we do not meet our major partners' expectations with respect to reliability and service, our and our major partners' brand and product could be negatively impacted, which could result in customers deciding not to fly with our major partners or with us. If we are unable to provide consistently high-quality customer service, it could have an adverse effect on our relationships with our major partners.

Risks associated with our presence in international emerging markets, including political or economic instability, and failure to adequately comply with existing legal requirements, may materially adversely affect us.

Some of our target growth markets include countries with less developed economies, legal systems, financial markets and business and political environments are vulnerable to economic and political disruptions, such as significant fluctuations in gross domestic product, interest and currency exchange rates, civil disturbances, government instability, nationalization and expropriation of private assets, trafficking and the imposition of taxes or other charges by governments. The occurrence of any of these events in markets served by us now or in the future and the resulting instability may have a material adverse effect on our business, results of operations and financial condition.

We emphasize compliance with all applicable laws and regulations and have implemented and continue to implement and refresh policies, procedures and certain ongoing training of our employees, third-party specialists and partners with regard to business ethics and key legal requirements; however, we cannot assure you that our employees, third-party specialists or partners will adhere to our code of ethics, other policies or other legal requirements. If we fail to enforce our policies and procedures properly or maintain adequate recordkeeping and internal accounting practices to record our transactions accurately, we may be subject to sanctions. In the event we believe or have reason to believe our employees, third-party specialists or partners have or may have violated applicable laws or regulations, we may incur investigation costs, potential penalties and other related costs which in turn may materially adversely affect our reputation and could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Industry

The outbreak and global spread of COVID-19 beginning in our 2020 fiscal year resulted in a severe decline in demand for air travel, which has adversely impacted the business of our major partners, and in turn has had an adverse impact that has been material to our business, operating results, financial condition and liquidity. The duration and severity of the COVID-19 pandemic, and similar public health threats that we may face in the future, could result in additional adverse effects on our business, operating results, financial condition, and liquidity.

The airline industry is highly competitive and has undergone a period of consolidation and transition leaving fewer potential major partners.

The airline industry is highly competitive. We compete primarily with other regional airlines, some of which are owned by or operated by major airlines. In certain instances, our competitors are larger than us and possess significantly greater financial and other resources than we do. The airline industry has undergone substantial consolidation, including the mergers between Alaska Airlines and Virgin America Inc. in 2016, American and US Airways in 2013, Southwest Airlines Co. and AirTran Airways in 2011, United and Continental Airlines in 2010 and Delta and Northwest Airlines in 2008. Any additional consolidation or significant alliance activity within the airline industry could further limit the number of potential partners with whom we could enter into capacity purchase agreements.

We are subject to significant governmental regulation.

All interstate air carriers, including us, are subject to regulation by the DOT, the FAA and other governmental agencies, as described in "Item 1. Government Regulation." We cannot predict whether we will be able to comply with all present and future laws, rules, regulations, and certification requirements or that the cost of continued compliance will not have a material adverse effect on our operations. We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules, and regulations to which we are subject. A decision by the FAA to ground, or require time consuming inspections of or maintenance on, all or any of our aircraft for any reason may have a material adverse effect on our operations. In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations and require that we incur substantial on-going costs.

Airlines are often affected by factors beyond their control, including: air traffic congestion at airports; air traffic control inefficiencies; adverse weather conditions, such as hurricanes or blizzards; increased security measures; new travel-related taxes; or the outbreak of disease; any of which could have a material adverse effect on our business, results of operations, and financial condition.

Like other airlines, our business is affected by factors beyond our control, including air traffic congestion at airports, air traffic control inefficiencies, increased security measures, new travel-related taxes and fees, adverse weather conditions, natural disasters, and the outbreak of disease. Factors that cause flight delays frustrate passengers and increase operating costs and decrease revenues, which in turn could adversely affect profitability. The federal government singularly controls all U.S. airspace, and airlines are completely dependent on the FAA to operate that airspace in a safe, efficient, and affordable manner. The air traffic control system, which is operated by the FAA, faces challenges in managing the growing demand for U.S. air travel. U.S. and foreign air-traffic controllers often rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes resulting in delays. In addition, there are currently proposals before Congress that could potentially lead to the privatization of the United States' air traffic control system, which could adversely affect our business. Further, implementation of the Next Generation Air Transport System by the FAA would result in changes to aircraft routings and flight paths that could lead to increased noise complaints and lawsuits, resulting in increased costs. There are additional proposals before Congress that would treat a wide range of consumer protection issues, including, among other things, proposals to regulate seat size, which could increase the costs of doing business.

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

Terrorist activities or warnings have dramatically impacted the airline industry and will likely continue to do so.

The terrorist attacks of September 11, 2001 and their aftermath have negatively impacted the airline industry in general, including our operations. If additional terrorist attacks are launched against the airline industry, there will be lasting consequences of the attacks, which may include loss of life, property damage, increased security and insurance costs, increased concerns about future terrorist attacks, increased government regulation and airport delays due to heightened security. We cannot provide any assurance that these events will not harm the airline industry generally or our operations or financial condition in particular.

The occurrence of an aviation accident involving our aircraft would negatively impact our operations and financial condition.

An accident or incident involving our aircraft could result in significant potential claims of injured passengers and others, as well as repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service. In the event of an accident, our liability insurance may not be adequate to offset our exposure to potential claims and we may be forced to bear substantial losses from the accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our operational and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that our operations are less safe or reliable than other airlines.

Risks Related to Owning Our Common Stock

The market price of our common stock may be volatile, which could cause the value of an investment in our stock to decline.

The market price of our common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, including: (i) announcements concerning our major partners, competitors, the airline industry, or the economy in general; (ii) strategic actions by us, our major partners, or our competitors, such as acquisitions or restructurings; (iii) media reports and publications about the safety of our aircraft or the types of aircraft we operate; (iv) new regulatory pronouncements and changes in regulatory guidelines; (v) announcements concerning the availability of the types of aircraft we use; (vi) significant volatility in the market price and trading volume of companies in the airline industry; (vii) changes in financial estimates or recommendations by securities analysts or failure to meet analysts' performance expectations; (viii) sales of our common stock or other actions by insiders or investors with significant shareholdings, including sales by our principal shareholders; and (ix) general market, political and other economic conditions.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. Broad market fluctuations may materially adversely affect the trading price of our common stock. In the past, shareholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources, and have a material adverse effect on our business, results of operations and financial condition.

If securities or industry analysts do not publish research or reports about our business or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities and industry analysts may publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, the trading price of our common stock would likely decline. If one or more of these analysts ceases to cover our company or fails to publish reports on us regularly, demand for our stock could decrease, which may cause the trading price of our common stock and the trading volume of our common stock to decline.

The value of our common stock may be materially adversely affected by additional issuances of common stock underlying our outstanding warrants.

As of September 30, 2022, we had outstanding warrants to purchase an aggregate of 4,899,497 shares of our common stock, all of which were issued to the U.S. Treasury pursuant to the terms of the Loan and Guarantee Agreement dated October 30, 2020. The warrants have a term of five (5) years from the date of issuance and an initial exercise price of \$3.98 per share. Any future warrant exercises by the U.S. Treasury, or any authorized transferee of the U.S. Treasury, will be dilutive to our existing common shareholders. Sales of substantial amounts of our common stock in the public or private market, a perception in the market that such sales could occur, or the issuance of securities exercisable into our common stock, could adversely affect the prevailing price of our common stock.

Provisions in our charter documents might deter acquisition bids for us, which could adversely affect the price of our common stock.

Our second amended and restated articles of incorporation and amended and restated bylaws contain provisions that, among other things:

- authorize our Board of Directors, without shareholder approval, to designate and fix the voting powers, designations, preferences, limitations, restrictions, and relative rights of one or more series of preferred stock so designated, or right to acquire such preferred stock;
- dilute the interest of, or impair the voting power of, holders of our common stock and could also have the effect of discouraging, delaying, or preventing a change of control;
- establish advance notice procedures that shareholders must comply with in order to nominate candidates to our Board of Directors and propose matters to be brought before an annual or special meeting of our shareholders, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company;
- authorize a majority of our Board of Directors to appoint a director to fill a vacancy created by the expansion of our Board of Directors or the resignation, death or removal of a director, which may prevent shareholders from being able to fill vacancies on our Board of Directors;
- restrict the number of directors constituting our Board of Directors to within a set range, and give our Board of Directors exclusive authority to increase or decrease the number of directors within such range, which may prevent shareholders from being able to fill vacancies on our Board of Directors; and
- restrict the ability of shareholders to call special meetings of shareholders.

Our corporate charter includes provisions limiting ownership by non-U.S. citizens.

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our second amended and restated articles of incorporation restrict the ownership and voting of shares of our common stock by people and entities who are not "*citizens of the United States*" as that term is defined in 49 U.S.C. § 40102(a). That statute defines "*citizen of the United States*" as, among other things, a U.S. corporation, of which the president and at least two-thirds of the board of directors and other managing officers are individuals who are citizens of the United States, which is under the actual control of citizens of the United States and in which at least 75% of the voting interest is owned or controlled by persons who are citizens of the United States. Our second amended and restated articles of incorporation prohibit any non-U.S. citizen from owning or controlling more than 24.9% of the aggregate votes of all outstanding shares of our common stock or 49.0% of the total number of outstanding shares of our capital stock. The restrictions imposed by the above-described ownership caps are applied to each non-U.S. citizen in reverse chronological order based on the date of registration on our foreign stock record. At no time may shares of our capital stock held by non-U.S. citizens be voted unless such shares are reflected on the foreign stock record. The voting rights of non-U.S. citizens having voting control over any shares of our capital stock are subject to automatic suspension to the extent required to ensure that we are in compliance with applicable law. In the event any transfer or issuance of shares of our capital stock to a non-U.S. citizen would result in non-U.S. citizens owning more than the above-described cap amounts, such transfer or issuance will be void and of no effect.

As of September 30, 2022, we had outstanding warrants to purchase 4,899,497 shares of our common stock, all of which were held by the U.S. Treasury. We are currently in compliance with all applicable foreign ownership restrictions.

Our corporate charter limits certain transfers of our stock, which limits are intended to preserve our ability to use our net operating loss carryforwards, and these limits could have an effect on the market price and liquidity of our common stock.

To reduce the risk of a potential adverse effect on our ability to use our net operating loss carryforwards for federal income tax purposes, our second amended and restated articles of incorporation prohibit the transfer of any shares of our capital stock that would result in (i) any person or entity owning 4.75% or more of our then-outstanding capital stock, or (ii) an increase in the percentage ownership of any person or entity owning 4.75% or more of our then-outstanding capital stock. These transfer restrictions expire upon the earliest of (i) the repeal of Section 382 of the Code or any successor statute if our Board of Directors determines that such restrictions are no longer necessary to preserve our ability to use our net operating loss carryforwards, (ii) the beginning of a fiscal year to which our Board of Directors determines that no net operating losses may be carried forward, or (iii) such other date as determined by our Board of Directors. These transfer restrictions apply to the beneficial owner of the shares of our capital stock. The clients of an investment advisor are treated as the beneficial owners of stock for this purpose if the clients have the right to receive dividends, if any, the power to acquire or dispose of the shares of our capital stock, and the right to proceeds from the sale of our capital stock. Certain transactions approved by our Board of Directors, such as mergers and consolidations meeting certain requirements set forth in our articles of incorporation, are exempt from the above-described transfer restrictions. Our Board of Directors also has the ability to grant waivers, in its discretion, with respect to transfers of our stock that would otherwise be prohibited.

The transfer restrictions contained in our second amended and restated articles of incorporation may impair or prevent a sale of common stock by a shareholder and may adversely affect the price at which a shareholder can sell our common stock. In addition, this limitation may have the effect of delaying or preventing a change in control of the Company, creating a perception that a change in control cannot occur or otherwise discouraging takeover attempts that some shareholders may consider beneficial, which could also adversely affect the market price of our common stock. We cannot predict the effect that this provision in our second amended and restated articles of incorporation may have on the market price of our common stock.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

We have not historically paid dividends on shares of our common stock and do not expect to pay dividends on such shares in the foreseeable future. Additionally, certain of our aircraft lease facilities and our loan with the U.S. Treasury contain restrictions that limit our ability to or prohibit us from paying dividends to holders of our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on our results of operations, financial condition, capital requirements, restrictions contained in current or future leases and financing instruments, business prospects and such other factors as our Board of Directors deems relevant, including restrictions under applicable law. Consequently, your only opportunity to achieve a positive return on your investment in us will be if the market price of our common stock appreciates.

General Risk Factors

We are an "emerging growth company," and the reduced disclosure and regulatory requirements applicable to "emerging growth companies" may make our common stock less attractive to investors.

We qualify as an "**emerging growth company**" as defined in the Jumpstart Our Business Startups Act of 2012 (the "**JOBS Act**"), and therefore we may take advantage of reduced disclosure and regulatory requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- we are not required to obtain an attestation and report from our independent registered public accounting firm on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act;
- we may present reduced disclosure regarding executive compensation in our periodic reports and proxy statements; and
- we are not required to hold nonbinding advisory shareholder votes on executive compensation or golden parachute arrangements.

We may take advantage of these reduced requirements until we are no longer an "**emerging growth company**," which will occur upon the earliest of (i) the last day of our fiscal year following the fifth anniversary of our IPO (i.e. September 30, 2023), (ii) the last day of the first fiscal year in which our annual gross revenue is \$1.07 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than \$1.0 billion in non-convertible debt securities and (iv) the date on which we are deemed to be a "**large accelerated filer**" as defined in the Exchange Act. Investors may find our common stock less attractive or our company less comparable to certain other public companies because we will rely on these reduced requirements.

In addition, the JOBS Act permits an "emerging growth company" to take advantage of an extended transition period to comply with new or revised accounting standards. This effectively permits the delayed adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have elected to "opt out" of such extended transition period and, as a result, we will comply with new or revised accounting standards on the dates for which compliance is required for non-emerging growth companies. This election is irrevocable.

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

We became a public company in August 2018. As a public company, we incur significant legal, accounting, and other expenses, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with the Sarbanes-Oxley Act of 2002, as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act and related rules implemented or to be implemented by the SEC and the Nasdaq Global Select Market. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly and divert management's time and attention from revenue-generating activities to compliance activities. It could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, or as our executive officers and may divert management's attention. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

We are required to assess our internal control over financial reporting on an annual basis, and any future adverse findings from such assessment could result in a loss of investor confidence in our financial reports, result in significant expenses to remediate any internal control deficiencies and have a material adverse effect on our business, results of operations and financial condition.

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 our fiscal year ended September 30, 2022 and each subsequent year. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the later of the date we are deemed to be an "accelerated filer" or a "large accelerated filer," each as defined in the Exchange Act, or the date we are no longer an "emerging growth company," as defined in the JOBS Act. We are required to disclose, to the extent material, changes made in our internal control over financial reporting on a quarterly basis.

To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. Management assessed the effectiveness of our internal control over financial reporting at September 30, 2022. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we did not maintain effective internal control over financial reporting as of September 30, 2022. See ITEM 9A. CONTROLS AND PROCEDURES.

In future periods, if we fail to achieve and maintain an effective internal control environment, it could result in material misstatements in our financial statements and failure to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information and adversely impact our stock price.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Flight Equipment

As of September 30, 2022, our aircraft fleet consisted of the following:

Aircraft Type	Owned	Leased	Total	Passenger Capacity	Flight Range (miles)	Average Cruising Speed (mph)	Average Age (years)
E-175 Regional Jet	18	62	80	70-76	2,100	530	6.9
CRJ-900 Regional Jet	49	15	64	76-79	1,500	530	16.0
CRJ-700 Regional Jet	8	2	10	50-70	1,600	530	17.5
CRJ-200 Regional Jet	1	—	1	50	1,500	530	28.7
Boeing 737 Cargo Jet	—	3	3		2,600	530	29.0
Total	76	82	158				

Several factors impact our fleet size, including contract expirations, lease expirations, growth opportunities and opportunities to transition to an alternative airline partner. Below is a summary of our fleet by aircraft type. Our actual future fleet size and mix of aircraft types will likely vary, and may vary materially, from our current fleet size.

- E-175s – As of September 30, 2022, we operated 60 E-175 and 20 E-175LL aircraft under our United CPA. As part of our amended and restated United CPA, we agreed to extend the term of 42 of our E-175 aircraft (owned by United) for an additional five (5) years which will now expire between 2024 and 2028, subject to United's early termination rights. United also has the right to extend the term of these aircraft for four (4) additional three-year increments. In addition, 18 of the E-175 aircraft (owned by us) operating under our United CPA expire between January 2028 and November 2028, subject to United's early termination rights. In the current period, we added 20 E-175LL aircraft under the United CPA with a term of 12 years. Our United CPA permits United, subject to certain conditions, including the payment of certain costs tied to aircraft type, to terminate the United CPA in its discretion, or remove aircraft from service, by giving us 90 days' notice.
- CRJ-900s – As of September 30, 2022, we operated 42 CRJ-900 aircraft under our American CPA and 11 CRJ-900 aircraft as operational spares. Our American CPA will expire in 2025 unless otherwise extended or amended. Our American CPA is subject to termination prior to that date, subject to our right to cure, in various circumstances. Eleven (11) of these CRJ-900 aircraft have been classified as held for sale during fiscal year 2022.
- CRJ-700s – As of September 30, 2022, our fleet included 10 CRJ-700 aircraft. Eight (8) of these CRJ-700 aircraft are classified as assets held for sale, and the remaining two (2) aircraft were leased to a third party.
- CRJ-200s – As of September 30, 2022, our fleet included one (1) CRJ-200 aircraft that has been classified as held for sale during fiscal year 2022.
- Boeing 737 Cargo Jets – As of September 30, 2022, we leased one (1) Boeing 737 aircraft from a third party and subleased two Boeing 737 aircraft from DHL under our DHL FSA. The DHL FSA expires five (5) years from the commencement date of the first aircraft placed into service. The first revenue generating flight took place in October 2020.

Facilities

In addition to aircraft, we have office and maintenance facilities to support our operations. Each of our facilities are summarized in the following table:

Type	Location	Ownership	Approximate Square Feet
Corporate Headquarters	Phoenix, Arizona	Leased	33,770
Training Center	Phoenix, Arizona	Leased	23,783
Parts/Stores	Phoenix, Arizona	Leased	12,000
Hangar	Phoenix, Arizona	Leased	22,467
Office, Hangar and Warehouse	El Paso, Texas	Leased	31,292
Office, Hangar	Dallas, Texas	Leased	30,440
Parts Storage	Dallas, Texas	Leased	8,143
Hangar	Houston, Texas	Leased	74,524
Hangar	Louisville, Kentucky	Leased	26,762
Hangar	Dulles, Washington	Leased	28,451
Warehouse	Tucson, Arizona	Leased	10,590
Warehouse, Office	Erlanger, Kentucky	Leased	6,025

We believe our facilities are suitable and adequate for our current and anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

We are subject to two (2) putative class action lawsuits alleging federal securities law violations in connection with our IPO, one (1) in the Superior Court of the State of Arizona and one (1) in U.S. District Court of Arizona. These purported class actions were filed in March and April 2020 against the Company, certain current and former officers and directors, and certain underwriters of the Company's IPO. The state and federal lawsuits each make the same or similar allegations of violations of the Securities Act of 1933, as amended, for allegedly making materially false and misleading statements in, or omitting material information from, our IPO registration statement.

On March 2, 2022, the parties in the federal lawsuit attended a mediation and reached an agreement in principle to settle all claims asserted in that action for the sum of \$5 million, which will be paid by the Company's directors' and officers' insurance carriers. The settlement is subject to preliminary and final approval by the federal court. The motion for preliminary approval was filed on May 6, 2022, and no objections to the settlement were filed by the deadline for such objections. The parties are waiting for the Court to schedule a date for the preliminary approval hearing. If preliminary and final approval is obtained, the claims of all putative class members, whether asserted in the federal or state actions, will be extinguished, unless and only to the extent that a particular class member takes affirmative steps to have its claims excluded.

In addition, we are subject to certain legal actions which we consider routine to our business activities. As of September 30, 2022, our management believed that the ultimate outcome of the two (2) putative class action lawsuits and such other routine legal matters are not likely to have a material adverse effect on our financial position, liquidity, or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has traded on The Nasdaq Global Select Market under the symbol "MESA" since August 10, 2018. Prior to that date, there was no public market for our common stock.

Holders of Record

As of November 11, 2022, there were approximately 75 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, as a result, we are unable to estimate the total number of stockholders represented by these record holders.

The transfer agent and registrar for our common stock is ComputerShare Trust Company, N.A.

Dividends

We have not declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board of Directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our Board of Directors considers relevant.

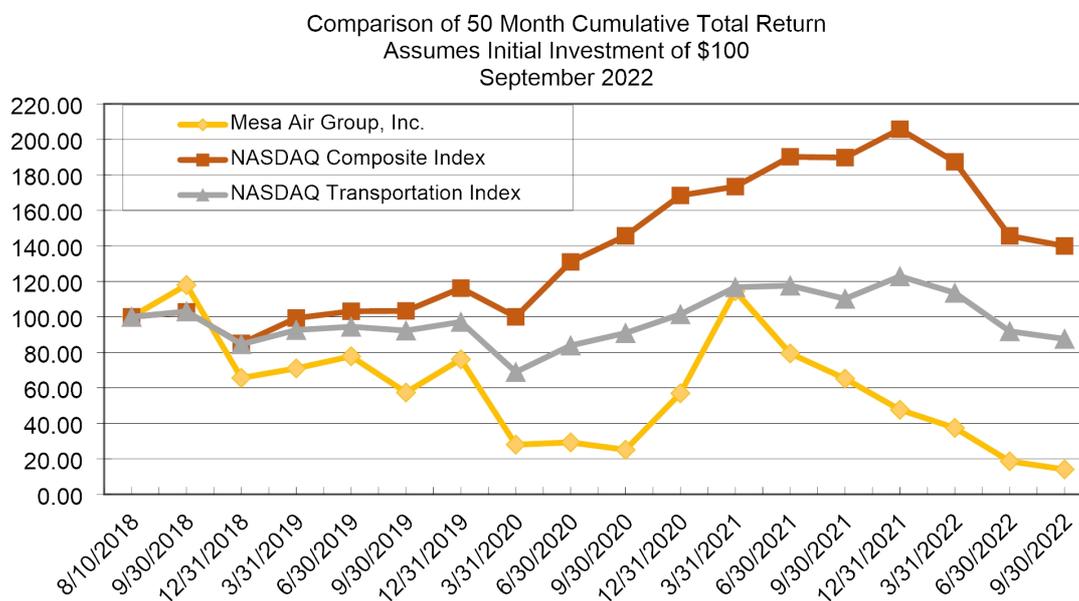
Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our definitive proxy statement for our 2023 Annual Meeting of Shareholders ("*2023 Proxy Statement*") to be filed with the SEC within 120 days of our fiscal year ended September 30, 2022.

Stock Performance Graph

The following Performance Graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent we specifically incorporate it by reference into such filing.

The following graph compares the cumulative total return on our common stock with that of the Nasdaq Stock Market (U.S. Companies) and the Nasdaq Stock Market Transportation Index. The period shown commences on August 10, 2018, and ends on September 30, 2022, the end of our fiscal year. The graph assumes an investment of \$100.00 in each of the above on the close of market on August 10, 2018. The stock performance shown on the graph below represents historical stock performance and is not necessarily indicative of future stock price performance.



This performance graph is not deemed to be incorporated by reference into any of our other filings under the Exchange Act, or the Securities Act, except to the extent we specifically incorporate it by reference into such filings.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the three months ended September 30, 2022, the Company repurchased a total of 14,957 shares of its common stock for \$0.1 million to cover the income tax obligation on vested employee equity awards. The Company repurchased a total of 147,108 shares of its common stock for \$0.5 million to cover the income tax obligation on vested employee equity awards during the fiscal year ended September 30, 2022.

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 together with our consolidated financial statements, the accompanying notes, and the other financial information included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that involve risks and uncertainties such as our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements below. Factors that could cause or contribute to those differences in our actual results include, but are not limited to, those discussed below and those discussed elsewhere in this Annual Report on Form 10-K, particularly in the sections "Cautionary Notes Regarding Forward-Looking Statements" and Part I, Item 1A. "Risk Factors" above.

Overview

Mesa Airlines is a regional air carrier providing scheduled passenger service to 107 cities in 39 states, the District of Columbia, the Bahamas, and Mexico, as well as cargo services out of Cincinnati/Northern Kentucky International Airport. All of our flights are operated as either American Eagle, United Express, or DHL Express flights pursuant to the terms of capacity purchase agreements ("CPA") with American and United and a flight services agreement ("FSA") with DHL. We have a significant presence in several of our major partners' key domestic hubs and focus cities, including Dallas, Houston, Phoenix, and Washington-Dulles.

As of September 30, 2022, we operated under the CPAs and FSA, or maintained as operational spares, a fleet of 158 aircraft with approximately 306 daily departures. During 2022, we committed to a formal plan to sell certain of our CRJ-900 and CRJ-200 aircraft. We classified 11 CRJ-900 and one (1) CRJ-200 aircraft as assets held for sale as of September 30, 2022. We also leased 20 CRJ-700 aircraft to a third party for majority of the fiscal year. During the fourth quarter of 2022, we committed to a formal plan to sell 18 of the 20 CRJ-700 aircraft and terminated the leases on these 18 aircraft. We completed the sale of 10 CRJ-700 aircraft and eight (8) remained as assets held for sale as of September 30, 2022. We operate 42 CRJ-900 aircraft under our American CPA; 20 E-175LL and 60 E-175 aircraft under our United CPA. We operate three (3) Boeing 737-400F aircraft under the DHL FSA. For our fiscal year ended September 30, 2022, approximately 34% of our aircraft in scheduled service were operated for American, 64% were operated for United, and 2% were operated for DHL. All our operating revenue in our 2022 and 2021 fiscal years were derived from operations associated with our American and United CPAs, DHL FSA, and from leases of aircraft to a third party. All our operating revenue in our 2020 fiscal year was derived from operations associated with our American and United CPAs.

Our long-term agreements provide us guaranteed monthly revenue for each aircraft under contract, a fixed fee for each block hour and flight actually flown, and reimbursement of certain direct operating expenses in exchange for providing regional flying on behalf of our major partners. Our capacity purchase and flight services agreements also shelter us from many of the elements that cause volatility in airline financial performance, including fuel prices, variations in ticket prices, and fluctuations in number of passengers. In providing regional flying under our capacity purchase agreements, and cargo flight services under our flight services agreement, we use the logos, service marks, flight crew uniforms and aircraft paint schemes of our major partners. Our major partners control route selection, pricing, seat inventories, marketing, and scheduling, and provide us with ground support services, airport landing slots and gate access.

Under our DHL FSA, we receive a fee per block hour with a minimum block hour guarantee in exchange for providing cargo services. Ground support including fueling and airport fees are paid directly by DHL.

2022 Financial Highlights

For our fiscal year ended September 30, 2022, we had total operating revenues of \$531.0 million, a 5.4% increase, compared to \$503.6 million for our fiscal year ended September 30, 2021. Net loss for our fiscal year ended September 30, 2022 was \$182.7 million, or \$(5.06) per diluted share, compared to net income of \$16.6 million, or \$0.43 per diluted share, for our fiscal year ended September 30, 2021.

During our fiscal year ended September 30, 2022, our completed block hours decreased by 51,708, or 16.0%, compared to our fiscal year ended September 30, 2021.

Industry Trends

We believe our operating and business performance is driven by various factors that typically affect regional airlines and their markets, including trends which affect the broader airline and travel industries, though our capacity purchase and flight services agreements reduce our exposure to fluctuations in certain trends. The following key factors may materially affect our future performance.

Availability and Training of Qualified Pilots. On July 8, 2013, as directed by the U.S. Congress, the FAA issued more stringent pilot qualification and crew member flight training standards, which, among other things, increased the required training time for new airline pilots from 250 hours to 1,500 hours of flight time. With these changes, the supply of qualified pilot candidates eligible for hiring by the airline industry has been dramatically reduced. To address the diminished supply of qualified pilot candidates, regional airlines implemented significant pilot wage and bonus increases.

In more recent periods, our pilots continue to be recruited by other carriers, primarily the major carriers and heavy equipment cargo operators, which generally offer higher salaries and more extensive benefit programs. The magnitude of this attrition in fiscal 2022 created significant backlogs in training, further exacerbating an already challenging environment. These events have had, and continue to have a negative impact on pilot scheduling, work hours, and the number of pilots required to support our operations.

In August 2022, we entered into a Letter of Agreement with the Airline Pilots Association (“ALPA”), which provided for increased overall hourly pay increases of nearly 118% for captains and 172% for new-hire first officers. While we remain engaged in negotiations with ALPA over other areas of our collective bargaining agreement with ALPA, we believe these pay increases will positively impact our ability to attract, hire, and retain pilots in future periods.

To further address the diminished supply of qualified pilots, we recently launched the Mesa Pilot Development Program (“MPD”). As part of this program, on September 22, 2022, we purchased 29 Pipistrel Alpha Trainer 2 aircrafts, with the option to buy an additional 75 over the next year. This new fleet will be the backbone of the MPD program, with pilots being provided with the opportunity to accumulate up to 1,500 flight hours required to fly a commercial aircraft at Mesa Airlines. Flight costs of \$25 per hour, per pilot, will be fully financed by us with zero interest, providing no upfront out-of-pocket expense for flight time while the candidate is accruing the required hours to earn their Airline Transport Pilot (“ATP”) certificate. As part of candidates’ commitment to flying for Mesa Airlines, flight costs will be repaid over three (3) years during the term of their employment.

No assurance can be given that the measures we are currently taking or may take in the future will enable us to attract, hire and train pilots at a rate necessary to support our operations.

Pilot and Mechanic Attrition. In recent years, we have experienced significant volatility in our attrition as a result of pilot wage and bonus increases at other regional air carriers, the growth of cargo, low-cost and ultra-low-cost carriers, and the number of pilots at major airlines reaching the statutory mandatory retirement age of 65 years. If our actual pilot attrition rates are materially different than our projections, our operations and financial results could be materially and adversely affected. Although we target maintenance staffing levels above our projected needs in order to account for attrition, which is widespread in the industry, from time to time we have experienced attrition with our maintenance technicians, who have the option to seek employment at mainline airlines, which generally offer higher salaries and more extensive benefit programs than regional airlines are financially able to offer. Attrition of maintenance technicians has sometimes required us to supplement our staff with qualified temporary employees.

As discussed generally above, we have announced a new pay structure whereby starting September 15, 2022, we will offer starting wages of \$100 an hour for entry-level first officers, and \$150 an hour for first-year captains while captains with 20 years of experience will be paid \$215 an hour to remain competitive and attract and retain experienced, qualified pilots.

Economic Conditions, Challenges and Risks

Market Volatility. The airline industry is volatile and affected by economic cycles and trends. Consumer confidence and discretionary spending, spread of a virus, fear of terrorism or war, weakening economic conditions, fare initiatives, fluctuations in fuel prices, labor actions, changes in governmental regulations on taxes and fees, weather and other factors have contributed to a number of reorganizations, bankruptcies, liquidations, and business combinations among major and regional airlines. The effect of economic cycles and trends may be somewhat mitigated by our reliance on capacity purchase agreements. If, however, any of our major partners experiences a prolonged decline in the number of passengers or is negatively affected by low ticket prices or high fuel prices, it may seek rate reductions in future capacity purchase agreements, or materially reduce our scheduled flights in order to reduce its costs. Our financial performance could be negatively impacted by any adverse changes to the rates, number of aircraft or utilization under our capacity purchase agreements.

Labor. The airline industry is heavily unionized. The wages, benefits and work rules of unionized airline industry employees are determined by collective bargaining agreements. As of September 30, 2022, approximately 66.9% of our workforce was represented by the ALPA and AFA. In August 2022, we entered into a three-year Letter of Agreement with ALPA, which provided for increased overall hourly pay increases of nearly 118% for captains and 172% for new-hire first officers. While we remain engaged in negotiations with ALPA over other areas of our collective bargaining agreement with ALPA, we believe these pay increases will positively impact our ability to attract, hire, and retain pilots in future periods. In September 2022, we entered into a Letter of Agreement with AFA to extend the term of our agreement by two years. Our extension with AFA provided, among other things, an increase in compensation for our flight attendants. The terms and conditions of our future collective bargaining agreements may be affected by the results of collective bargaining negotiations at other airlines that may have a greater ability, due to larger scale, greater efficiency or other factors, to bear higher costs than we can. In addition, conflicts between airlines and their unions can lead to work slowdowns or stoppages. A strike or other significant labor dispute with our unionized employees may adversely affect our ability to conduct business.

Impact of Pilot Shortage. During our fiscal year ended September 30, 2022, the severity of the pilot shortage, elevated pilot attrition, and increasing costs associated with pilot wages adversely impacted our financial results, cash flows, financial position, and other key financial ratios. One of the primary factors contributing to the pilot shortage and attrition is the demand for pilots at major carriers, which are hiring at an accelerated rate to backfill the thousands of pilots whom they offered early retirements to at the beginning of the pandemic. These airlines now seek to increase their capacity to meet the growing demand for air travel as the global pandemic has moderated. A primary source of pilots for the major US passenger and cargo carriers are the US regional airlines.

As a result of pilot shortage and attrition, we produced less block hours to generate revenues and incurred penalties for operational shortfalls under our CPAs. These challenges resulted in a negative impact on the Company's financial results highlighted by operating cash flows of \$13.4 million and net loss of \$182.7 million including a non-cash impairment charge related to the Company's American asset group of \$171.8 million. These conditions and events raised financial concerns about our ability to continue to fund our operations and meet debt obligation in the next twelve months

To address the events that gave rise to such concerns, management developed and implemented the following material changes to its business designed to ensure the Company could continue to fund its operations and meet its debt obligations over the next 12 months. In addition to successfully implementing these effective measures, the Company expects to develop and implement additional measures aimed at addressing periods beyond the next 12 months

- In the fourth quarter, the Company reached an agreement with ALPA which increased overall pilot hourly pay by nearly 118% for captains and 172% for new-hire first officers. As a result of this agreement, we have experienced reduced attrition rates and attracted new pilots.
- The Company and American have agreed to terminate and complete a wind-down of the American CPA. This will ultimately eliminate financial penalties incurred under the American CPA. In December 2022, we entered into Amendment No.11 to our American CPA. See the disclosure under Note 18 - "Subsequent Events" in the notes to the audited consolidated financial statements included in this Annual Report on Form 10-K for a discussion of Amendment No. 11 which includes among other things, disclosure regarding the wind-down of our operations with American and the termination of the American CPA.
- In December 2022, we entered into the Third Amended and Restated Capacity Purchase Agreement with United which amended and restated the existing United CPA. This agreement increases block hour revenues to cover increased wages agreed to with ALPA and adds CRJ 900 aircraft currently operating under the American CPA. See the disclosure under Note 18 - "Subsequent Events" in the notes to the audited consolidated financial statement included in this Annual Report on Form 10-K for a discussion of the Amended and Restated United CPA which includes among others, disclosure regarding the transition of the aircraft operated under the American CPA to be operated under the Third Amended and Restated United CPA.

- We entered into an agreement with United to sell 18 CRJ-700 aircraft during the reporting period, of which 10 were sold. The approximate net proceeds from the sale in the quarter was \$ 36.8 million after retirement of debt. The remaining eight (8) are expected to close in early January 2022. The approximate net proceeds from the sale and after retirement of debt is \$8 million.
- We entered into an agreement with a third party to sell eleven (11) of our CRJ-900 aircraft and one CRJ-200 aircraft to raise capital and retire debt. The approximate net proceeds from the sale are expected to be \$8.2 million after retirement of debt.
- We have entered into an agreement to sell 30 spare engines to United to raise capital and retire debt. The approximate gross proceeds from the sale is expected to be \$80 million and will retire debt of \$26.4 million.
- We established a new line of credit totaling \$25.5 million to draw upon when needed. See the disclosure under Note 18 - "subsequent Events" in the notes to the audited consolidated financial statements included in this Annual Report on Form 10-K for a discussion of the line of credit and amount drawn upon subsequently.
- We entered into an agreement with Export Development Bank of Canada (EDC), reducing debt and interest payments on all seven aircraft for the period of January 2023 through December 2024, providing up to \$14 million of liquidity. Additionally, the junior noteholder MHIRJ agreed to reduce its loan amount by approximately \$5 million.
- We entered into an agreement with RASPRO Trust, reducing the buyout pricing on all 15 aircraft at lease termination by a total of \$25 million.
- We established the Mesa Pilot Development Program (the "MPD Program") to increase the pilot supply to Mesa.. We have entered into an agreement to purchase up to 29 state-of-the-art Pipistrel Alpha Trainer 2 aircraft. This new fleet will be the backbone of our MPD Program to help commercial pilots accelerate their accumulation of flight hours to reach the minimum flight hours required by FAA and then be hired by Mesa. As part of the program, pilots will be provided with the opportunity to accumulate up to 1,500 flight hours required to fly a commercial aircraft at Mesa Airlines. Flights costs of \$25 per hour, per pilot, will be fully financed by us with zero interest, providing no upfront out-of-pocket expense for flight time while the candidate is accruing the required hours to earn their ATP certificate.
- We added flight training simulators and flight training instructors to expand our training capacity to backfill pilots lost to attrition.
- We have expanded the United Aviate program participation to include all pilots flying for Mesa. Previously, pilots had to fly under the United Express contract for a minimum of two (2) years to qualify for the flow through to United Airlines. Now, all pilots regardless of contract, are eligible to flow through to United Airlines enhancing Mesa's ability to attract and retain pilots.
- We have delayed and/or deferred major spending on aircraft and engine maintenance to match the current and projected level of flight activity.

These plans and initiatives outlined above have effectively alleviated pressure on financial performance. While we continue implement and monitor our plans and initiatives, there is no guarantee that these will continue to be effective and achieve their desired objectives.

As of September 30, 2022, the Company has \$97.2 million of short-term debt due within the next twelve months. We plan to meet these obligations with our cash on hand, ongoing cashflows from our operations, as well as the liquidity we have achieved as outlined above.

Competition. The airline industry is highly competitive. We compete principally with other regional airlines. Major airlines typically award capacity purchase agreements to regional airlines based on the following criteria: ability to fly contracted schedules, availability of labor resources including pilots, low operating cost, financial resources, geographical infrastructure, overall customer service levels relating to on-time arrival and flight completion percentages, and the overall image of the regional airline. Our ability to renew our existing agreements and earn additional flying opportunities in the future will depend, in significant part, on our ability to maintain a low-cost structure competitive with other regional air carriers.

Maintenance Contracts, Costs and Timing. Our employees perform routine airframe and engine maintenance along with periodic inspections of equipment at their respective maintenance facilities. We also use third-party vendors, such as AAR, Aviall, MHI, GE, and StandardAero, for certain heavy airframe and engine maintenance work, along with parts procurement and component overhaul services for our aircraft fleet. As of September 30, 2022, \$ 50.6 million of parts inventory was consigned to us by AAR and Aviall under long-term contracts that is not reflected in our consolidated balance sheet.

The average age of our E-175, CRJ-900, Boeing 737, and CRJ-700 type aircraft is approximately 6.9, 16.0, 29.0, and 17.5 years, respectively. Due to the relatively young age of our E-175 aircraft, they require less maintenance now than they will in the future. In prior periods, we incurred relatively low maintenance expenses on our E-175 aircraft because most of the parts are under multi-year warranties and a limited number of heavy airframe checks and engine overhauls have occurred. As our E-175 aircraft age and these warranties expire, we expect that maintenance costs will increase in absolute terms and as a percentage of revenue. In addition, because our current aircraft were acquired over a relatively short period of time, significant maintenance events scheduled for these aircraft will occur at roughly the same intervals, meaning we will incur our most expensive scheduled maintenance obligations across our present fleet at approximately the same time. These more significant maintenance activities result in out-of-service periods during which aircraft are dedicated to maintenance activities and unavailable for flying under our capacity purchase agreements.

We use the direct expense method of accounting for our maintenance of regional jet engine overhauls, airframe, auxiliary power units and landing gear for the majority of our fleets, with the exception of Mesa-owned E-175 aircraft. Heavy maintenance and major overhaul costs on our owned E-175 fleet are deferred and amortized until the earlier of the end of the useful life of the related asset or the next scheduled heavy maintenance event. Normal recurring maintenance is expensed when the maintenance work is completed, or over the repair period, if materially different. Our maintenance policy is determined by fleet when major maintenance is incurred. While we keep a record of expected maintenance events, the actual timing and costs of major engine maintenance expense are subject to variables such as estimated usage, government regulations and the level of unscheduled maintenance events and their actual costs. Accordingly, we cannot reliably quantify the costs or timing of future maintenance-related expenses for any significant period of time.

Aircraft Leasing and Finance Determinations. We have generally funded aircraft acquisitions through a combination of operating leases and debt financing. Our determination to lease or finance the acquisition of aircraft may be influenced by a variety of factors, including the preferences of our major partners, the strength of our balance sheet and credit profile and those of our major partners, the length and terms of the available lease or financing alternatives, the applicable interest rates, and any lease return conditions. When possible, we prefer to finance aircraft through debt rather than operating leases, due to lower operating costs, extended depreciation period, opportunity for aircraft equity, absence of lease return conditions and greater flexibility in renewing the aircraft under our capacity purchase agreements with our major partners after paying off the principal balance.

Subsequent to the initial acquisition of an aircraft, we may also refinance the aircraft or convert one form of financing to another (e.g., replacing an aircraft lease with debt financing). The purchase of leased aircraft allows us to lower our operating costs and avoid lease-related use restrictions and return conditions.

As of September 30, 2022, we had 82 aircraft in our fleet under lease, including 62 E-175 aircraft owned by United and leased to us at nominal amounts and three (3) Boeing 737 cargo jets subleased to us by DHL at nominal amounts. In order to determine the proper classification of our leased aircraft as either operating leases or finance leases, we must make certain estimates at the inception of the lease relating to the economic useful life and the fair value of an asset as well as select an appropriate discount rate to be used in discounting future lease payments. These estimates are utilized by management in making computations as required by existing accounting standards that determine whether the lease is classified as an operating lease or a finance lease. All of our aircraft leases have been classified as operating leases, which results in rental payments being charged to expense over the terms of the related leases.

We are also subject to lease return provisions that require a minimum portion of eligible flight time for certain components remain when the aircraft is returned at the lease expiration. We estimate the cost of maintenance lease return obligations and accrue such costs over the remaining lease term when the expense is probable and can be reasonably estimated.

See "*Risk Factors*" for a discussion of these factors and other risks.

Seasonality

Our results of operations for any interim period are not necessarily indicative of those for the entire year since the airline industry is subject to seasonal fluctuations and general economic conditions. Our operations are somewhat favorably affected by increased utilization of our aircraft in the summer months and are unfavorably affected by increased fleet maintenance and by inclement weather during the winter months.

Glossary of Airline Terms

Set forth below is a glossary of industry terms used in this Annual Report on Form 10-K:

"Available seat miles" or "ASMs" means the number of seats available for passengers multiplied by the number of miles the seats are flown.

"Average stage length" means the average number of statute miles flown per flight segment.

"Block hours" means the number of hours during which the aircraft is in revenue service, measured from the time of gate departure before take-off until the time of gate arrival at the destination.

"CRASM" means contract revenue divided by ASMs.

"DOT" means the United States Department of Transportation.

"FAA" means the United States Federal Aviation Administration.

"FTE" means full-time equivalent employee.

"Load factor" means the percentage of aircraft seat miles actually occupied on a flight (RPMs divided by ASMs).

"NMB" means the National Mediation Board.

"Pass-through and other revenue" means costs from our major partners under our agreements that we equally recognize as both a revenue and an expense, including passenger and hull insurance, aircraft property taxes, landing fees, catering and certain maintenance costs related to our E-175 aircraft.

"Revenue Passenger Miles" or "RPMs" means the number of miles traveled by paying passengers.

"TSA" means the United States Transportation Security Administration.

"Utilization" means the percentage derived from dividing (i) the number of block hours actually flown during a given month under a particular capacity purchase agreement by (ii) the maximum number of block hours that could be flown during such month under the particular capacity purchase agreement.

Components of Our Results of Operations

The following discussion summarizes the key components of our consolidated statements of operations and comprehensive (loss) income.

Operating Revenues

Our consolidated operating revenues consist of contract revenue as well as pass-through and other revenue.

Contract Revenue. Contract revenue consists of the fixed monthly amounts per aircraft received pursuant to our capacity purchase agreements and flight services agreement with our major partners, along with the additional amounts received based on the number of flights and block hours flown, and rental revenue for aircraft leased to a third party. Contract revenues we receive from our major partners are paid on a weekly basis and recognized over time consistent with the delivery of service under our agreements.

Pass-Through and Other Revenue. Pass-through and other revenue consists of passenger and hull insurance, aircraft property taxes, landing fees, and other aircraft and traffic servicing costs received pursuant to our agreements with our major partners, as well as certain maintenance costs related to United owned E-175 aircraft.

Operating Expenses

Our operating expenses consist of the following items:

Flight Operations. Flight operations expense includes costs related to salaries, bonuses and benefits earned by our pilots, flight attendants, and dispatch personnel, as well as costs related to technical publications, lodging of our flight crews, and pilot training expenses.

Fuel. Fuel expense includes fuel and related fueling costs for flying we undertake outside of our capacity purchase agreements and flight services agreement, including aircraft repositioning and maintenance. All aircraft fuel and related fueling costs for flying under our capacity purchase agreements were directly paid and supplied by our major partners. The fuel and related cost for flying under our DHL FSA were directly paid and supplied by DHL. Accordingly, we do not record an expense or the related revenue for fuel supplied by American and United for flying under our capacity purchase agreements or DHL under our flight services agreement except fuel costs incurred for controllable ferry flights for American and United.

Maintenance. Maintenance expense includes costs related to engine overhauls, airframe, landing gear and normal recurring maintenance, which includes pass-through maintenance costs related to our E-175 aircraft. Heavy maintenance and major overhaul costs on our owned E-175 fleet are deferred and amortized until the earlier of the end of the useful life of the related asset or the next scheduled heavy maintenance event. All other maintenance costs are expensed as incurred, except for certain maintenance contracts where labor and materials price risks have been transferred to the service provider and require payment on a utilization basis, such as flight hours. Costs incurred for maintenance and repair for utilization maintenance contracts where labor and materials price risks have been transferred to the service provider are charged to maintenance expense based on contractual payment terms. As a result of using the direct expense method for heavy maintenance on the majority of our fleets, the timing of maintenance expense reflected in the financial statements may vary significantly from period to period.

Aircraft Rent. Aircraft rent expense includes costs related to leased engines and aircraft.

Aircraft and Traffic Servicing. Aircraft and traffic servicing expense includes expenses related to our capacity purchase agreements and flight services agreement, including aircraft cleaning, passenger disruption reimbursements, international navigation fees and wages of airport operations personnel, a portion of which are reimbursable by our major partners.

General and Administrative. General and administrative expense includes insurance and taxes, the majority of which are pass-through costs, non-operational administrative employee wages and related expenses, building rents, real property leases, utilities, legal, audit and other administrative expenses.

Depreciation and Amortization. Depreciation expense is a periodic non-cash charge primarily related to aircraft, engine, and equipment depreciation. Amortization expense is a periodic non-cash charge related to our customer relationship intangible asset.

Other Income (Expense), Net

Interest Expense. Interest expense is interest on our debt to finance purchases of aircraft, engines, and equipment, including amortization of debt financing costs and discounts.

Interest Income. Interest income includes interest income on our cash and cash equivalent balances.

Loss on Investments, Net. Loss on investments consists of losses on our investments in equity securities.

Other Expense. Other expense includes expense derived from activities not classified in any other area of the consolidated statements of income.

Segment Reporting

Operating segments are defined as components of an enterprise about which discrete financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing operating performance. In consideration of ASC 280, *Segment Reporting*, we are not organized around specific services or geographic regions. We currently operate in one service line providing scheduled flight services in accordance with our capacity purchase agreements and flight services agreement.

While we operate under two (2) separate capacity purchase agreements and one (1) flight services agreement, we do not manage our business based on any performance measure at the individual contract level. Additionally, our CODM uses consolidated financial information to evaluate our performance, which is the same basis on which he communicates our results and performance to our Board of Directors. The CODM bases all significant decisions regarding the allocation of our resources on a consolidated basis. Based on the information described above and in accordance with the applicable literature, management has concluded that we are organized and operated as one (1) operating and reportable segment.

Results of Operations

Comparison of our Fiscal Years Ended September 30, 2022 and 2021

We had an operating loss of \$189.7 million in our year ended September 30, 2022 compared to operating income of \$63.2 million in our year ended September 30, 2021. In our year ended September 30, 2022, we had a net loss of \$182.7 million compared to net income of \$16.6 million in our year ended September 30, 2021.

Our operating results for the year ended September 30, 2022 reflect an increase in flight operations expense resulting from increased pilot training as well as a decrease in maintenance expense mainly as a result of fewer C-checks. Additionally, there were no government grant funds utilized as an offset to operating expenses during the year ended September 30, 2022, compared to \$119.5 million during the year ended September 30, 2021. Lastly, we recorded impairment charges of \$62.1 million on certain of our CRJ aircraft that were classified as held for sale and \$109.7 million on certain long-lived and ROU assets in our year ended September 30, 2022.

Operating Revenues

	Year Ended September 30,		Change	
	2022	2021		
Operating revenues (\$ in thousands):				
Contract	\$ 478,482	\$ 434,518	\$ 43,964	10.1%
Pass-through and other	52,519	69,073	(16,554)	(24.0)%
Total operating revenues	<u>\$ 531,001</u>	<u>\$ 503,591</u>	<u>\$ 27,410</u>	5.4%
Operating data⁽¹⁾:				
Available seat miles—ASMs (thousands)	6,674,748	7,851,798	(1,177,050)	(15.0)%
Block hours	271,511	323,219	(51,708)	(16.0)%
Revenue passenger miles—				
RPMs (thousands)	5,549,595	5,893,195	(343,600)	(5.8)%
Average stage length (miles)	509	661	(152)	(23.0)%
Contract revenue per available seat mile—CRASM (in cents)	¢ 7.18	¢ 5.53	¢ 1.65	29.8%
Passengers	8,083,870	8,881,431	(797,561)	(9.0)%

(1) The definitions of certain terms related to the airline industry used in the table can be found under "Glossary of Airline Terms" above.

Total operating revenue increased by \$27.4 million, or 5.4%, during our fiscal year ended September 30, 2022, compared to our fiscal year ended September 30, 2021. Contract revenue increased by \$44.0 million, or 10.1%, primarily due to normalized contractual rates from our major partners and recognition of higher deferred revenue, partially offset by reduced block hours flown and partner utilization penalties compared to the twelve months ended September 30, 2021. The increase in rates compared to the twelve months ended September 30, 2021 is attributable to temporarily reduced rates from our major partners impacting the twelve months ended September 30, 2021 as a result of lower labor costs due to government assistance received during the same period. Our pass-through and other revenue decreased during our fiscal year ended September 30, 2022 by \$16.6 million, or 24.0%, primarily due to an increase in pass-through maintenance related to our E-175 fleet.

Operating Expenses

	Year Ended September 30,		Change	
	2022	2021		
Operating expenses (\$ in thousands):				
Flight operations	\$ 177,038	\$ 162,137	\$ 14,901	9.2%
Maintenance	201,930	217,646	(15,716)	(7.2)%
Aircraft rent	36,989	39,345	(2,356)	(6.0)%
General and administrative	43,966	49,855	(5,889)	(11.8)%
Depreciation and amortization	81,508	82,847	(1,339)	(1.6)%
Lease termination	233	4,508	(4,275)	(94.8)%
Asset impairment	171,824	—	171,824	100.0%
Government grant recognition	—	(119,479)	119,479	(100.0)%
Other operating expenses	7,238	3,536	3,702	104.7%
Total operating expenses	\$ 720,726	\$ 440,395	\$ 280,331	63.7%
Operating data:				
Available seat miles—ASMs (thousands)	6,674,748	7,851,798	(1,177,050)	(15.0)%
Block hours	271,511	323,219	(51,708)	(16.0)%
Average stage length (miles)	509	661	(152)	(23.0)%
Departures	137,625	160,019	(22,394)	(14.0)%

Flight Operations. Flight operations expense increased by \$14.9 million, or 9.2%, to \$177.0 million for our fiscal year ended September 30, 2022, compared to our fiscal year ended September 30, 2021. The increase was primarily driven by an increase in pilot training costs.

Maintenance. Aircraft maintenance expense decreased \$15.7 million, or 7.2%, to \$201.9 million for our fiscal year ended September 30, 2022, compared to our fiscal year ended September 30, 2021. This decrease was primarily driven by a decrease in C-check expense, Engine overhaul expense, and pass-through maintenance on our E-175 fleet due to overall fewer maintenance events. This decrease was partially offset by an increase in labor and other costs. Total pass-through maintenance expenses reimbursed by our major partners decreased by \$8.1 million during fiscal year 2022, compared to fiscal year 2021.

The following table presents information regarding our aircraft maintenance costs during our fiscal years ended September 30, 2022 and 2021:

	Year Ended September 30,		Change	
	2022	2021		
Engine overhaul	\$ 1,924	\$ 14,598	\$ (12,674)	(86.8)%
Pass-through engine overhaul	21,710	16,815	4,895	29.1%
C-check	18,910	30,593	(11,683)	(38.2)%
Pass-through C-check	3,173	20,549	(17,376)	(84.6)%
Component contracts	26,223	25,890	333	1.3%
Rotable and expendable parts	26,967	26,741	226	0.8%
Other pass-through	20,358	15,963	4,395	27.5%
Labor and other	82,665	66,497	16,168	24.3%
Total	\$ 201,930	\$ 217,646	\$ (15,716)	(7.2)%

Aircraft Rent. Aircraft rent expense decreased by \$2.4 million, or 6.0%, to \$37.0 million for our fiscal year ended September 30, 2022, compared to our fiscal year ended September 30, 2021. This decrease was primarily attributable to a decrease in engine rent due to fewer leased engines as well as a decrease in rent expense from aircraft leases due to the Company's purchase of a previously leased aircraft in March 2021.

General and Administrative. General and administrative expense decreased by \$5.9 million, or 11.8%, to \$44.0 million for our fiscal year ended September 30, 2022, compared to our fiscal year ended September 30, 2021. This decrease was primarily due to a decrease in property taxes. For our fiscal years ended September 30, 2022 and 2021, \$8.2 million and \$15.1 million, respectively, of our insurance and property tax expenses were reimbursed by our major partners.

Depreciation and Amortization. Depreciation and amortization expense decreased by \$1.3 million, or 1.6%, to \$81.5 million for our fiscal year ended September 30, 2022, compared to our fiscal year ended September 30, 2021. The decrease is primarily attributable to a portion of our fleet being classified as held for sale during the twelve months ended September 30, 2022, offset by an increase in rotatable parts and spare engine depreciation expense as well as amortization of deferred heavy maintenance.

Asset Impairment. Asset impairment expenses were \$62.1 million and \$109.7 million for our assets held for sale and long-lived and ROU assets, respectively, for our year ended September 30, 2022 compared to zero and zero for our year ended September 30, 2021. The increase is attributable to impairment charges on certain CRJ aircraft, both held for sale and held for use, and intangible assets of customer relationship during the year ended September 30, 2022.

Lease Termination. Lease termination expense decreased by \$4.3 million, or 94.8%, to \$0.2 million for our fiscal year ended September 30, 2022, compared to our fiscal year ended September 30, 2021. We incurred a lease termination expense for a CRJ-900 aircraft purchased in March 2021 that was previously leased from Bombardier Capital.

Other Operating Expenses. Other operating expenses increased by \$3.7 million, or 104.7%, to \$7.2 million for our fiscal year ended September 30, 2022 compared to our fiscal year ended September 30, 2021. The increase is primarily due to the loss associated with derecognition of lease incentive assets when the Company terminated the leases of CRJ-700 aircraft to GoJet during the fiscal year ended September 30, 2022.

Government Grant Recognition. Government grant funds decreased by \$119.5 million, or 100%, to zero for our fiscal year ended September 30, 2022 compared to our fiscal year ended September 30, 2021. Under the Consolidated Appropriations Act, the government provided the Company with a grant of \$56.0 million in payroll support for the period of December 2020 through March 2021, and an additional \$52.2 million in payroll support under the American Recovery Plan Act for the period of April 2021 through September 2021. We also received a total of \$95.2 million under the CARES Act during the period April 2020 through October 2020, \$83.8 million of which was utilized during fiscal 2020 and \$11.4 million of which was utilized and recognized as an offset to operating expenses during the first quarter of fiscal year 2021. These government grant programs were no longer available during our fiscal year ended September 30, 2022.

Other Expense

Other expense increased by \$4.2 million, or 10.2%, to \$44.9 million for our fiscal year ended September 30, 2022, compared to our fiscal year ended September 30, 2021. The increase is primarily a result of an increase in loss on investments in equity securities of \$6.9 million as a result of a reduction in the market price of our investments in common stock and warrants of Archer Aviation, Inc. See Note 8 – “*Balance Sheet Information*” in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our investments in equity securities.

Income Taxes

In our fiscal year ended September 30, 2022, our effective tax rate was 22.2% compared to 26.0% in our fiscal year ended September 30, 2021. Our tax rate can vary depending on changes in tax laws, adoption of accounting standards, the amount of income we earn in each state and the state tax rate applicable to such income, as well as any valuation allowance required on our state net operating losses.

We recorded an income tax (benefit) provision of \$(52.0) million and \$5.8 million for the fiscal years ended September 30, 2022 and 2021, respectively.

The income tax provision for our fiscal year ended September 30, 2022 resulted in an effective tax rate of 22.2%, which differed from the U.S. federal statutory rate of 21%, primarily due to the impact of state taxes and permanent differences between financial statement and taxable income. In addition to the state effective tax rate impact, other state impacts include changes in the valuation allowance against state net operating losses, expired state attributes, disallowed unrealized losses, and changes in state apportionment and statutory rates.

The income tax provision for our fiscal year ended September 30, 2021 resulted in an effective tax rate of 26.0%, which differed from the U.S. federal statutory rate of 21%, primarily due to the impact of state taxes and permanent differences between financial statement and taxable income. In addition to the state effective tax rate impact, other state impacts include changes in the valuation allowance against state net operating losses, expired state attributes, disallowed unrealized losses, and changes in state apportionment and statutory rates.

We continue to maintain a valuation allowance on a portion of our state net operating losses in jurisdictions with shortened carryforward periods or in jurisdictions where our operations have significantly decreased as compared to prior years in which the net operating losses were generated.

As of September 30, 2022, we had aggregate federal and state net operating loss carryforwards of approximately \$591.4 million and \$247.0 million, which expire in 2027-2038 and 2022-2042, respectively, with approximately \$1.1 million of state net operating loss carryforwards that expired in 2022. Approximately \$180.9 million of our federal NOL carryforwards are not subject to expiration.

See Note 13 - "Income Taxes" in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Results of Operations

Comparison of our Fiscal Years Ended September 30, 2021 and 2020

Operating Revenues

	Year Ended September 30,		Change	
	2021	2020		
Operating revenues (\$ in thousands):				
Contract	\$ 434,518	\$ 506,590	\$ (72,072)	(14.2)%
Pass-through and other	69,073	38,480	30,593	79.5%
Total operating revenues	\$ 503,591	\$ 545,070	\$ (41,479)	(7.6)%
Operating data(1):				
Available seat miles—ASMs (thousands)	7,851,798	7,581,506	270,292	3.6%
Block hours	323,219	313,110	10,109	3.2%
Revenue passenger miles—				
RPMs (thousands)	5,893,195	5,128,875	764,320	14.9%
Average stage length (miles)	661	597	64	10.7%
Contract revenue per available seat				
mile—CRASM (in cents)	¢ 5.53	¢ 6.68	¢ (1.15)	(17.2)%
Passengers	8,881,431	8,500,072	381,359	4.5%

(1) The definitions of certain terms related to the airline industry used in the table can be found under "Glossary of Airline Terms" above.

Total operating revenue decreased by \$41.5 million, or 7.6%, during our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. Contract revenue decreased by \$72.1 million, or 14.2%, primarily due to temporary reductions in rates provided to our major partners as a result of lower labor costs from government assistance received during such period, and flying fewer covered aircraft under the American CPA. Our block hours flown during our fiscal year ended September 30, 2021 increased 3.2% compared to our fiscal year ended September 30, 2020, due to an increase in demand for air travel and loosening of certain travel restrictions particularly during the second half of the year, and block hours flown under our DHL Flight Services Agreement which commenced in fiscal 2021. Our pass-through and other revenue increased during our fiscal year ended September 30, 2021 by \$30.6 million, or 79.5%, primarily due to an increase in pass-through maintenance related to our E-175 fleet.

Operating Expenses

	Year Ended September 30,		Change	
	2021	2020		
Operating expenses (\$ in thousands):				
Flight operations	\$ 162,137	\$ 169,242	\$ (7,105)	(4.2)%
Fuel	898	672	226	33.6%
Maintenance	217,646	192,123	25,523	13.3%
Aircraft rent	39,345	48,802	(9,457)	(19.4)%
Aircraft and traffic servicing	2,638	3,356	(718)	(21.4)%
General and administrative	49,855	52,246	(2,391)	(4.6)%
Depreciation and amortization	82,847	82,296	551	0.7%
Lease termination	4,508	—	4,508	100.0%
Government grant recognition	(119,479)	(83,834)	(35,645)	42.5%
Total operating expenses	\$ 440,395	\$ 464,903	\$ (24,508)	(5.3)%
Operating data:				
Available seat miles—ASMs (thousands)	7,851,798	7,581,506	270,292	3.6%
Block hours	323,219	313,110	10,109	3.2%
Average stage length (miles)	661	597	64	10.7%
Departures	160,019	166,776	(6,757)	(4.1)%

Flight Operations. Flight operations expense decreased \$7.1 million, or 4.2%, to \$ 162.1 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. The decrease was primarily driven by a decrease in pilot and flight attendant wages and related expenses due to lower departures as well as lower pilot training costs.

Fuel. Fuel expense increased \$ 0.2 million, or 33.6%, to \$0.9 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. The increase was primarily driven by fuel expense related to C-checks and ferry flights. All fuel costs related to flying under our capacity purchase agreements and flight services agreement during our fiscal years ended September 30, 2021 and 2020 were directly paid to suppliers by our major partners.

Maintenance. Aircraft maintenance expense increased \$25.5 million, or 13.3%, to \$217.6 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. This increase was primarily driven by an increase in C-check expense, labor, rotatable and expendable parts, and pass through maintenance on our E-175 fleet due to more maintenance events at higher costs. This increase was partially offset by a decrease in engine overhauls and component contracts. Total pass-through maintenance expenses reimbursed by our major partners increased by \$30.0 million during fiscal year 2021, compared to fiscal year 2020.

The following table presents information regarding our aircraft maintenance costs during our fiscal years ended September 30, 2021 and 2020:

	Year Ended September 30,		Change	
	2021	2020		
Engine overhaul	\$ 14,598	\$ 33,472	\$ (18,874)	(56.4)%
Pass-through engine overhaul	16,815	7,048	9,767	138.6%
C-check	30,593	16,279	14,314	87.9%
Pass-through C-check	20,549	7,194	13,355	185.6%
Component contracts	25,890	31,105	(5,215)	(16.8)%
Rotatable and expendable parts	26,741	23,302	3,439	14.8%
Other pass-through	15,963	9,075	6,888	75.9%
Labor and other	66,497	64,648	1,849	2.9%
Total	\$ 217,646	\$ 192,123	\$ 25,523	13.3%

Aircraft Rent. Aircraft rent expense decreased \$9.5 million, or 19.4%, to \$39.3 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. This decrease was primarily attributable to a decrease in engine rent due to fewer leased engines as well as a decrease in rent expense from aircraft leases due to the Company's purchase of a previously leased aircraft in March 2021.

Aircraft and Traffic Servicing. Aircraft and traffic servicing expense decreased \$0.7 million, or 21.4%, to \$2.6 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. This decrease was primarily due to a decrease in interrupted trip expense, partially offset by an increase in pass-through legal fees related to our leases of CRJ-700 aircraft to a third party. For our fiscal years ended September 30, 2021 and 2020, 53.0% and 31.4%, respectively, of our aircraft and traffic servicing expenses were reimbursed by our major partners.

General and Administrative. General and administrative expense decreased \$2.4 million, or 4.6%, to \$49.9 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. This decrease was primarily due to a decrease in general and administrative wages and related expenses, and a decrease in property taxes. For our fiscal years ended September 30, 2021 and 2020, \$15.1 million and \$17.5 million, respectively, of our insurance and property tax expenses were reimbursed by our major partners.

Depreciation and Amortization. Depreciation and amortization expense increased \$0.6 million, or 0.7%, to \$82.8 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. The increase is primarily attributable to an increase in aircraft, rotatable parts, deferred heavy maintenance, and spare engine depreciation expense, partially offset by a decrease in amortization of intangible assets.

Lease Termination. Lease termination expense increased \$ 4.5 million, or 100.0%, to \$4.5 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. We incurred a lease termination expense for a CRJ-900 aircraft purchased in March 2021 that was previously leased from Bombardier Capital.

Government Grant Recognition. Government grant funds increased \$35.6 million, or 42.5%, to \$119.5 million for our fiscal year ended September 30, 2021 compared to our fiscal year ended September 30, 2020. Under the Consolidated Appropriations Act, the government provided the Company with a grant of \$56.0 million in payroll support for the period of December 2020 through March 2021, and an additional \$52.2 million in payroll support under the American Recovery Plan Act for the period of April 2021 through September 2021. We also received a total of \$95.2 million under the CARES Act during the period April 2020 through October 2020, \$83.8 million of which was utilized during fiscal 2020 and \$11.4 million of which was utilized and recognized as an offset to operating expenses during the first quarter of fiscal 2021.

Other Expense

Other expense decreased \$2.4 million, or 5.5%, to \$40.8 million for our fiscal year ended September 30, 2021, compared to our fiscal year ended September 30, 2020. The decrease is primarily a result of a decrease in interest expense of \$9.4 million due to a decrease in outstanding aircraft principal balances and lower interest rates resulting from the Loan and Guarantee Agreement with the U.S. Treasury, offset by losses on investments in equity securities of \$6.8 million as a result of a reduction in the market price of our investments in common stock and warrants of Archer Aviation, Inc. See Note 8 - "Balance Sheet Information" in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion of our investments in equity securities.

Income Taxes

In our fiscal year ended September 30, 2021, our effective tax rate was 26.0% compared to 25.8% in our fiscal year ended September 30, 2020. Our tax rate can vary depending on changes in tax laws, adoption of accounting standards, the amount of income we earn in each state and the state tax rate applicable to such income, as well as any valuation allowance required on our state net operating losses.

We recorded an income tax provision of \$5.8 million and \$9.5 million for the fiscal years ended September 30, 2021 and 2020, respectively.

The income tax provision for our fiscal year ended September 30, 2021 resulted in an effective tax rate of 26.0%, which differed from the U.S. federal statutory rate of 21%, primarily due to the impact of state taxes and permanent differences between financial statement and taxable income. In addition to the state effective tax rate impact, other state impacts include changes in the valuation allowance against state net operating losses, expired state attributes, disallowed unrealized losses, and changes in state apportionment and statutory rates.

The income tax provision for our fiscal year ended September 30, 2020 resulted in an effective tax rate of 25.8%, which differed from the U.S. federal statutory rate of 21% primarily due to the impact of state taxes and permanent

differences between financial statement and taxable income. In addition to the state effective tax rate impact, other state impacts include changes in the valuation allowance against state net operating losses, expired state attributes, and changes in state apportionment and statutory rates.

We continue to maintain a valuation allowance on a portion of our state net operating losses in jurisdictions with shortened carryforward periods or in jurisdictions where our operations have significantly decreased as compared to prior years in which the net operating losses were generated.

As of September 30, 2021, we had aggregate federal and state net operating loss carryforwards of approximately \$541.3 million and \$235.7 million, which expire in 2027-2038 and 2022-2042, respectively, with approximately \$0.7 million of state net operating loss carryforwards that expired in 2021.

See Note 13 - "Income Taxes" in the notes to the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Cautionary Statement Regarding Non-GAAP Measures

We present Adjusted EBITDA and Adjusted EBITDAR in this Annual Report on Form 10-K, which are not recognized financial measures under accounting principles generally accepted in the United States of America ("GAAP"), as supplemental disclosures because our senior management believes that they are well-recognized valuation metrics in the airline industry that are frequently used by companies, investors, securities analysts, and other interested parties in comparing companies in our industry.

Adjusted EBITDA. We define Adjusted EBITDA as net income or loss before interest, income taxes, depreciation and amortization, adjusted for gains and losses on investments, lease termination costs, loss on extinguishment of debt, and write-off of associated financing fees.

Adjusted EBITDAR. We define Adjusted EBITDAR as net income or loss before interest, income taxes, depreciation and amortization, and aircraft rent, adjusted for gains and losses on investments, lease termination costs, loss on extinguishment of debt, and write-off of associated financing fees.

You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA and Adjusted EBITDAR, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA and Adjusted EBITDAR. Gains and losses on investments, which are presented as adjustments to EBITDA and EBITDAR because they are non-cash gains and losses driven by changes in stock prices and other valuation techniques and are not reflective of our core operations, will occur in periods where the Company has investments in equity securities with readily determinable fair values. Our presentation of Adjusted EBITDA and Adjusted EBITDAR should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA or Adjusted EBITDAR and any such modification may be material.

Adjusted EBITDA and Adjusted EBITDAR have limitations as analytical tools. Some of the limitations applicable to these measures include: (i) Adjusted EBITDA and Adjusted EBITDAR do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; (ii) Adjusted EBITDA and Adjusted EBITDAR do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (iii) Adjusted EBITDA and Adjusted EBITDAR do not reflect changes in, or cash requirements for, our working capital needs; (iv) Adjusted EBITDA and Adjusted EBITDAR do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; (v) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future; (vi) Adjusted EBITDA and Adjusted EBITDAR do not reflect gains and losses on investments, which are non-cash gains and losses but will occur in periods when there are changes in the value of the Company's investments in equity securities; and (vii) Adjusted EBITDA and Adjusted EBITDAR do not reflect any cash requirements for such replacements and other companies in our industry may calculate Adjusted EBITDA and Adjusted EBITDAR differently than we do, limiting its usefulness as a comparative measure. Because of these limitations, Adjusted EBITDA and Adjusted EBITDAR should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, Adjusted EBITDAR should not be viewed as a measure of overall performance because it excludes aircraft rent, which is a normal, recurring cash operating expense that is necessary to operate our business. For the foregoing reasons, each of Adjusted EBITDA and Adjusted EBITDAR has significant limitations which affect its use as an indicator of our profitability. Accordingly, you are cautioned not to place undue reliance on this information.

Adjusted EBITDA and Adjusted EBITDAR

The following table presents a reconciliation of net (loss) income to Adjusted EBITDA and Adjusted EBITDAR for the period presented:

	Year Ended September 30,		
	2022	2021	2020
	(in thousands)		
Reconciliation:			
Net (loss) income	\$ (182,678)	\$ 16,588	\$ 27,464
Income tax expense	(51,990)	5,828	9,531
Income before taxes	\$ (234,668)	\$ 22,416	\$ 36,995
Adjustments ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	170,918	3,558	—
Loss on investments, net ⁽⁶⁾	13,715	6,816	—
Adjusted income before taxes	\$ (50,035)	\$ 32,790	\$ 36,995
Interest expense	35,289	34,730	44,120
Interest income	(139)	(365)	(105)
Depreciation and amortization	81,508	82,847	82,296
Adjusted EBITDA	<u>66,623</u>	<u>150,002</u>	<u>163,306</u>
Aircraft rent	36,989	39,345	48,802
Adjusted EBITDAR	<u>\$ 103,612</u>	<u>\$ 189,347</u>	<u>\$ 212,108</u>

- (1) Our financial results include a loss of \$3.2 million from write off of lease incentive assets for the fiscal year ended September 30, 2022, related to termination of the CRJ-700 leases to GoJet. Additionally, we recognized a lease termination expense of \$0.2 million and \$4.5 million for the fiscal year ended September 30, 2022 and 2021.
- (2) Our financial results include a (loss) gain on debt extinguishment of \$(0.4) million and \$1.0 million related to repayment of the Company's aircraft debts during the fiscal year ended September 30, 2022 and 2021, respectively.
- (3) Our financial results include impairment charges of \$62.1 million during our year ended September 30, 2022, related to certain of our aircraft which were classified as held for sale.
- (4) Our financial results include impairment charges of \$109.7 million during our year ended September 30, 2022, related to our long-lived asset group for our CRJ-900 fleet.
- (5) Our financial results include a gain of \$4.7 million on sale of 10 CRJ-700 aircraft during the fiscal year ended September 30, 2022.
- (6) Our financial results reflect losses on our investments in stock of \$13.7 million and \$6.8 million for the fiscal year ended September 30, 2022 and 2021, respectively.

Liquidity and Capital Resources

As of September 30, 2022, the Company has \$99.1 million of principal maturity payments on long-term debt due within the next twelve months. We plan to meet these obligations with our cash on hand, ongoing cashflows from our operations, as well as the liquidity created from our plans to sell the remaining eight (8) CRJ-700 aircraft, the 11 CRJ-900 aircraft, and one (1) CRJ-200 aircraft, refinance our revolving credit facility with CIT, and further amend our CPAs. If our plans are not realized, we will be required to explore additional opportunities to create liquidity by refinancing and deferring repayment of our principal maturity payments that are due within the next twelve months. The Company continues to monitor covenant compliance with its lenders as any noncompliance could have a material impact on the Company's financial position, cash flows and results of operations.

On April 9, 2020, the Company entered into a letter amendment with lender, Export Development Canada ("EDC"), which provided for the deferral of scheduled principal payments beginning on March 19, 2020 through September 30, 2020. In November 2020, the Company repaid \$164 million of existing debt, which included repayment of \$19.9 million of the previously deferred principal payments owed to EDC as of September 30, 2020.

In June 2020, the Company amended its RASPRO aircraft agreement to defer a \$4.0 million lease payment otherwise due in June 2020. Per the amended agreement dated June 5, 2020, the Company is required to pay this amount over the period of September 2021 through March 2024. The Company made the accounting election available for COVID-19 related concessions provided by a lessor resulting in no change to the related lease accounting.

In April 2020, we were granted \$92.5 million in emergency relief through the Payroll Support Program of the CARES Act, which was received as of September 30, 2020. In September 2020 we were notified that, based on funding availability, recipients that were currently in compliance with signed payroll support program agreements would receive an approximate 2% increase in their award amount. As a result, we were granted an additional \$2.7 million for a total grant of \$95.2 million,

which was received in October 2020. Of this amount, \$83.8 million was utilized to offset payroll expenses in the year ended September 30, 2020 and the remainder was utilized in the first quarter of fiscal year 2021.

In February 2021, the Company was granted \$48.7 million in financial assistance by the U.S. Department of the Treasury under the Payroll Support Program Extension ("PSP2") under the Consolidated Appropriations Act of 2021. In March 2021, the Company was notified that, based on funding availability, recipients that were currently in compliance with executed PSP agreements would receive an additional award amount. As a result, the Company received an additional \$7.3 million through PSP2 in April 2021 for a total grant of \$56.0 million. PSP2 funding was required to be used exclusively for the continuation of payment of employee wages, salaries, and benefits and is conditioned on our agreement to refrain from conducting involuntary employee layoffs or furloughs from the date of the extension agreement through March 2021. Other conditions include prohibitions on share repurchases and dividends through March 2022 and certain limitations on executive compensation until October 2022. The Department of Transportation also has the authority until March 1, 2022 to require airlines that received payroll support program funds to maintain scheduled air service deemed necessary to any point served by the airline before March 1, 2020.

On April 15, 2021, the Company was notified by the U.S. Department of the Treasury that it was eligible to receive funds under the third Payroll Support Program ("PSP3"), which was created under the American Recovery Plan Act of 2021 ("ARP"), enacted on March 11, 2021. PSP3 provides additional funding for passenger air carriers and contractors that received financial assistance under PSP2. The funding must be used exclusively for the continuation of payment of employee wages, salaries, and benefits. The Company was granted \$52.2 million and received the first PSP3 installment of \$26.1 million in April 2021 and the second installment of \$26.1 million in May 2021. These payments are conditioned on our agreement to refrain from conducting involuntary employee layoffs or furloughs through September 2021. Other conditions include prohibitions on share repurchases and dividends through September 2022 and certain limitations on executive compensation until April 2023.

On October 30, 2020, the Company entered into a Loan and Guarantee Agreement with the U.S. Treasury under the CARES Act. The loan agreement provides for a secured term loan facility of up to \$200.0 million (the "Treasury Loan"). On October 30, 2020, the Company borrowed \$43.0 million under the Treasury Loan and on November 13, 2020, the Company borrowed an additional \$152.0 million. No additional sums are available for borrowing under the Treasury Loan. The obligations under the Treasury Loan are secured by certain aircraft, aircraft engines, accounts receivable, ground service equipment, and tooling (collectively, the "Collateral"). All principal amounts outstanding under the Treasury Loan are due and payable in a single installment on October 30, 2025 (the "Maturity Date") and all accrued interest is payable in arrears on the first business day following the 14th day of each March, June, September and December (beginning with December 15, 2020), and on the Maturity Date. For the first 12 months, interest was paid-in-kind by increasing the principal amount of the loan by the amount of such interest due on an interest payment date. The obligations under the Treasury Loan are guaranteed by the Company and Mesa Air Group Inventory Management. The proceeds may be used for general corporate purposes and operating expenses, to the extent permitted by the CARES Act. Voluntary prepayments of loans under the Treasury Loan may be made, in whole or in part, without premium or penalty, at any time. Amounts prepaid may not be reborrowed. Mandatory prepayments of amounts outstanding under the Treasury Loan are required, without premium or penalty, to the extent necessary to comply with the covenants discussed below, certain dispositions of the Collateral, certain debt issuances secured by liens on the Collateral and certain insurance payments related to the Collateral. In addition, if a "change of control" (as defined in the Treasury Loan) occurs with respect to Mesa Airlines, Mesa Airlines will be required to repay the loans outstanding under the Treasury Loan.

The Treasury Loan requires the Company, under certain circumstances, including within one business days prior to the last business day of March and September of each year, beginning March 2021, to appraise the value of the Collateral and recalculate the collateral coverage ratio. If the calculated collateral coverage ratio is less than 1.6 to 1.0, Mesa Airlines will be required either to provide additional Collateral (which may include cash collateral) to secure its obligations under the Treasury Loan or repay the term loans under the Treasury Loan, in such amounts that the recalculated collateral coverage ratio, after giving effect to any such additional Collateral or repayment, is at least 1.6 to 1.0.

The Treasury Loan contains two (2) financial covenants, a minimum collateral coverage ratio and a minimum liquidity level. The Treasury Loan also contains customary negative and affirmative covenants for credit facilities of this type, including, among others: (a) limitations on dividends and distributions; (b) limitations on the creation of certain liens; (c) restrictions on certain dispositions, investments and acquisitions; (d) limitations on transactions with affiliates; (e) restrictions on fundamental changes to the business, and (f) restrictions on lobbying activities. Additionally, the Company is required to comply with the relevant provisions of the CARES Act, including limits on employment level reductions after September 30, 2020, restrictions on dividends and stock buybacks, limitations on executive compensation, and requirements to maintain certain levels of scheduled service.

The CARES Act provides for deferred payment of the employer portion of social security taxes through the end of 2020. The Company deferred approximately \$5.5 million of such taxes, with 50% of the deferred amount to be repaid on December 31, 2021 and the remaining 50% to be repaid on December 31, 2022.

These aforementioned forms of relief provided by the CARES Act and other legislation, combined with cost saving initiatives implemented by the Company during the prior fiscal year, provided liquidity during the current and prior year periods.

We expect to meet our cash needs for the next twelve months with cash and cash equivalents, financing arrangements, and cash flows from operations. As of September 30, 2022, we had \$57.7 million in unrestricted liquidity. Though our financial and operating results reflect the recovery in air travel demand during the second half of our 2021 fiscal year, we continue to monitor the longer-term impact of the pandemic, including its adverse effect on customer demand for air travel, the general economy, and our major partners. Should the effects of COVID-19, variants thereof or a similar pandemic continue long-term, our capital requirements and sources of capital may be adversely impaired. See "Part II, Item 1A, Risk Factors" for additional discussion.

Sources and Uses of Cash

We require cash to fund our operating expenses and working capital requirements, including outlays for capital expenditures, aircraft and engine pre-delivery payments, maintenance, aircraft rent and debt service obligations, including principal and interest payments. Our cash needs vary from period to period primarily based on the timing and costs of significant maintenance events. Our principal sources of liquidity are cash on hand, cash generated from operations and funds from external borrowings. In the near term, we expect to fund our primary cash requirements through cash generated from operations and cash and cash equivalents on hand.

As discussed above, we entered into the Treasury Loan on October 30, 2020 pursuant to which we borrowed an aggregate of \$195.0 million.

We believe that the key factors that could affect our internal and external sources of cash include:

- Factors that affect our results of operations and cash flows, including the impact on our business and operations as a result of changes in demand for our services, competitive pricing pressures, and our ability to achieve further reductions in operating expenses; and
- Factors that affect our access to bank financing and the debt and equity capital markets that could impair our ability to obtain needed financing on acceptable terms or to respond to business opportunities and developments as they arise, including interest rate fluctuations, macroeconomic conditions, sudden reductions in the general availability of lending from banks or the related increase in cost to obtain bank financing, and our ability to maintain compliance with covenants under our debt agreements in effect from time to time.

Our ability to service our long-term debt obligations, including our equipment notes, to remain in compliance with the various covenants contained in our debt agreements and to fund our working capital, capital expenditures and business development efforts will depend on our ability to generate cash from operating activities, which is subject to, among other things, our future operating performance, as well as to other factors, some of which may be beyond our control.

If we fail to generate sufficient cash from operations, we may need to raise additional equity or borrow additional funds to achieve our longer-term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to us.

We believe that cash flow from operating activities coupled with existing cash and cash equivalents, existing credit facilities, financing arrangements, and government assistance, will be adequate to fund our operating and capital needs, as well as enable us to maintain compliance with our various debt agreements, through at least the next 12 months. To the extent that results or events differ from our financial projections or business plans, our liquidity may be adversely impacted.

During the ordinary course of business, we evaluate our cash requirements and, if necessary, adjust operating and capital expenditures to reflect the current market conditions and our projected demand. Our capital expenditures, which includes purchases of spare engines, aircraft, inventory, tools, vehicles, equipment and miscellaneous projects for the year ended September 30, 2022 were approximately 8.5% of annual revenues. We expect to continue to incur capital expenditures to support our business activities. Future capital expenditures may be impacted by events and transactions that are not currently forecasted.

As of September 30, 2022, our principal sources of liquidity were cash and cash equivalents of \$57.7 million. In addition, we had restricted cash of \$3.3 million as of September 30, 2022. Restricted cash includes certificates of deposit that secure letters of credit issued for particular airport authorities as required in certain lease agreements. Furthermore, as of September 30, 2022, we also had \$615.3 million in secured indebtedness incurred primarily in connection with our financing of aircraft. Our primary uses of liquidity are capital expenditures, operating lease payments, and debt repayments. As of September 30, 2022, we had \$94.5 million of short-term debt, excluding finance leases, and \$487.2 million of long-term debt excluding finance leases.

Sources of cash for our fiscal year ended September 30, 2022 were primarily cash flows from operations of \$13.4 million. The positive cash flow from operations was driven by receipts from performance under our capacity purchase agreements and flight services agreement and receipt of funds under the Payroll Support Program and related extensions, partially offset by operating expenses including payroll and related costs, aircraft maintenance, rent, interest, and general and administrative costs.

Debt and Other Obligations

As of September 30, 2022, we had \$720.7 million of long-term debt (including principal and projected interest obligations) and finance lease obligations (including current maturities). This amount consists of \$471.1 million in notes payable principal payments related to owned aircraft used in continuing operations, \$110.6 million in notes payable principal payments related to spare engines and engine kits, \$18.0 million in finance lease obligations, \$15.6 million in principal outstanding under our working capital line of credit, and an aggregate of \$105.4 million in projected interest costs through our fiscal 2027.

As of September 30, 2022, we had variable rate debt representing 73.7% of our total long-term debt. Actual interest commitments will change based on the actual variable interest.

Operating Leases

We have significant long-term operating lease obligations primarily relating to our aircraft fleet, as well as leases of office and hangar space. As of September 30, 2022, we had 16 aircraft on operating leases (excluding aircraft leased at nominal amount from United and DHL) with remaining lease terms of up to 3.8 years. Future minimum lease payments due under all long-term operating leases were approximately \$37.2 million as of September 30, 2022.

A majority of our leased aircraft are leased through trusts formed for the sole purpose of purchasing, financing, and leasing aircraft to us. Because these are single-owner trusts in which we do not participate, we are not at risk for losses and we are not considered the primary beneficiary. We believe that our maximum exposure under the leases are the remaining lease payments and any return condition obligations.

RASPRO Lease Facility. On September 23, 2005, Mesa Airlines, as lessee, entered into the RASPRO Lease Facility, with RASPRO as lessor, for 15 of our CRJ-900 aircraft. The obligations under the RASPRO Lease Facility are guaranteed by us, and basic rent is paid quarterly on each aircraft. On each of March 10, 2014, June 5, 2014, and December 8, 2017, the RASPRO Lease Facility was amended to defer certain payments of basic rent (the "*Deferred Amounts*"). Until the principal of and accrued interest on the *Deferred Amounts* are paid in full: (i) we and Mesa Airlines are prohibited from paying any dividends to holders of our common stock, (ii) we are prohibited from repurchasing any of our warrants or other equity interests, (iii) Mesa Airlines must maintain a minimum of \$35.0 million of cash, cash equivalents and availability under lines of credit, (iv) Mesa Airlines must provide RASPRO with periodic monthly, quarterly and annual reports containing certain financial information and forecasted engine repair costs and (v) we must maintain a minimum debt-to-assets ratio.

In June 2020, the Company amended its RASPRO aircraft lease agreement to defer a \$4.0 million lease payment otherwise due in June 2020. Per the amended agreement dated June 5, 2020, the Company is required to pay this amount over the period of September 2021 through March 2024. The Company made the accounting election available for COVID-19 related concessions provided by a lessor. This event is not a lease modification and requires no changes to current accounting treatment. As of September 30, 2022, we were in compliance with the covenants in the RASPRO Lease Facility.

Finance Leases

On February 7, 2018, Mesa Airlines, as lessee, entered into two (2) agreements for the lease of two (2) spare aircraft engines (the "Engine Leases"). Basic rent on the engines is paid monthly and at the end of the lease term. At the end of the lease term, Mesa Airlines will have the option to purchase both engines for a total of \$1.8 million. The Engine Leases are reflected as finance lease obligations of \$2.3 million on our consolidated balance sheet as of September 30, 2022. The Engine Leases set forth specific redelivery requirements and conditions, but do not contain operational or financial covenants.

On April 20, 2022, Mesa Airlines, as lessee, entered into another agreement for the lease of one spare aircraft engine. Basic rent on this lease is paid monthly and at the end of the lease term. At the end of the lease term, Mesa Airlines will not have the option to purchase the engine. This lease is reflected as finance lease obligations of \$0.6 million on our consolidated balance sheet as of September 30, 2022.

On June 1, 2022, Mesa Airlines, as lessee, entered into two (2) agreements for the lease of two CRJ-700 aircraft (the "Aircraft Leases"). Basic rent on this lease is paid monthly and at the end of the lease term. At the end of the lease term, Mesa Airlines will have the option to purchase both aircraft for a total of \$1.5 million. The Aircraft Leases are reflected as finance lease obligations of \$15.1 million on our consolidated balance sheet as of September 30, 2022.

As of September 30, 2022, we had two (2) aircraft and three (3) engines on finance leases with remaining lease terms of up to 7.6 years. Future minimum lease payments due under all long-term operating leases were approximately \$21.8 million as of September 30, 2022.

Working Capital Line of Credit

In August 2016, we, as guarantor, our wholly owned subsidiaries, Mesa Airlines and MAG-AIM, as borrowers, CIT, as administrative agent, and the lenders party thereto (the "CIT Lenders"), entered into the CIT Revolving Credit Facility, pursuant to which the CIT Lenders committed to lend to Mesa Airlines and MAG-AIM revolving loans in the aggregate principal amount of up to \$35.0 million. The borrowers' and guarantor's obligations under the CIT Revolving Credit Facility are secured primarily by a first priority lien on certain engines, spare parts, and related collateral, including engine warranties and proceeds of the foregoing. The CIT Revolving Credit Facility contains affirmative, negative, and financial covenants that are typical in the industry for similar financings, including, but not limited to, covenants that, subject to exceptions described in the CIT Revolving Credit Facility, restrict our ability and the ability of Mesa Airlines and MAG-AIM and their subsidiaries to: (i) enter into, create, incur, assume or suffer to exist any liens; (ii) merge, dissolve, liquidate, consolidate or sell or transfer substantially all of its assets; (iii) sell assets; (iv) enter into transactions with affiliates; (v) amend certain material agreements and organizational documents; (vi) make consolidated unfinanced capital expenditures; or (viii) maintain a consolidated interest and rental coverage ratio above the amount specified in the CIT Revolving Credit Facility. As of September 30, 2022, we were in compliance with the financial covenants under the CIT Revolving Credit Facility. The CIT Revolving Credit Facility also includes customary events of defaults, including but not limited to: (i) payment defaults; (ii) breach of covenants; (iii) breach of representations and warranties; (iv) cross-defaults; (v) certain bankruptcy-related defaults; (vi) change of control; and (vii) revocation of instructions with respect to certain controlled accounts.

On September 25, 2019, the Company extended the term on its \$35.0 million working capital draw loan by three years, which now terminates in December 2022. Interest is assessed on drawn amounts at one-month LIBOR plus 3.75%. In June 2020, \$23.0 million was drawn to cover operational needs. As of September 30, 2022, \$15.6 million remained outstanding under the working capital draw loan.

Engine Purchase Commitments

On February 26, 2021, the Company and General Electric Company ("GE"), acting through its GE-Aviation business unit, entered into an Amended and Restated Letter Agreement No. 13-3. The Company agreed to purchase and take delivery of 10 new CF34-8C5 or CF34-8E5 engines with delivery dates starting from July 1, 2021 through November 30, 2022. During the quarter ended March 31, 2021, a \$7.0 million non-refundable purchase deposit was made for the first five (5) engines to be delivered in calendar 2021. The Company has options to purchase an additional 10 similar engines beyond 2022. The total purchase commitment related to these 10 engines is approximately \$52.2 million. As of September 30, 2022, we have purchased nine (9) of the engines pursuant to the Amended and Restated Letter Agreement No. 13-3 with delivery of the remaining three (3) engines expected to take place by the end of 2022 calendar year.

If the Company fails to accept delivery of the spare engines when duly tendered, the Company may be assessed a minimum cancellation charge based on the engine price determined as of the date of scheduled engine delivery to the Company.

Electric Aircraft Forward Purchase Commitments

As described in Note 8, in February 2021, the Company entered into a forward purchase contract with Archer Aviation, Inc. ("Archer") for a number of electrically-powered vertical takeoff and landing aircraft ("eVTOL aircraft"). The aggregate base commitment for the eVTOL aircraft is \$200.0 million, with an option to purchase additional aircraft. The Company's obligation to purchase the eVTOL aircraft is subject to the Company and Archer first agreeing in the future to a number of terms and conditions, which may or may not be met.

As described in Note 8, in July 2021, the Company entered into a forward purchase contract with Heart Aerospace Incorporated ("Heart") for a number of fully electric aircraft. The maximum aggregate base commitment for the aircraft is \$1,200.0 million, with an option to purchase additional aircraft. The Company's obligation to purchase the aircraft is subject to the Company and Heart first agreeing in the future to a number of terms and conditions, which may or may not be met.

Maintenance Commitments

In August 2005, we entered into a ten-year agreement with AAR for the maintenance and repair of certain of our CRJ-200, CRJ-700, and CRJ-900 aircraft. The agreement has since been amended to include a term extending through 2025, and to provide certain E-175 aircraft rotatable spare parts with a term through December 2027. Under the agreements, we pay AAR a monthly access fee per aircraft for certain consigned inventory as well as a fixed "*cost per flight hour*" fee on a monthly basis for repairs on certain repairable parts during the term of the agreement, which fees are subject to annual adjustment based on increases in the cost of labor and component parts.

In July 2013, we entered into an engine maintenance contract with GE to perform heavy maintenance on certain CRJ-700, CRJ-900, and E-175 engines based on a fixed pricing schedule. The pricing may escalate annually in accordance with GE's spare parts catalog for engines. The engine maintenance contract extends through 2024.

In 2014, we entered into a ten-year contract with Aviall to provide maintenance and repair services on the wheels, brakes and tires of our CRJ-700 and CRJ-900 aircraft. Under the agreement, we pay Aviall a fixed "*cost per landing*" fee for all landings of our aircraft during the term of the agreement, which fee is subject to annual adjustment based on increases in the cost of labor and component parts.

We entered into an engine maintenance contract with StandardAero, which became effective on June 1, 2015, to perform heavy maintenance on certain CRJ-700 and CRJ-900 engines based on a fixed pricing schedule. The pricing may escalate annually in accordance with the GE's spare parts catalog for engines.

Our employees perform routine airframe and engine maintenance along with periodic inspections of equipment at their respective maintenance facilities. We also use third-party vendors, such as AAR, Ascent, Embraer, Aviall, and GE, for certain heavy airframe and engine maintenance work, along with parts procurement and component overhaul services for our aircraft fleet. As of September 30, 2022, \$50.6 million of parts inventory was consigned to us by AAR and Aviall under long-term contracts that is not reflected on our balance sheet.

The Company accounts for heavy maintenance and major overhaul costs on its owned E-175 fleet under the deferral method whereby the cost of heavy maintenance and major overhaul is deferred and amortized until the earlier of the end of the useful life of the related asset or the next scheduled heavy maintenance event. For all other fleets, we use the direct expense method of accounting for our maintenance of regional jet engine overhauls, airframe, landing gear, and normal recurring maintenance wherein we recognize the expense when the maintenance work is completed, or over the repair period, if materially different, except for certain maintenance contracts where labor and materials price risks have been transferred to the service provider and require payment on a utilization basis, such as flight hours. Costs incurred for maintenance and repair for utilization maintenance contracts where labor and materials price risks have been transferred to the service provider are charged to maintenance expense based on contractual payment terms. Our maintenance policy is determined by fleet when major maintenance is incurred. While we keep a record of expected maintenance events, the actual timing and costs of major engine maintenance expense are subject to variables such as estimated usage, government regulations and the level of unscheduled maintenance events and their actual costs. Accordingly, we cannot reliably quantify the costs or timing of future maintenance-related expenses for any significant period of time.

Restricted Cash

As of September 30, 2022, we had \$3.3 million in restricted cash. We have an agreement with a financial institution for a \$6.0 million letter of credit facility and to issue letters of credit for landing fees, worker's compensation insurance and other business needs. Pursuant to such agreement, \$3.3 million and \$3.4 million of outstanding letters of credit are required to be collateralized by amounts on deposit as of September 30, 2022 and 2021, respectively, which are classified as restricted cash.

Cash Flows

The following table presents information regarding our cash flows for each of our fiscal years ended September 30, 2022, 2021, and 2020:

	Year Ended September 30,		
	2022	2021	2020
	(in thousands)		
Net cash provided by operating activities	\$ 13,362	\$ 132,871	\$ 174,662
Net cash provided by (used in) investing activities	1,365	(33,471)	(26,667)
Net cash used in financing activities	(77,569)	(78,374)	(117,655)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ (62,842)	\$ 21,026	\$ 30,340
Cash, cash equivalents and restricted cash at beginning of period	123,867	102,841	72,501
Cash, cash equivalents and restricted cash at end of period	\$ 61,025	\$ 123,867	\$ 102,841

Net Cash Flow Provided by Operating Activities

Our primary source of cash from operating activities is cash collections from our major partners pursuant to our CPAs and FSA. Our primary uses of cash from operating activities are for maintenance costs, personnel costs, operating lease payments, and interest payments.

During our fiscal year ended September 30, 2022, we had cash flow provided by operating activities of \$13.4 million. We had net loss of \$182.7 million adjusted for the following significant non-cash items: asset impairment of \$171.8 million, depreciation and amortization of \$81.5 million, stock-based compensation expense of \$2.8 million, deferred income taxes of \$(52.0) million, losses on investments in equity securities of \$13.7 million, amortization of deferred credits of \$(0.9) million, amortization of debt discount and issuance costs and accretion of interest of \$9.7 million, loss on extinguishment of debt of \$0.4 million, gain on disposal of assets of \$(4.7) million, provision for obsolete expendable parts and supplies of \$0.6 million, and loss on lease termination of \$0.2 million. We had net change of \$(26.8) million within other net operating assets and liabilities largely driven by accrued liabilities, accounts payable, deferred revenue, receivables, and operating leases during our fiscal year ended September 30, 2022.

During our fiscal year ended September 30, 2021, we had cash flow provided by operating activities of \$132.9 million. We had net income of \$16.6 million adjusted for the following significant non-cash items: depreciation and amortization of \$82.8 million, stock-based compensation expense of \$3.1 million, deferred income taxes of \$5.7 million, losses on investments in equity securities of \$6.8 million, amortization of deferred credits of \$(2.4) million, amortization of debt discount and issuance costs and accretion of interest of \$11.4 million, gain on extinguishment of debt of \$(1.0) million, and loss on lease termination of \$4.5 million. We had net change of \$4.8 million within other net operating assets and liabilities largely driven by accrued liabilities, accounts payable, deferred revenue, receivables, and operating leases during our fiscal year ended September 30, 2021.

During our fiscal year ended September 30, 2020, we had cash flow provided by operating activities of \$174.7 million. We had net income of \$27.5 million adjusted for the following significant non-cash items: depreciation and amortization of \$82.3 million, stock-based compensation expense of \$4.4 million, deferred income taxes of \$9.2 million, amortization of deferred credits of \$(3.7) million, and amortization of debt discount and issuance costs and accretion of interest of \$4.2 million. We had net change of \$50.4 million within other net operating assets and liabilities largely driven by increases in accrued liabilities and deferred revenue during our fiscal year ended September 30, 2020.

Net Cash Flows Provided by (Used in) Investing Activities

Our investing activities generally consist of capital expenditures for aircraft and related flight equipment, deposits paid or returned for equipment and other purchases, and strategic investments.

During our fiscal year ended September 30, 2022, our net cash flow provided by investing activities was \$1.4 million. We invested \$16.7 million in spare engines, \$1.3 million in aircraft, \$18.4 million in inventory, \$4.4 million in tools, vehicles, equipment and other miscellaneous projects, and \$7.6 million in net payments on equipment and other deposits. Additionally, we invested a total of \$0.2 million in equity securities and received a total of \$50.0 million from sale of 10 CRJ-700 aircraft.

During our fiscal year ended September 30, 2021, our net cash flow used in investing activities was \$33.5 million. We invested \$3.5 million in spare engines, \$1.6 million in aircraft, \$9.9 million in inventory, \$2.1 million in tools, vehicles, equipment and other miscellaneous projects, and \$6.3 million in net payments on equipment and other deposits. Additionally, we invested a total of \$10.0 million in equity securities.

During our fiscal year ended September 30, 2020, our net cash flow used in investing activities was \$26.7 million. We invested \$11.0 million in two (2) spare engines and \$3.8 million in aircraft improvements, \$9.4 million in inventory, and \$2.5 million in tools and miscellaneous projects.

Net Cash Flows Used in Financing Activities

Our financing activities generally consist of debt borrowings, principal repayments of debt, payment of debt financing costs, stock repurchases, and proceeds received from issuing common stock under our ESPP.

During our fiscal year ended September 30, 2022, our net cash flow used in financing activities was \$77.6 million. We received \$39.8 million of proceeds from borrowings under the Treasury Loan. We made \$114.9 million of principal repayments on long-term debt during the period. We incurred \$2.4 million of costs related to debt financing and \$0.5 million of costs related to the repurchase of shares of our common stock. We received \$0.4 million in proceeds from the issuance of common stock under our ESPP.

During our fiscal year ended September 30, 2021, our net cash flow used in financing activities was \$78.4 million. We received \$195.0 million of proceeds from borrowings under the Treasury Loan. We made \$271.0 million of principal repayments on long-term debt during the period. We incurred \$1.3 million of costs related to debt financing and \$1.5 million of costs related to the repurchase of shares of our common stock. We received \$0.5 million in proceeds from the issuance of common stock under our ESPP.

During our fiscal year ended September 30, 2020, our net cash flow used in financing activities was \$117.7 million. We drew \$23.0 million from our \$35.0 million working capital draw loan for operational needs. We made \$138.3 million of principal repayments on long-term debt during the period. We incurred \$1.8 million of costs related to debt financing and \$0.6 million of costs related to the repurchase of shares of our common stock.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP. In doing so, we must make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue, and expenses, as well as related disclosure of contingent assets and liabilities. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting estimates, which we discuss below.

The discussion below is not intended to be a comprehensive list of our accounting policies. Our significant accounting policies are more fully described in Note 2 - "Summary of Significant Accounting Policies" to the consolidated financial statements.

Leases

Effective October 1, 2019, we adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02" or "ASC 842") which provides guidance requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for substantially all leases, with the exception of short-term leases with terms of less than 12 months. From a lessee perspective, our leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. We determine if an arrangement is a lease at inception. Our operating lease activities are recorded in operating lease right-of-use ("ROU") assets, current maturities of operating leases, and noncurrent operating lease liabilities in the consolidated balance sheets. Finance leases are included in property and equipment, net, current portion of long-term debt and finance leases, and long-term debt and finance leases, excluding current portion.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Variable lease payments are not included in the calculation of the right-of-use assets and lease liability due to uncertainty of the payment amount and are recorded as lease expense in the period incurred. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

In addition to the aircraft we lease from United under our United CPA and from DHL under our DHL FSA, approximately 10% of our aircraft are leased from third parties. All of our aircraft leases have been classified as operating leases, which

results in rental payments being charged to expense over the term of the related leases. In the event that we or one of our major partners decide to exit an activity involving leased aircraft, losses may be incurred. In the event that we exit an activity that results in exit losses, these losses are accrued as each aircraft is removed from operations for early termination penalties, lease settle up, and other charges. Additionally, any remaining ROU assets and lease liabilities will be written off.

As a lessee, we elected a short-term lease exception policy on all classes of underlying assets, permitting us to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less).

From a lessor perspective, our capacity purchase agreements identify the "right of use" of a specific type and number of aircraft over a stated period-of-time. A portion of the compensation in the capacity purchase agreements is designed to reimburse the Company for certain aircraft ownership costs of these aircraft. We account for the non-lease component of our capacity purchase agreements under ASC 606 and account for the lease component under ASC 842. We allocate the consideration in the contract between the lease and non-lease components based on their stated contract prices, which is based on a cost-basis approach representing our estimate of the stand-alone selling prices.

The Company entered into lease agreements with GoJet Airlines LLC ("GoJet") to lease CRJ-700 aircraft as of September 30, 2021. The lease agreements are accounted for as operating leases and have a term of nine (9) years beginning on the delivery date of each aircraft. Under the lease agreements, GoJet pays fixed monthly rent per aircraft and variable lease payments for supplemental rent based on monthly aircraft utilization at fixed rates. Supplemental rent payments are subject to reimbursement following GoJet's completion of qualifying maintenance events defined in the lease agreements. Lease revenue for fixed monthly rent payments is recognized on a straight-line basis within contract revenue. Lease revenue for supplemental rent is deferred and recognized within contract revenue when it is probable that amounts received will not be reimbursed for future qualifying maintenance events over the lease term. During August of 2022, we committed to a formal plan to sell 18 of our CRJ-700 aircraft and subsequently terminated the leases on the 18 CRJ-700 aircraft. In September 2022, we sold 10 CRJ-700 aircraft for \$50.0 million. We continue to be committed to selling the remaining eight (8) aircraft.

Revenue Recognition

The Company recognizes revenue when the service is provided under its capacity purchase agreements and flight services agreement. Under these agreements, the major partners generally pay a fixed monthly minimum amount per aircraft, plus certain additional amounts based upon the number of flights and block hours flown. The contracts also include reimbursement of certain costs incurred by the Company in performing flight services. These costs, known as "pass-through costs," may include passenger and hull insurance as well as aircraft property taxes and other flight service expenditures defined in our agreements with our major partners. Additionally, for the E-175 aircraft owned by United, the capacity purchase agreement provides that United will reimburse the Company for heavy airframe and engine maintenance, landing gear, APUs and component maintenance. The Company also receives compensation under its agreements for heavy maintenance expenses at a fixed hourly rate or per aircraft rate for all aircraft in scheduled service other than the E-175 aircraft owned by United. The contracts also include a profit margin on certain reimbursable costs, as well as a profit margin, incentives and penalties based on certain operational benchmarks. The Company is eligible to receive incentive compensation upon the achievement of certain performance criteria defined in the agreements. At the end of each period during the term of an agreement, the Company calculates the incentives achieved during that period and recognizes revenue attributable to the agreement during the period accordingly, subject to the variable constraint guidance under ASC 606. All revenue recognized under these contracts is presented as the gross amount billed to the major partners.

Under the capacity purchase and flight services agreements, the Company has committed to perform various activities that can be generally classified into in-flight services and maintenance services. When evaluating these services, the Company determined that the nature of its promise is to provide a single integrated service, flight services, because its contracts require integration and assumption of risk associated with both services to effectively deliver and provide the flights as scheduled over the contract term. Therefore, the in-flight services and maintenance services are inputs to that combined integrated flight service. Both services occur over the term of the agreement and the performance of maintenance services significantly affects the utility of the in-flight services. The Company's individual flights flown under the capacity purchase and flight services agreements are deemed to be distinct and the flight service promised in the capacity purchase and flight services agreements represents a series of services that is accounted for as a single performance obligation. This single performance obligation is satisfied over time as the flights are completed. Therefore, revenue is recognized when each flight is completed.

In allocating the transaction price, variable payments (i.e., billings based on flights and block hours flown, pass-through costs, etc.) that relate specifically to the Company's efforts in performing flight services are recognized in the period in which the individual flight is completed. The Company has concluded that allocating the variability directly to the individual flights results in an overall allocation meeting the objectives in ASC 606. This results in a pattern of revenue recognition that follows the variable amounts billed from the Company to their customers.

A portion of the Company's compensation under its capacity purchase agreements with American and United is designed to reimburse the Company for certain aircraft ownership costs. The Company has concluded that a component of its revenue under these agreements is deemed to be lease revenue, as such agreements identify the "right of use" of a specific type and number of aircraft over a stated period-of-time. The lease revenue associated with the Company's capacity purchase agreements is accounted for as an operating lease and is reflected as contract revenue on the Company's consolidated statements of operations and comprehensive (loss) income. The Company recognized \$158.4 million, \$170.2 million, and \$208.9 million of lease revenue for the year ended September 30, 2022, 2021, and 2020, respectively. The Company has not separately stated aircraft rental income and aircraft rental expense in the consolidated statements of operations and comprehensive (loss) income because the use of the aircraft is not a separate activity of the total service provided.

The Company's capacity purchase agreements and flight services agreement are renewable periodically and contain provisions pursuant to which the parties could terminate their respective agreements, subject to certain conditions, as described in Note 1. The capacity purchase agreements and flight services agreement also contain terms with respect to covered aircraft, services provided, and compensation as described in Note 1. The capacity purchase agreements and flight services agreement are amended from time to time to change, add, or delete terms of the agreements.

The Company's revenues could be impacted by a number of factors, including amendment or termination of its capacity purchase agreements or flight services agreement, contract modifications resulting from contract renegotiations, its ability to earn incentive payments contemplated under applicable agreements, and settlement of reimbursement disputes with the Company's major partners. In the event contracted rates are not finalized at a quarterly or annual financial statement date, the Company evaluates the enforceability of its contractual terms and when it has an enforceable right, it estimates the amount the Company expects to be entitled subject to the variable constraint guidance under ASC 606.

The Company's capacity purchase agreements and flight services agreement contain an option that allows its major partners to assume the contractual responsibility for procuring and providing the fuel necessary to operate the flights that it operates for them. The Company's major partners have exercised this option. Accordingly, the Company does not record an expense or revenue for fuel and related fueling costs for flying under its capacity purchase agreements or flight services agreement. In addition, the Company's major partners also provide, at no cost to the Company, certain ground handling and customer service functions, as well as airport-related facilities and gates at their hubs and other cities. Services and facilities provided by the Company's major partners at no cost are presented net in its consolidated financial statements; hence, no amounts are recorded for revenue or expense for these items.

The Company records deferred revenue when cash payments are received or are due from our major partners in advance of the Company's performance. The deferred revenue balance as of September 30, 2022 of \$24.1 million (current and non-current portion) represents our aggregate remaining performance obligations that will be recognized as revenue over the period in which the performance obligations are satisfied (as flights are completed over the remaining contract term).

Property and Equipment

The Company's property and equipment, which primarily consists of aircraft and related flight equipment, had a net book value of \$865.3 million as of September 30, 2022. The Company monitors for any indicators of impairment of its property and equipment and other long-lived assets whenever events or changes in circumstances indicate that the related carrying amount may be impaired. Factors which could be indicators of impairment include, but are not limited to: (i) significant adverse changes in the extent or manner in which an asset is being used, including permanently removing a long-lived asset or assets from operations; (ii) significant changes in the estimated useful life of an asset; (iii) significant changes in estimated future cash flows or a history of operating or cash flow losses; (iv) permanent and significant declines in market prices of an asset; and (v) changes to the regulatory environment or business climate. The Company records an impairment loss if (i) the undiscounted future cash flows are found to be less than the carrying amount of the asset or asset group, and (ii) the carrying amount of the asset or asset group exceeds its fair value. If an impairment loss has occurred, a charge is recorded to reduce the carrying amount of the asset to its estimated fair value.

We group assets at the capacity purchase agreement, flight services agreement, and fleet-type level (i.e., the lowest level for which there are identifiable cash flows). If impairment indicators exist with respect to any of our asset groups, we estimate future cash flows based on projections of capacity purchase or flight services agreement, block hours, maintenance events, labor costs and other relevant factors. The Company's assumptions about future conditions are important to its assessment of potential impairment of its long-lived assets, including the impact of the COVID-19 pandemic to its business and impact of pilot shortage, are subject to uncertainty, and the Company will continue to monitor these conditions in future periods as new information becomes available, and will update its analyses accordingly. If an asset group is impaired, the impairment loss recognized is the amount by which the asset group's carrying amount exceeds its fair value. We estimate fair values of aircraft and related assets using published sources, appraisals, and bids received from third parties as available.

As a result of pilot shortage, we evaluated our fleet during fiscal year 2022 and determined that only the CRJ-900 fleet operating under the American CPA was impaired as discussed in Note 8 - "*Balance sheet information*" in the notes to our consolidated financial statements, because the future cash flows from the operation of other asset groups through the respective remaining useful life exceeded the carrying value. This resulted in total impairment charges of \$109.7 million to the asset group for the CRJ-900 fleet operating under the American CPA, recorded in asset impairment on our consolidated statements of operations and comprehensive (loss) income. These charges were calculated using Level 3 fair value inputs based primarily upon recent market transactions and third-party bids, which were corroborated with published pricing guides and our assessment of existing market conditions based on industry knowledge. See Note 8 - "*Balance sheet information*" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which we cannot conclude that it is more likely than not that such deferred tax assets will be realized.

In determining the amount of the valuation allowance, estimated future taxable income as well as feasible tax planning strategies for each taxing jurisdiction are considered. If we determine it is more likely than not that all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if we determine we are more likely than not to be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be recorded as a reduction to income tax expense.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax positions will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not to be sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. Significant judgment is required to evaluate uncertain tax positions. Evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of tax audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in income tax expense in the period in which the change is made, which could have a material impact to our effective tax rate. See Note 13 - "*Income Taxes*" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information. See also "*Management's Discussion and Analysis—Results of Operations—Income Taxes*" for additional information.

Emerging Growth Company Status

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the JOBS Act). The JOBS Act permits us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to "*opt out*" of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 4 - "*Recent Accounting Pronouncements*" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

For a listing and discussion of our accounting policies, see Note 2 - "*Summary of Significant Accounting Policies*" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the ordinary course of our business. These risks include interest rate risk and, on a limited basis, commodity price risk with respect to foreign exchange transactions. The adverse effects of changes in these markets could pose a potential loss as discussed below. The sensitivity analysis provided does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

Interest Rate Risk. We are subject to market risk associated with changing interest rates on our variable rate long-term debt; the variable interest rates are based on LIBOR. The interest rates applicable to variable rate notes may rise and increase the amount of interest expense on our variable rate long-term debt. We do not purchase or hold any derivative instruments to protect against the effects of changes in interest rates.

As of September 30, 2022, we had \$453.2 million of variable rate debt including current maturities. A hypothetical 100 basis point change in market interest rates would have increased interest expense by approximately \$1.1 million in our fiscal year ended September 30, 2022.

As of September 30, 2022, we had \$167.9 million of fixed rate debt, including current maturities. A hypothetical 100 basis point change in market interest rates would not impact interest expense or have a material effect on the fair value of our fixed rate debt instruments as of September 30, 2022.

Foreign Currency Risk. We have *de minimis* foreign currency risks related to our station operating expenses denominated in currencies other than the U.S. dollar, primarily the Canadian dollar. Our revenue is U.S. dollar denominated. To date, foreign currency transaction gains and losses have not been material to our financial statements and we have not had a formal hedging program with respect to foreign currency. A 10% increase or decrease in current exchange rates would not have a material effect on our financial results.

Fuel Price Risk. Unlike other airlines, our capacity purchase agreements and flight services agreement largely shelter us from volatility related to fuel prices, which are directly paid and supplied by our major partners.

Index to Consolidated Financial Statements

	<u>Page</u>
Consolidated Balance Sheets	65
Consolidated Statements of Operations and Comprehensive (Loss) Income	66
Consolidated Statements of Stockholders' Equity	67
Consolidated Statements of Cash Flows	68
Notes to Consolidated Financial Statements	69

The information set forth below should be read together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," appearing elsewhere in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Mesa Air Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mesa Air Group, Inc. (the Company) as of September 30, 2022 and 2021, the related consolidated statements of operations and comprehensive (loss) income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2022 and 2021 and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

Phoenix, Arizona
December 29, 2022

MESA AIR GROUP, INC.
Consolidated Balance Sheets

(in thousands, except share amounts)

	<u>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 57,683	\$ 120,517
Restricted cash	3,342	3,350
Receivables, net	3,978	3,167
Expendable parts and supplies, net	26,715	24,467
Prepaid expenses and other current assets	6,616	6,885
Total current assets	<u>98,334</u>	<u>158,386</u>
Property and equipment, net	865,254	1,151,891
Intangible assets, net	3,842	6,792
Lease and equipment deposits	6,085	6,808
Operating lease right-of-use assets	43,090	93,100
Deferred heavy maintenance, net	9,707	3,499
Assets held for sale	73,000	—
Other assets	16,290	36,121
Total assets	<u>\$ 1,115,602</u>	<u>\$ 1,456,597</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and finance leases	\$ 97,218	\$ 111,710
Current portion of deferred revenue	385	6,298
Current maturities of operating leases	17,233	32,652
Accounts payable	59,386	61,476
Accrued compensation	11,255	12,399
Other accrued expenses	29,000	33,657
Total current liabilities	<u>214,477</u>	<u>258,192</u>
Long-term debt and finance leases, excluding current portion	502,517	539,700
Noncurrent operating lease liabilities	16,732	33,991
Deferred credits	3,082	3,934
Deferred income taxes	17,719	69,940
Deferred revenue, net of current portion	23,682	28,202
Other noncurrent liabilities	29,219	34,591
Total noncurrent liabilities	<u>592,951</u>	<u>710,358</u>
Total liabilities	<u>807,428</u>	<u>968,550</u>
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Common stock of no par value and additional paid-in capital, 125,000,000 shares authorized; 36,376,897 (2022) and 35,958,759 (2021) shares issued and outstanding, and 4,899,497 (2022) and 4,899,497 (2021) warrants issued and outstanding	259,177	256,372
Retained earnings	48,997	231,675
Total stockholders' equity	<u>308,174</u>	<u>488,047</u>
Total liabilities and stockholders' equity	<u>\$ 1,115,602</u>	<u>\$ 1,456,597</u>

See accompanying notes to these consolidated financial statements.

MESA AIR GROUP, INC.
Consolidated Statements of Operations and Comprehensive (Loss) Income

(in thousands, except per share amounts)

	Year Ended September 30,		
	2022	2021	2020
Operating revenues:			
Contract revenue	\$ 478,482	\$ 434,518	\$ 506,590
Pass-through and other revenue	52,519	69,073	38,480
Total operating revenues	<u>531,001</u>	<u>503,591</u>	<u>545,070</u>
Operating expenses:			
Flight operations	177,038	162,137	169,242
Maintenance	201,930	217,646	192,123
Aircraft rent	36,989	39,345	48,802
General and administrative	43,966	49,855	52,246
Depreciation and amortization	81,508	82,847	82,296
Lease termination	233	4,508	—
Asset impairment	171,824	—	—
Other operating expenses	7,238	3,536	4,028
Government grant recognition	—	(119,479)	(83,834)
Total operating expenses	<u>720,726</u>	<u>440,395</u>	<u>464,903</u>
Operating (loss) income	<u>(189,725)</u>	<u>63,196</u>	<u>80,167</u>
Other income (expense), net:			
Interest expense	(35,289)	(34,730)	(44,120)
Interest income	139	365	105
Gain on sale aircraft	4,723	—	—
Loss on investments, net	(13,715)	(6,816)	—
Other (expense) income, net	(801)	401	843
Total other expense, net	<u>(44,943)</u>	<u>(40,780)</u>	<u>(43,172)</u>
(Loss) income before taxes	(234,668)	22,416	36,995
Income tax (benefit) provision	(51,990)	5,828	9,531
Net (loss) income and comprehensive (loss) income	<u>\$ (182,678)</u>	<u>\$ 16,588</u>	<u>\$ 27,464</u>
Net (loss) income per share			
Basic	<u>\$ (5.06)</u>	<u>\$ 0.46</u>	<u>\$ 0.78</u>
Diluted	<u>\$ (5.06)</u>	<u>\$ 0.43</u>	<u>\$ 0.78</u>
Weighted-average common shares outstanding			
Basic	<u>36,133</u>	<u>35,713</u>	<u>35,237</u>
Diluted	<u>36,133</u>	<u>38,843</u>	<u>35,308</u>

See accompanying notes to these consolidated financial statements.

MESA AIR GROUP, INC.
Consolidated Statements of Stockholders' Equity

(in thousands, except share amounts)

	Number of Shares	Number of Warrants	Common Stock and Additional Paid-In Capital	Retained Earnings	Total
Balance at September 30, 2019	31,413,287	3,600,953	\$ 238,504	\$ 187,364	\$ 425,868
Adoption of ASU 2018-09, Stock compensation- income taxes	—	—	—	259	259
Stock compensation expense	—	—	4,414	—	4,414
Repurchased shares	(142,439)	—	(586)	—	(586)
Warrants converted to common stock	3,600,953	(3,600,953)	—	—	—
Restricted shares issued	555,473	—	—	—	—
Employee share purchases	99,644	—	440	—	440
Net income	—	—	—	27,464	27,464
Balance at September 30, 2020	35,526,918	—	\$ 242,772	\$ 215,087	\$ 457,859
Stock compensation expense	—	—	3,126	—	3,126
Repurchased shares	(155,174)	—	(1,486)	—	(1,486)
Issuance of warrants, net of issuance costs	—	4,899,497	11,489	—	11,489
Restricted shares issued	492,465	—	—	—	—
Employee share purchases	94,550	—	471	—	471
Net income	—	—	—	16,588	16,588
Balance at September 30, 2021	35,958,759	4,899,497	\$ 256,372	\$ 231,675	\$ 488,047
Stock compensation expense	—	—	2,761	—	2,761
Repurchased shares	(147,108)	—	(455)	—	(455)
Restricted shares issued	455,303	—	100	—	100
Employee share purchases	109,943	—	399	—	399
Net loss	—	—	—	(182,678)	(182,678)
Balance at September 30, 2022	36,376,897	4,899,497	\$ 259,177	\$ 48,997	\$ 308,174

See accompanying notes to these consolidated financial statements.

MESA AIR GROUP, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended September 30,		
	2022	2021	2020
Cash flows from operating activities:			
Net (loss) income	\$ (182,678)	16,588	\$ 27,464
Adjustments to reconcile net (loss) income to net cash flows provided by operating activities:			
Depreciation and amortization	81,508	82,847	82,296
Stock compensation expense	2,761	3,126	4,414
Loss on investments, net	13,715	6,816	—
Deferred income taxes	(52,221)	5,665	9,234
Asset impairment	171,824	—	—
Amortization of deferred credits	(852)	(2,357)	(3,742)
Amortization of debt discount and issuance costs and accretion of interest into long-term debt	9,681	11,379	4,202
Loss (gain) on extinguishment of debt	397	(950)	—
Loss (gain) on disposal of assets	(4,723)	78	401
Provision for obsolete expendable parts and supplies	634	380	—
Loss on lease termination	233	4,508	—
Changes in assets and liabilities:			
Receivables	(811)	10,545	9,368
Expendable parts and supplies	(2,882)	(1,865)	(1,529)
Prepaid expenses and other operating assets and liabilities	(679)	(56)	(1,368)
Accounts payable	(2,772)	7,861	3,418
Deferred heavy maintenance, net	(8,066)	(3,857)	—
Deferred revenue	(10,432)	10,742	23,758
Accrued expenses and other liabilities	(3,175)	(8,911)	20,801
Change in operating lease right-of-use assets and liabilities	1,900	(9,668)	(4,055)
Net cash provided by operating activities	<u>13,362</u>	<u>132,871</u>	<u>174,662</u>
Cash flows from investing activities:			
Capital expenditures	(40,814)	(17,149)	(26,667)
Proceeds from sale of flight equipment and expendable inventory	50,000	—	—
Investments in equity securities	(200)	(10,000)	—
Net payments on equipment & other deposits	(7,621)	(6,322)	—
Net cash provided by (used in) investing activities	<u>1,365</u>	<u>(33,471)</u>	<u>(26,667)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	39,811	195,000	23,000
Principal payments on long-term debt and finance leases	(114,910)	(271,033)	(138,289)
Payments of debt and warrant issuance costs	(2,414)	(1,326)	(1,780)
Proceeds from issuance of common stock under ESPP	399	471	—
Repurchase of stock	(455)	(1,486)	(586)
Net cash used in financing activities	<u>(77,569)</u>	<u>(78,374)</u>	<u>(117,655)</u>
Net change in cash, cash equivalents and restricted cash	(62,842)	21,026	30,340
Cash, cash equivalents and restricted cash at beginning of period	123,867	102,841	72,501
Cash, cash equivalents and restricted cash at end of period	<u>\$ 61,025</u>	<u>\$ 123,867</u>	<u>\$ 102,841</u>
Supplemental cash flow information			
Cash paid for interest	\$ 24,895	\$ 32,767	\$ 41,501
Cash paid for income taxes, net	\$ 487	\$ 404	\$ 398
Operating lease payments in operating cash flows	\$ 36,262	\$ 47,612	\$ 44,173
Supplemental disclosure of non-cash operating activities			
Right-of-use assets obtained in exchange for lease liabilities	\$ 6,286	\$ 4,309	\$ 145,054
Supplemental disclosure of non-cash financing activities			
Accrued capital expenditures	\$ 1,121	\$ 439	\$ 61
Acquisition of finance leases	\$ 15,122	—	—
Investments in warrants to purchase common stock	\$ 3,260	\$ 21,964	\$ —
Debt issuance cost related to loan agreement with U.S. Department of the Treasury	—	\$ (1,887)	\$ —

See accompanying notes to these consolidated financial statements.

1. Organization and Operations

The Company

Headquartered in Phoenix, Arizona, Mesa Air Group, Inc. ("Mesa" or the "Company") is the holding company of Mesa Airlines, a regional air carrier providing scheduled passenger service to 107 cities in 39 states, the District of Columbia, the Bahamas, and Mexico as well as cargo services out of Cincinnati/Northern Kentucky International Airport. As of September 30, 2022, Mesa operated a fleet of 158 aircraft with approximately 306 daily departures and 2,454 employees. Mesa's fleet were operated conducted under the Company's Capacity Purchase Agreements ("CPAs") and Flight Services Agreement ("FSA"), leased to a third party, held for sale or maintained as operational spares. Mesa operates all of its flights as either American Eagle, United Express, or DHL Express flights pursuant to the terms of CPAs entered into with American Airlines, Inc. ("American") and United Airlines, Inc. ("United") and FSA with DHL Network Operations (USA), Inc. ("DHL") (each, our "major partner"). All of the Company's consolidated contract revenues for the fiscal years ended September 30, 2022, 2021, and 2020 were derived from operations associated with these two (2) CPAs, FSA, and leases of aircraft to a third party.

The CPAs between us and our major partners involve a revenue-guarantee arrangement whereby the major partners pay fixed-fees for each aircraft under contract, departure, flight hour (measured from takeoff to landing, excluding taxi time) or block hour (measured from takeoff to landing, including taxi time), and reimbursement of certain direct operating expenses in exchange for providing flight services. The major partners also pay certain expenses directly to suppliers, such as fuel, ground operations and landing fees. Under the terms of these CPAs, the major partners control route selection, pricing, and seat inventories, reducing our exposure to fluctuations in passenger traffic, fare levels, and fuel prices. Under our FSA with DHL, we receive a fee per block hour with a minimum block hour guarantee in exchange for providing cargo flight services. Ground support expenses including fueling and airport fees are paid directly by DHL.

Impact of Pilot Shortage and Attrition

Impact of Pilot Shortage

During our fiscal year ended September 30, 2022, the severity of the pilot shortage, elevated pilot attrition, and increasing costs associated with pilot wages adversely impacted our financial results, cash flows, financial position, and other key financial ratios. One of the primary factors contributing to the pilot shortage and attrition is the demand for pilots at major carriers, which are hiring at an accelerated rate. These airlines now seek to increase their capacity to meet the growing demand for air travel as the global pandemic has moderated. A primary source of pilots for the major US passenger and cargo carriers are the US regional airlines.

As a result of pilot shortage and attrition, we produced less block hours to generate revenues and incurred penalties for operational shortfalls under our CPAs. These challenges resulted in a negative impact on the Company's financial results highlighted by operating cash flows of \$13.4 million and net loss of \$182.7 million including a non-cash impairment charge related to the Company's American asset group of \$171.8 million. These conditions and events raised financial concerns about our ability to continue to fund our operations and meet debt obligation in the next twelve months.

To address the events that gave rise to such concerns, management developed and implemented the following material changes to its business designed to ensure the Company could continue to fund its operations and meet its debt obligations over the next 12 months. In addition to successfully implementing these effective measures, the Company expects to develop and implement additional measures aimed at addressing periods beyond the next 12 months.

- In the fourth quarter, the Company reached an agreement with ALPA which increased overall pilot hourly pay by nearly 118% for captains and 172% for new-hire first officers. As a result of this agreement, we have experienced reduced attrition rates and attracted new pilots.
- The Company and American have agreed to terminate and complete a wind-down of the American CPA. This will ultimately eliminate financial penalties incurred under the American CPA. In December 2022, we entered into Amendment No.11 to our American CPA. See the disclosure under Note 18 - "Subsequent Events" in the notes to the audited consolidated financial statements included in this Annual Report on Form 10-K for a discussion of Amendment No. 11 which includes among other things, disclosure regarding the wind-down of our operations with American and the termination of the American CPA.
- In December 2022, we entered into the Third Amended and Restated Capacity Purchase Agreement with United which amended and restated the existing United CPA. This agreement increases block hour revenues to cover increased wages agreed to with ALPA and adds CRJ 900 aircraft currently operating under the American CPA. See the disclosure under Note 18 - "Subsequent Events" in the notes to the audited consolidated financial statement included in this Annual Report on Form 10-K for a discussion of the Amended and Restated United

CPA which includes among others, disclosure regarding the transition of the aircraft operated under the American CPA to be operated under the Third Amended and Restated United CPA.

- We entered into an agreement with United to sell 18 CRJ-700 aircraft during the reporting period, of which 10 were sold. The approximate net proceeds from the sale in the quarter was \$ 36.8 million after retirement of debt. The remaining eight (8) are expected to close in early January 2022. The approximate net proceeds from the sale and after retirement of debt is \$8 million.
- We entered into an agreement with a third party to sell eleven (11) of our CRJ-900 aircraft and one CRJ-200 aircraft to raise capital and retire debt. The approximate net proceeds from the sale are expected to be \$8.2 million after retirement of debt.
- We entered into an agreement to sell 30 spare engines to United to raise capital and retire debt. The approximate gross proceeds from the sale are expected to be \$80 million and will retire debt of \$26.4 million.
- We established a new line of credit totaling \$25.5 million to draw upon when needed. See the disclosure under Note 18 - "subsequent Events" in the notes to the audited consolidated financial statements included in this Annual Report on Form 10-K for a discussion of the line of credit and amount drawn upon subsequently.
- We entered into an agreement with Export Development Bank of Canada (EDC), reducing debt and interest payments on all seven aircraft for the period of January 2023 through December 2024, providing up to \$14 million of liquidity. Additionally, the junior noteholder MHIRJ agreed to reduce its loan amount by approximately \$5 million.
- We entered into an agreement with RASPRO Trust, reducing the buyout pricing on all 15 aircraft at lease termination by a total of \$25 million.
- We established the Mesa Pilot Development Program (the "MPD Program") to increase the pilot supply to Mesa.. We have entered into an agreement to purchase up to 29 state-of-the-art Pipistrel Alpha Trainer 2 aircraft. This new fleet will be the backbone of our MPD Program to help commercial pilots accelerate their accumulation of flight hours to reach the minimum flight hours required by FAA and then be hired by Mesa. As part of the program, pilots will be provided with the opportunity to accumulate up to 1,500 flight hours required to fly a commercial aircraft at Mesa Airlines. Flights costs of \$25 per hour, per pilot, will be fully financed by us with zero interest, providing no upfront out-of-pocket expense for flight time while the candidate is accruing the required hours to earn their ATP certificate.
- We added flight training simulators and flight training instructors to expand our training capacity to backfill pilots lost to attrition.
- We have expanded the United Aviate program participation to include all pilots flying for Mesa. Previously, pilots had to fly under the United Express contract for a minimum of two (2) years to qualify for the flow through to United Airlines. Now, all pilots regardless of contract, are eligible to flow through to United Airlines enhancing Mesa's ability to attract and retain pilots.
- We have delayed and/or deferred major spending on aircraft and engine maintenance to match the current and projected level of flight activity.

These plans and initiatives outlined above have effectively alleviated pressure on financial performance. While we continue implement and monitor our plans and initiatives, there is no guarantee that these will continue to be effective and achieve their desired objectives.

As of September 30, 2022, the Company has \$97.2 million of short-term debt due within the next twelve months. We plan to meet these obligations with our cash on hand, ongoing cashflows from our operations, as well as the liquidity we have achieved as outlined above.

American Capacity Purchase Agreement

As of September 30, 2022, the Company operated 42 CRJ-900 aircraft under an Amended and Restated Capacity Purchase Agreement with American dated November 19, 2020 (as amended, the "American CPA"). In exchange for providing passenger flight services, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown during each month. In addition, we may also receive incentives or incur penalties based upon our operational performance, including controllable on-time departure ("CD0") and controllable flight completion ("CCF") percentages. American also reimburses us for certain costs on an actual basis, including passenger liability and hull insurance and aircraft property taxes. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by American. In addition, American also provides, at no cost to us, certain ground handling and customer service functions as well as airport-related facilities and gates at American hubs and cities where we operate. The American CPA expires on December 31, 2025.

Our American CPA is subject to termination prior to its expiration, subject to our right to cure, in various circumstances including:

- If either American or we become insolvent, file for bankruptcy, or fail to pay the debts as they become due, the non-defaulting party may terminate the agreement;
- If either we or American fail to perform the covenants, conditions, or provisions of the American CPA, subject to certain notice and cure rights, the non-defaulting party may terminate the agreement;
- If, at any time during the term of the American CPA, the number of covered aircraft is less than twenty (20);
- If we are required by the United States Federal Aviation Administration ("FAA") or the United States Department of Transportation ("DOT") to suspend operations and we have not resumed operations within three (3) business days, except as a result of an emergency airworthiness directive from the FAA affecting all similarly equipped aircraft;
- If either our CCF or CD0 falls below certain levels for a specified period of time;
- Upon the occurrence of a force majeure event (as defined in the American CPA) that lasts for a specified period of consecutive days and affects our ability to operate scheduled flights, including a future epidemic or pandemic;
- If a labor dispute affects our ability to operate over a specified number of days or we operate in violation of any existing American collective bargaining agreement; or
- Upon a change in our ownership or control without the written approval of American.

Under the American CPA, American had the option in its sole discretion to withdraw up to: (i) 10 aircraft during calendar year 2021, (ii) five (5) aircraft during each of calendar years 2022 and 2023, and (iii) during the period from January 1, 2024 to July 31, 2024, American can remove the first 20 aircraft to the extent not otherwise removed in 2021 - 2023, and thereafter American has the right to remove the remaining 20 aircraft. American also has the right and option to withdraw a specified number of aircraft upon each occurrence of the following:

- If our CCF falls below certain levels for a specified period of time, American may withdraw one (1) aircraft;
- If our CD0 falls below certain levels for a specified period of time, American may withdraw one (1) aircraft;
- If we fail to satisfactorily complete established cabin interior program requirements by certain deadlines, American may withdraw one (1) aircraft; or
- If our block hour utilization falls below certain levels for a specified period of time, American may withdraw a specified number of aircraft.

During fiscal year 2021, we entered into amendments to the American CPA. The amendments reflect the following:

- The addition of CRJ-900 aircraft to the American CPA (collectively, the "Incremental Aircraft") in accordance with the following schedule: (i) three (3) aircraft, from January 5, 2021 to March 3, 2021, (ii) increasing to a total of five (5) aircraft, from March 4, 2021 to May 5, 2021, (iii) decreasing to a total of three (3) aircraft, from May 6, 2021 to June 2, 2021, and (iv) increasing to a total of five (5) aircraft, from June 3, 2021 to August 17, 2021.
- A temporary reduction in certain rates for the period December 2020 through September 2021.
- The waiver of the operational performance metrics for the month of August 2021, and extension of the deadline for completing certain cabin interior and refurbishment requirements as defined in the American CPA to December 31, 2021.
- Increases to incentive and penalty compensation under the American CPA, effective beginning in October 2021.

On June 10, 2022, we amended our American CPA, pursuant to Amendment No. 8 thereto, to modify certain commercial terms thereunder. On June 20, 2022, we amended our American CPA, pursuant to Amendment No. 9 thereto, which amended and restated Schedule 1 (Covered Aircraft) to the American CPA and set forth certain equipment modification requirements with respect to Covered Aircraft added to such Schedule.

For the months of May and June 2022, we did not meet the CCF or CD0 minimum performance levels under the American CPA. The failure to meet these minimum performance levels for two (2) consecutive months under the terms of the American CPA gives American the right to remove two (2) additional aircraft from the CPA, one (1) aircraft for not meeting the CCF minimum performance level for two (2) consecutive months and one (1) aircraft for not meeting the CD0 minimum performance level for two (2) consecutive months. The Company's failure to meet the CCF or CD0 minimum performance levels for three (3) consecutive months gives American the right to terminate the CPA upon 90 days' notice and to provide a wind-down schedule.

Subsequently on July 28, 2022, we amended our American CPA, pursuant to Amendment No. 10 thereto, to, among other things, (a) modify certain commercial terms, (b) provide that, commencing with calendar months after January 1, 2022, during any calendar month in which a Notification Shortfall (as defined in the CPA) occurs, bonuses and rebates will not be assessed, (c) reset the CCF and CD0 three (3)-month measurement periods for purposes of American's termination rights under the CPA to commence August 2022, and (d) amend certain other amounts payable to us thereunder. In addition to the foregoing, our block hour utilization has fallen below required levels in prior months, which also gives American the right to withdraw certain aircraft, subject to complying with applicable notice requirements under the American CPA.

For the months of August, September, and October 2022, we did not meet the CD0 minimum performance levels under the American CPA. As noted above, the failure to meet such performance levels for two (2) consecutive months under the terms of the American CPA gives American the right to remove one (1) additional aircraft from the CPA for not meeting the CD0 minimum performance levels for two (2) consecutive months. The Company's failure to meet the CD0 minimum performance levels for three (3) consecutive months gives American the right to terminate the CPA upon 90 days' notice and to provide a wind-down schedule. In December 2022, we entered into Amendment No.11 to our American CPA. See Note 18 – "Subsequent Events" for a discussion of Amendment No.11, which includes, among other things, disclosure regarding the wind down of our operations under the American CPA and the transition of such aircraft to the United CPA.

United Capacity Purchase Agreement

As of September 30, 2022, we operated 20 E-175LL and 60 E-175 aircraft under a Second Amended and Restated Capacity Purchase Agreement with United dated November 4, 2020 (as amended, the "United CPA"). Under our United CPA, United owns 42 of the 60 E-175 and all of the E-175LL aircraft and leases them to us at nominal amounts. The E-175 aircraft owned by United and leased to us have terms expiring between 2024 and 2028, and the 18 E-175 aircraft owned by us have terms expiring in 2028. The E-175LL aircraft have terms expiring between 2032 and 2033.

In exchange for providing passenger flight services, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown and the results of passenger satisfaction surveys. United reimburses us for certain costs on an actual basis, including property tax per aircraft and passenger liability insurance. United also reimburses us on a pass-through basis for all costs related to heavy airframe and engine maintenance, landing gear, auxiliary power units ("APUs"), and component maintenance for the E-175 aircraft owned by United. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by United.

Pursuant to the United CPA, we agreed to lease our CRJ-700 aircraft to another United Express service provider for a term of nine (9) years. We ceased operating our CRJ-700 fleet in February 2021 in connection with the transfer of those aircraft into a lease agreement, and as of June 30, 2022, have entered into agreements to lease 20 of our 20 CRJ-700 aircraft. During August of 2022, we committed to a formal plan to sell 18 of our 20 CRJ-700 aircraft and subsequently terminated the leases on the 18 CRJ-700 aircraft. As of September 30, 2022, we sold 10 of the 18 CRJ-700 aircraft. See Note 7 – "Assets Held for Sale" for further discussion of the CRJ-700 aircraft classified as held for sale as of September 30, 2022.

Our United CPA is subject to termination rights prior to its expiration, including:

- If certain operational performance factors fall below a specified percentage for a specified time, subject to notice under certain circumstances;
- If we fail to perform the material covenants, agreements, terms or conditions of our United CPA or similar agreements with United, subject to 30 days' notice and cure rights;
- If either United or we become insolvent, file bankruptcy, or fail to pay debts when due, the non-defaulting party may terminate the agreement;

- If we merge with, or if control of us is acquired by another air carrier or a corporation directly or indirectly owning or controlling another air carrier;
- United, subject to certain conditions, including the payment of certain costs tied to aircraft type, may terminate the agreement in its discretion, or remove E-175 aircraft from service, by giving us notice of 90 days or more;
- If United elects to terminate our United CPA in its entirety or permanently remove select aircraft from service, we are permitted to return any of the affected E-175 aircraft leased from United at no cost to us; and
- Commencing five (5) years after the actual in-service date, United has the right to remove the E-175 aircraft from service by giving us notice of 90 days or more, subject to certain conditions, including the payment of certain wind-down expenses plus, if removed prior to the 10 year anniversary of the in-service date, certain accelerated margin payments.

See Note 18 – “Subsequent Events” for a discussion of the Amended and Restated United CPA, which includes among others, disclosure regarding the transition of the aircraft operated under the American CPA to be operated under the Amended and Restated United CPA.

DHL Flight Services Agreement

On December 20, 2019, we entered into a Flight Services Agreement with DHL (the “DHL FSA”). Under the terms of the DHL FSA, we operate three (3) Boeing 737-400F aircraft to provide cargo air transportation services as of September 30, 2022. In exchange for providing cargo flight services, we receive a fee per block hour with a minimum block hour guarantee. We are eligible for a monthly performance bonus or subject to a monthly penalty based on timeliness and completion performance. Ground support expenses including fueling and airport fees are paid directly by DHL.

Under our DHL FSA, DHL leases two (2) Boeing 737-400F aircraft and subleases them to us at nominal amounts. DHL reimburses us on a pass-through basis for all costs related to heavy maintenance including C-checks, off-wing engine maintenance and overhauls including life limited parts (“LLPs”), landing gear overhauls and LLPs, thrust reverser overhauls, and APU overhauls and LLPs. Certain items such as fuel, de-icing fluids, landing fees, aircraft ground handling fees, en-route navigation fees, and custom fees are paid directly to suppliers by DHL or otherwise reimbursed if incurred by us. The third Boeing 737-400F aircraft is leased to us as an operating lease by a third party.

The DHL FSA expires five (5) years from the commencement date of the first aircraft placed into service, which was in October 2020. DHL has the option to extend the agreement with respect to one (1) or more aircraft for a period of one (1) year with 90 days’ advance written notice.

Our DHL FSA is subject to following termination rights prior to its expiration:

- If either party fails to comply with the obligations, warranties, representations, or undertakings under the DHL FSA, subject to certain notice and cure rights;
- If either party is declared bankrupt or insolvent;
- If we are unable to legally operate the aircraft under the DHL FSA for a specified number of days;
- At any time after the first anniversary of the commencement date of the first aircraft placed in service with 90 day’s written notice.
- If we fail to comply with performance standards for three (3) consecutive measurement periods.
- If we are subject to a labor incident that materially and adversely affects our ability to perform services under the DHL FSA for a specified number of days;
- Upon a change in control or ownership of the Company; and
- DHL may terminate the agreement for a specific aircraft if it is subject to a total loss and the Company does not provide alternate services at our expense, or if the aircraft becomes unavailable for more than 30 days due to unscheduled maintenance.

For the months of April, May, and June 2022, we did not meet the CCF and CA minimum performance levels under the DHL FSA. The failure to meet the minimum performance levels for three (3) consecutive months under the terms of the DHL FSA gives DHL the right to terminate the FSA. Management has received a waiver arising out of the failure to meet the aforementioned CCF and CA performance levels.

For the months of July, August, and September 2022, we did not meet the CCF and CA minimum performance levels under the DHL FSA. The failure to meet the minimum performance levels for three (3) consecutive months under the terms

of the DHL FSA gives DHL the right to terminate the FSA. Management has received a waiver arising out of the failure to meet the aforementioned CCF and CA performance levels.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Reclassifications of certain immaterial prior period amounts have been made to conform to the current period presentation.

The Company is an "**emerging growth company**," as defined in the Jumpstart Our Business Startups Act of 2012 (the "**JOBS Act**") and may remain an emerging growth company until the last day of our fiscal year following the fifth anniversary of the IPO, subject to specified conditions. The JOBS Act provides that an emerging growth company can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. The Company has elected to "**opt out**" of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing operating performance. In consideration of ASC 280, "**Segment Reporting**," we are not organized around specific services or geographic regions. We currently operate in one service line providing scheduled flying services in accordance with our capacity purchase agreements and flight services agreement.

While we operate under two (2) separate capacity purchase agreements and a flight services agreement, we do not manage our business based on any performance measure at the individual contract level. Additionally, our chief operating decision maker ("CODM") uses consolidated financial information to evaluate our performance, which is the same basis on which he communicates our results and performance to our Board of Directors. Our CODM bases all significant decisions regarding the allocation of our resources on a consolidated basis. Based on the information described above and in accordance with the applicable literature, management has concluded that we are organized and operated as one operating and reportable segment.

All of our operating revenue in our 2022, 2021, and 2020 fiscal years was derived from operations associated with our American and United CPAs, DHL FSA, and from leases of aircraft to a third party. It is currently impractical to provide certain information on our revenue from our customers for each of our services and geographic information on our revenues and long-lived assets.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash primarily includes deposits in trust accounts to collateralize letters of credit and to fund workers' compensation claims, landing fees, and other business needs. Restricted cash is stated at cost, which approximates fair value.

The Company has an agreement with a financial institution for a \$6.0 million letter of credit facility to issue letters of credit for landing fees, workers' compensation insurance, and other business needs. Pursuant to such agreement, \$3.3 million and \$3.4 million of outstanding letters of credit are required to be collateralized by amounts on deposit as of September 30, 2022 and 2021, respectively, which are classified as restricted cash.

Expendable Parts and Supplies

Expendable parts and supplies are stated at cost, less an allowance for obsolescence. The Company provides an allowance for obsolescence for such parts and supplies over the useful life of its aircraft after considering the useful life of each aircraft fleet, the estimated cost of expendable parts expected to be on hand at the end of the useful life, and the estimated salvage value of the parts. This allowance for expendable parts account was \$3.8 million and \$3.2 million as of September 30, 2022 and 2021, respectively.

Property and Equipment

Property and equipment are stated at cost, net of manufacturer incentives, and depreciated over their estimated useful lives to their estimated salvage values, which are 20% for aircraft and rotatable spare parts, using the straight-line method.

Estimated useful lives of the various classifications of property and equipment are as follows:

Property and Equipment	Estimated Useful Life
Buildings	30 years
Aircraft	25 years from the manufacture date
Flight equipment	7-20 years
Equipment	5-9 years
Furniture and fixtures	3-5 years
Vehicles	5 years
Rotable spare parts	Life of the aircraft or term of the lease, whichever is less
Leasehold improvements	Life of the aircraft or term of the lease, whichever is less

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may be impaired. The Company records an impairment loss if (i) the undiscounted future cash flows are found to be less than the carrying amount of the asset or asset group, and (ii) the carrying amount of the asset or asset group exceeds its fair value. If an impairment loss has occurred, a charge is recorded to reduce the carrying amount of the asset to its estimated fair value.

To determine whether impairments exist for aircraft and other related assets used in operations, we group assets at the capacity purchase agreement, flight services agreement, or fleet type level (i.e., the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on projections of capacity purchase or flight services agreement, block hours, maintenance events, labor costs and other relevant factors. If an asset group is impaired, the impairment loss recognized is the amount by which the asset group's carrying amount exceeds its estimated fair value. We estimate aircraft fair values using published sources, appraisals and bids received from third parties, as available. Due to the impacts of the pilot shortage and the pilot wage increase, we evaluated all asset groups during the quarter ended September 30, 2022 and determined that only the asset group associated with the CRJ-900 fleet operating under the American CPA was impaired as discussed in Note 8 - "*Balance Sheet Information*", because the future cash flows from the operation of other asset groups through the respective retirement dates exceeded the carrying value. The Company recognized impairment charges of \$109.7 million, zero, and zero on property and equipment and other long-lived and ROU assets for the years ended September 30, 2022, 2021, and 2020 respectively.

Assets Held for Sale

We classify assets as held for sale when our management approves and commits to a formal plan of sale that is probable of being completed within one (1) year. Assets designated as held for sale are recorded at the lower of their current carrying value or their fair market value, less costs to sell, beginning in the period in which the assets meet the criteria to be classified as held for sale. See Note 7 – “*Assets Held for Sale*” for further discussion of our assets classified as held for sale as of September 30, 2022

Fair Value Measurements

The Company accounts for assets and liabilities in accordance with accounting standards that define fair value and establish a consistent framework for measuring fair value on either a recurring or a nonrecurring basis. 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.

Accounting standards include disclosure requirements relating to the fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, requiring an entity to develop its own assumptions.

Debt Financing Costs

Debt financing costs consist of payments made to issue debt related to the purchase of aircraft, flight equipment, and certain flight equipment maintenance costs. The Company defers the costs and amortizes them to interest expense over the term of the debt agreement. Debt financing costs related to a recognized debt liability are presented as a direct deduction from the carrying amount of the related long-term debt on the consolidated balance sheet. Debt financing costs with no related recognized debt liability are presented as assets, with the current portion included in prepaid expenses and other current assets and the noncurrent portion included in other assets on the consolidated balance sheet.

Unutilized Manufacturer Credits

Manufacturer credits received in connection with aircraft purchases that can be used for the future purchase of certain goods and services are recorded as a prepaid asset based on the value of the credits expected to be utilized, and the Company reduces the asset as the credits are utilized to fund such purchases. The current portion is included in prepaid expenses and other current assets and the noncurrent portion is included in other assets on the consolidated balance sheet.

Intangible Assets

Customer relationships are amortized over their estimated useful lives. In accordance with ASC 360, Property, Plant, and Equipment, an intangible asset with a finite life that is being amortized is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may be impaired. The Company records an impairment loss if the undiscounted future cash flows are found to be less than the carrying amount of the asset and if the carrying amount of the asset exceeds fair value. If an impairment loss has occurred, a charge is recorded to reduce the carrying amount of the asset to its estimated fair value. The Company recognized an impairment loss of \$1.9 million, zero, and zero on intangible assets for the year ended September 30, 2022, 2021, and 2020 respectively.

Other Assets

Other noncurrent assets primarily consist of the non-current portion of lease incentives related to aircraft which Mesa leases to third parties and investments in equity securities.

Lease incentives represent amounts paid or payable by Mesa to the lessee and are amortized as a reduction of lease revenue over the term of the lease. The current portion of the lease incentive assets is included in prepaid expenses and other current assets, and the non-current portion is included in other assets on the consolidated balance sheet.

Investments in equity securities with readily determinable fair values are adjusted to reflect the market value of the investments each reporting period, with corresponding gains and losses reflected in the statement of operations. Investments in equity securities without readily determinable values are measured at cost less impairment, if any, and are adjusted when there are observable prices of similar or identical investments from the same issuer.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in future years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records deferred tax assets for the value of benefits expected to be realized from the utilization of state and federal net operating loss carryforwards. The Company periodically reviews these assets to determine the likelihood of realization. To the extent the Company believes some portion of the benefit may not be realizable based on the available sources of income, an estimate of the unrealized position is made, and a valuation allowance is recorded. The Company and its consolidated subsidiaries file a consolidated federal income tax return.

Other Noncurrent Liabilities

Other noncurrent liabilities primarily consist of the non-current portion of lease incentive obligations and deposits related to the aircraft which Mesa leases to third parties and vendor credit liabilities for future purchases of electric aircraft.

Revenue Recognition

The Company recognizes revenue when the service is provided under its capacity purchase agreements and flight services agreement. Under these agreements, the Company's major partners generally pay a fixed monthly minimum amount per aircraft, plus certain additional amounts based upon the number of departures and block hours or flight hours flown. The agreements also include reimbursement of certain direct costs incurred by the Company in performing flight services. These costs, known as "**pass-through costs**," may include passenger and hull insurance as well as aircraft property taxes. Additionally, for the E-175 aircraft owned by United, United reimburses the Company for heavy airframe and engine maintenance, landing gear maintenance, APU maintenance, and component maintenance. The Company also receives compensation under its agreements for heavy maintenance expenses at a fixed hourly rate or per aircraft rate for all aircraft in scheduled service other than the E-175 aircraft owned by United. The contracts also include a profit margin on certain reimbursable costs, as well as incentives and penalties based on certain operational benchmarks. The Company is eligible to receive incentive compensation upon the achievement of certain performance criteria defined in the agreements. At the end of each period during the term of an agreement, the Company calculates the incentives or penalties achieved during that period and recognizes revenue attributable to the agreement during the period accordingly, subject to the variable constraint guidance in accordance ASC 606. All revenue recognized under these contracts is presented as the gross amount billed to the major partners. See Note 3 - "*Contract Revenue and Pass-through and Other Revenue*" for further information.

The Company has committed to perform various activities that can be generally classified into in-flight services and maintenance services. When evaluating these services, the Company determined that the nature of its promise is to provide a single integrated service, flight services, because its contracts require integration and assumption of risk associated with both services to effectively deliver and provide the flights as scheduled over the contract term. Therefore, the in-flight services and maintenance services are inputs to that combined integrated flight service. Both the services occur over the term of the agreement and the performance of maintenance services significantly effects the utility of the in-flight services. The Company's individual flights flown under the capacity purchase agreements and flight services agreement are deemed to be distinct and the flight service promised in the agreements represents a series of services that should be accounted for as a single performance obligation. This single performance obligation is satisfied over time as the flights are completed. Therefore, revenue is recognized when each flight is completed.

In allocating the transaction price, variable payments (i.e., billings based on departures and block hours or flight hours flown, pass-through costs, etc.) that relate specifically to the Company's efforts in performing flight services are recognized in the period in which the individual flight is completed. The Company has concluded that allocating the variability directly to the individual flights results in an overall allocation meeting the objectives in ASC 606. This results in a pattern of revenue recognition that follows the variable amounts billed from the Company to its customers.

A portion of the Company's compensation under its capacity purchase agreements with American and United is designed to reimburse the Company for certain aircraft ownership costs. Such costs include aircraft principal and interest debt service costs, aircraft depreciation, and interest expense or aircraft lease expense costs while the aircraft is under contract. The Company has concluded that a component of its revenue under these agreements is deemed to be lease revenue, as such agreements identify the "**right of use**" of a specific type and number of aircraft over a stated period-of-time. The lease revenue associated with the Company's capacity purchase agreements is accounted for as an operating lease and is reflected as contract revenue on the Company's consolidated statements of operations and comprehensive (loss) income.

The Company recognized \$158.4 million, \$170.2 million and \$208.9 million of lease revenue for the year ended September 30, 2022, 2021, and 2020, respectively. The Company has not separately stated aircraft rental income and aircraft rental expense in the consolidated statements of operations and comprehensive (loss) income because the use of the aircraft is not a separate activity of the total service provided under our capacity purchase agreements.

The Company's capacity purchase agreements and flight services agreement are renewable periodically and contain provisions pursuant to which the parties could terminate their respective agreements, or withdraw aircraft under their respective agreements, subject to certain conditions as described in Note 1. The agreements also contain terms with respect to covered aircraft, services provided, and compensation as described in Note 1. The agreements are amended from time to time to change, add, or delete terms of the agreements.

The Company's revenues could be impacted by a number of factors, including amendment or termination of its agreements with its major partners, contract modifications resulting from contract renegotiations, its ability to earn incentive payments contemplated under applicable agreements, and settlement of reimbursement disputes with the Company's major partners. In the event contracted rates are not finalized at a quarterly or annual financial statement date, the Company evaluates the enforceability of its contractual terms and when it has an enforceable right, it estimates the amount the Company expects to be entitled to that is subject to the variable constraint guidance within ASC 606.

The Company's agreements contain an option that allows its major partners to assume the contractual responsibility for procuring and providing the fuel necessary to operate the flights that it operates for them. All of the Company's major partners have exercised this option. Accordingly, the Company does not record an expense or revenue for fuel and related fueling costs for flying under its capacity purchase agreements or flight services agreement. In addition, the Company's major partners also provide, at no cost to the Company, certain ground handling and customer service functions, as well as airport-related facilities and gates at their hubs and other cities. Services and facilities provided by the Company's major partners at no cost are presented net in its consolidated financial statements; hence, no amounts are recorded as revenue or operating expense for these items.

Contract Liabilities

Contract liabilities consist of deferred credits representing upfront payments received from major partners related to aircraft modifications associated with capacity purchase agreements and pilot training. The deferred credits are recognized over time depicting the pattern of transfer of the related services over the term of the capacity purchase agreements.

Current and non-current deferred credits are recorded to other accrued expenses and non-current deferred credits in the consolidated balance sheets, respectively. The Company's total current and non-current deferred credit balances at September 30, 2022 and September 30, 2021 were \$3.9 million and \$4.8 million, respectively. The Company recognized \$0.9 million, \$2.4 million and \$3.7 million of the deferred credits within contract revenue in the consolidated statements of operations and comprehensive (loss) income during the year ended September 30, 2022, 2021, and 2020, respectively.

Contract Assets

The Company recognizes assets from the incremental costs incurred to obtain contracts with major partners including aircraft painting, aircraft reconfiguration, and flight service personnel training costs. These costs are amortized based on the pattern of transfer of the services in relation to flight hours over the term of the contract. Contract assets are recorded as other assets in the consolidated balance sheets. The Company's contract assets balance at September 30, 2022 and September 30, 2021 was zero and zero, respectively. Contract cost amortization was zero, \$2.0 million and \$1.9 million for the year ended September 30, 2022, 2021, and 2020, respectively.

Maintenance Expense

The Company operates under an FAA approved continuous inspection and maintenance program. The cost of non-major scheduled inspections and repairs and routine maintenance costs for all aircraft and engines are charged to maintenance expense as incurred.

The Company accounts for heavy maintenance and major overhaul costs on its owned E-175 fleet under the deferral method whereby the cost of heavy maintenance and major overhaul is deferred and amortized until the earlier of the end of the useful life of the related asset or the next scheduled heavy maintenance event. Amortization of heavy maintenance and major overhaul costs charged to depreciation and amortization expense was \$1.9 million, \$0.4 million, and zero for the fiscal year ended September 30, 2022, 2021, and 2020, respectively. At September 30, 2022 and September 30, 2021, the Company had a deferred heavy maintenance balance, net of accumulated amortization, of \$9.7 million and \$3.5 million, respectively. The Company accounts for heavy maintenance and major overhaul costs for all other fleets under the direct expense method whereby costs are expensed to maintenance expense as incurred, except for certain maintenance contracts where labor and materials price risks have been transferred to the service provider and require payment on a utilization basis, such as flight hours. Costs incurred for maintenance and repair for utilization maintenance contracts where labor and materials price risks have been transferred to the service provider are charged to maintenance expense based on contractual payment terms. Our maintenance policy is determined by fleet when major maintenance is incurred.

Under the Company's aircraft operating lease agreements and FAA operating regulations, it is obligated to perform all required maintenance activities on its fleet, including component repairs, scheduled airframe checks and major engine restoration events. The Company estimates the timing of the next major maintenance event based on assumptions including estimated usage, FAA-mandated maintenance intervals, and average removal times as recommended by the manufacturer. The timing and the cost of maintenance are based on estimates, which can be impacted by changes in utilization of its aircraft, changes in government regulations and suggested manufacturer maintenance intervals. Major maintenance events consist of overhauls to major components.

Engine overhaul expense totaled \$23.6 million, \$31.4 million and \$40.5 million for the years ended September 30, 2022, 2021, and 2020, respectively, of which \$21.7 million, \$16.8 million, and \$7.0 million, respectively, was pass-through expense. Airframe check expense totaled \$22.1 million, \$51.1 million and \$23.5 million for the years ended September 30, 2022, 2021, and 2020, respectively, of which \$3.2 million, \$20.5 million, and \$7.2 million, respectively, was pass-through expense.

Pursuant to the United CPA, United reimburses the Company for heavy maintenance on certain E-175 aircraft. Those reimbursements are included in pass-through and other revenue. See Note 1 - "*Organization and Operations*" for further information.

Leases

We determine if an arrangement is a lease at inception. As a lessee, we have lease agreements with lease and non-lease components and have elected to account for such components as a single lease component. Our operating lease activities are recorded in operating lease right-of-use assets, current maturities of operating leases, and noncurrent operating lease liabilities in the consolidated balance sheets. Finance leases are reflected in property and equipment, net, current portion of long-term debt and finance leases, and long-term debt and finance leases, excluding current portion in the consolidated balance sheets.

Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Variable lease payments are not included in the calculation of the right-of-use assets and lease liability due to uncertainty of the payment amount and are recorded as lease expense in the period incurred. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease costs are recognized on a straight-line basis over the lease term, while finance leases result in a front-loaded expense pattern.

To determine whether impairments exist for aircraft and other related assets used in operations, we group assets, including ROU assets, at the capacity purchase agreement, flight services agreement, or fleet type level (i.e., the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on projections of capacity purchase or flight services agreement, block hours, maintenance events, labor costs and other relevant factors. Due to the impacts of the pilot shortage and the pilot wage increase, we evaluated all asset groups during the quarter ended September 30, 2022 and determined that the asset group associated with the CRJ-900 fleet operating under the American CPA, discussed in Note 8 – "*Balance Sheet Information*", required impairment. This resulted in an impairment loss of \$15.2 million to the leased aircraft in the asset group for the CRJ-900 fleet operating for the quarter ended September 30, 2022, which was recorded in asset impairment on our consolidated statements of operations and comprehensive (loss) income.

As a lessee, we have elected a short-term lease practical expedient on all classes of underlying assets, permitting us to not apply the recognition requirements of this standard to leases with terms of 12 months or less.

Our capacity purchase agreements identify the "right of use" of a specific type and number of aircraft over a stated period-of-time. A portion of the compensation under our capacity purchase agreements are designed to reimburse the Company, as lessor, for certain aircraft ownership costs of these aircraft. We account for the non-lease component under ASC 606 and account for the lease component under ASC 842. We allocate the consideration in the contract between the lease and non-lease components based on their stated contract prices, which is based on a cost basis approach representing our estimate of the stand-alone selling prices.

As discussed in Note 1, we lease, at nominal rates, certain aircraft from United and DHL under our United CPA and DHL FSA, which are excluded from operating lease assets and liabilities as they do not represent embedded leases under ASC 842. Other than nominal leases with our major partners, approximately 11% of our aircraft are leased from third parties. All of our aircraft leases have been classified as operating leases, which results in rental payments being charged to expense over the term of the related leases. In the event that we or one of our major partners decide to exit an activity involving leased aircraft, losses may be incurred. In the event that we exit an activity that results in exit losses, these losses are accrued as each aircraft is removed from operations for early termination penalties, lease settle up and other charges. Additionally, any remaining ROU assets and lease liabilities will be written off.

The majority of the Company's leased aircraft are leased through trusts that have a sole purpose to purchase, finance, and lease these aircraft to the Company; therefore, they meet the criteria of a variable interest entity. However, since these are single-owner trusts in which the Company does not participate, the Company is not at risk for losses and is not considered the primary beneficiary. Management believes that the Company's maximum exposure under these leases is the remaining lease payments.

3. Contract Revenue and Pass-through and Other Revenue

The Company recognizes contract revenue when the service is provided under its capacity purchase agreements and flight services agreement. Under the capacity purchase agreements and flight services agreement, our major partners generally pay for each departure, flight hour (measured from takeoff to landing, excluding taxi time) or block hour (measured from takeoff to landing, including taxi time) incurred, and an amount per aircraft in service each month with additional incentives based on flight completion, on-time performance, and other operating metrics. The Company's performance obligation is met when each flight is completed, and revenue is recognized and reflected in contract revenue.

The Company's contract revenue also includes temporary rate reductions during fiscal year 2021 under our capacity purchase agreements. The basis for the reductions is temporary improvements in our cost structure being passed on to our major partners, primarily from lower labor costs due to the grants received under the Payroll Support Program and its extensions through the year ended September 30, 2021. The Company's contract revenue for fiscal year ended September 30, 2022 does not include any rate reductions.

The Company recognizes pass-through revenue when the service is provided under its capacity purchase agreements and flight services agreement. Pass-through revenue represents reimbursements for certain direct expenses incurred including passenger liability and hull insurance, property taxes, other direct costs defined within the agreements, and major maintenance on aircraft leased at nominal rates. The Company's performance obligation is met when each flight is completed or as the maintenance services are performed, and revenue is recognized and reflected in pass-through and other revenue.

The Company records deferred revenue when cash payments are received or are due from our major partners in advance of the Company's performance, including amounts that are refundable. The Company deferred \$10.4 million and \$10.7 million of revenue during the years ended September 30, 2022 and September 30, 2021, respectively, which was billed to and paid by our major partners. Deferred revenue is recognized as flights are completed over the remaining contract term.

The deferred revenue balance as of September 30, 2022 represents our aggregate remaining performance obligations that will be recognized as revenue over the period in which the performance obligations are satisfied, and is expected to be recognized as revenue as follows (in thousands):

	Periods Ending September 30,	Total Revenue
2023		\$ 385
2024		2,553
2025		10,065
2026		4,792
2027		3,679
Thereafter		<u>2,593</u>

A portion of the Company's compensation under its capacity purchase agreements with American and United is designed to reimburse the Company for certain aircraft ownership costs. Such costs include aircraft principal and interest debt service costs, aircraft depreciation, and interest expense or aircraft lease expense costs while the aircraft is under contract. The Company has concluded that a component of its revenue under these agreements is deemed to be lease revenue, as such agreements identify the "right of use" of a specific type and number of aircraft over a stated period-of-time. We account for the non-lease component under ASC 606 and account for the lease component under ASC 842. We allocate the consideration in the contract between the lease and non-lease components based on their stated contract prices, which is based on a cost basis approach representing our estimate of the stand-alone selling prices.

The lease revenue associated with the Company's capacity purchase agreements is accounted for as an operating lease and is reflected as contract revenue on the Company's consolidated statements of operations and comprehensive (loss) income. The Company recognized \$158.4 million, \$170.2 million, and \$208.9 million of lease revenue for the years ended September 30, 2022, 2021, and 2020, respectively. The Company has not separately stated aircraft rental income and aircraft rental expense in the consolidated statements of operations and comprehensive (loss) income because the use of the aircraft is not a separate activity from the total service provided under our capacity purchase agreements.

Historically, the Company entered into lease agreements with GoJet Airlines LLC ("GoJet") to lease CRJ-700 aircraft. The lease agreements were accounted for as operating leases and had a term of nine (9) years beginning on the delivery date of each aircraft. Under the lease agreements, GoJet paid fixed monthly rent per aircraft and variable lease payments for supplemental rent based on monthly aircraft utilization at fixed rates. Supplemental rent payments were subject to reimbursement following GoJet's completion of qualifying maintenance events defined in the agreements. Lease revenue for fixed monthly rent payments were recognized on a straight-line basis within contract revenue. Lease revenue for supplemental rent was deferred and recognized within contract revenue when it was probable that amounts received will not be reimbursed for future qualifying maintenance events over the lease term.

The Company mitigated the residual asset risks through supplemental rent payments and by leasing aircraft and engine types that can be operated by the Company in the event of a default. Additionally, the operating leases included specified lease return condition requirements and the Company maintains inspection rights under the leases. Lease incentive obligations for reimbursements of certain aircraft maintenance costs are recognized as lease incentive assets and were amortized on a straight-line basis and recognized as a reduction to lease revenue over the lease term.

During August of 2022, the Company classified 18 CRJ-700 aircraft as assets held for sale (see Note 7) and terminated all lease agreements with GoJet. As a result of the lease termination, the Company recognized a loss from immediately derecognizing lease incentive assets of \$3.2 million. This loss is recorded in operating expense. Prior to the lease termination, lease revenue recognized under the GoJet agreements, net of amortization of the lease incentive assets, was \$30.0 million, \$9.5 million, and zero for the years ended September 30, 2022, 2021, and 2020 respectively.

4. Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, Reference Rate Reform (Topic 848) ("ASU 2020-04"). This ASU provides optional expedients and exceptions for a limited period of time for accounting for contracts, hedging relationships, and other transactions affected by the London Interbank Offered Rate (LIBOR) or other reference rates expected to be discontinued. Optional expedients can be applied from March 12, 2020 through December 31, 2022. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In March 2022, the FASB issued new guidance to expand the scope of financial assets that can be included in a closed portfolio hedged using the portfolio layer method to allow consistent accounting for similar hedges. The expanded scope permits the application of the same portfolio hedging method to both prepayable and non-prepayable financial assets. The standard will be effective for annual reporting periods beginning after December 15, 2022, including interim reporting periods within those fiscal years. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In June 2022, the FASB issued new guidance to clarify the fair value measurement guidance for equity securities subject to contractual restrictions that prohibit the sale of an equity security. Further, the guidance introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value. The standard will be effective for annual reporting periods beginning after December 15, 2023, including interim reporting periods within those fiscal years. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

5. Concentrations of Credit Risk

Financial instruments that potentially expose the Company to a concentration of credit risk consist principally of cash and cash equivalents that are primarily held by financial institutions in the United States and accounts receivable. Amounts on deposit with a financial institution may at times exceed federally insured limits. The Company maintains its cash accounts with high credit quality financial institutions and, accordingly, minimal credit risk exists with respect to the financial institutions. As of September 30, 2022, the Company had \$3.3 million in restricted cash. We have an agreement with a financial institution for a letter of credit facility and to issue letters of credit for particular airport authorities, worker's compensation insurance, property and casualty insurance and other business needs as required in certain lease agreements. Pursuant to the terms of this agreement, \$3.3 million and \$3.4 million of outstanding letters of credit are required to be collateralized by amounts on deposit as of September 30, 2022 and 2021, respectively, which are classified as restricted cash.

Significant customers are those which represent more than 10% of the Company's total revenue or net accounts receivable balance at each respective balance sheet date. At September 30, 2022, the Company had capacity purchase agreements with American and United and a flight services agreement with DHL. Substantially all of the Company's consolidated revenue for the years ended September 30, 2022, 2021, and 2020 and accounts receivable at the end of September 30, 2022 and 2021 was derived from these agreements. In certain cases, the terms of these agreements are not aligned with the lease obligations on the aircraft performing services under such agreements.

Amounts billed by the Company under these agreements are subject to the Company's interpretation of the applicable agreement and are subject to audit by the Company's major partners. Periodically, the Company's major partners dispute amounts billed and pay amounts less than the amount billed. Ultimate collection of the remaining amounts not only depends upon the Company prevailing under the applicable audit, but also upon the financial well-being of the major partner. As such, the Company reviews amounts due based on historical collection trends, the financial condition of major partners and current external market factors and records a reserve for amounts estimated to be uncollectible. The allowance for doubtful accounts was not material at September 30, 2022 and 2021, respectively. If the Company's ability to collect these receivables and the financial viability of our major partners is materially different than estimated, the Company's estimate of the allowance could be materially impacted.

American accounted for approximately 45%, 45% and 52% of the Company's total revenue for the years ended September 30, 2022, 2021, and 2020, respectively. United accounted for approximately 48%, 52% and 48% of the Company's total revenue for the years ended September 30, 2022, 2021, and 2020, respectively. A termination of either the American or the United capacity purchase agreement would have a material adverse effect on the Company's business prospects, financial condition, results of operations, and cash flows.

6. Intangible Assets

The Company includes its intangible assets of customer relationship in the asset group associated with the CRJ-900 fleet operating under the American CPA and monitors for any indicators of impairment of the asset group. When certain conditions or changes in the economic situation exist, the asset group may be impaired if the carrying amount of the assets is not recoverable and that carrying amount exceeds the asset group's fair value. Due to the impacts of the pilot shortage and the pilot wage increase, we evaluated all asset groups during the quarter ended September 30, 2022 and determined that the asset group for the CRJ-900 fleet operating under the American CPA was impaired. As a result, the Company recognized an impairment loss of \$1.9 million on the customer relationship related to the CRJ-900 fleet operating under the American CPA during the quarter ended September 30, 2022, which was recorded in asset impairment on our consolidated statements of operations and comprehensive (loss) income. The Company did not record any impairment losses related to its intangible assets during the years ended September 30, 2021 and 2020.

Information about the intangible assets of the Company at September 30, 2022 and 2021, is as follows (in thousands):

	<u>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>
Customer relationship	\$ 43,800	\$ 43,800
Accumulated amortization	(38,029)	(37,008)
Impairment	(1,929)	-
Net carrying value	<u>\$ 3,842</u>	<u>\$ 6,792</u>

Total amortization expense recognized was approximately \$1.0 million, \$1.2 million, and \$1.5 million for the fiscal years ended September 30, 2022, 2021, and 2020. The Company's intangible assets have a remaining amortization period

of three (3) years. The Company expects to record amortization expense of \$1.3 million, \$1.3 million, and \$1.2 million for fiscal years 2023, 2024, and 2025, respectively.

7. Assets Held for Sale

During 2022, our management committed to a formal plan to sell certain of our CRJ-900, CRJ-200, and CRJ-700 aircraft. The aircraft are expected to be disposed of via sale by December 31, 2022. Accordingly, we determined the aircraft met the criteria to be classified as assets held for sale and have separately presented them in our consolidated balance sheet at the lower of their current carrying value or their fair market value less costs to sell. The fair values are based upon observable and unobservable inputs, including recent purchase offers and market trends and conditions. The assumptions used to determine the fair value of our assets held for sale are subject to inherent uncertainty and could produce a wide range of outcomes which we will continue to monitor in future periods as new information becomes available. Prior to the ultimate sale of the assets, subsequent changes in our estimate of the fair value of our assets held for sale will be recorded as a gain or loss with a corresponding adjustment to the assets' carrying value. In connection with the classification of these assets as held for sale, we recorded impairment losses of \$62.0 million, which are reflected within impairment of assets held for sale in our consolidated statements of operations and comprehensive (loss) income (loss).

In September 2022, the Company completed the sale of 10 CRJ-700 aircraft for \$50.0 million in cash proceeds. The disposed aircraft had a held for sale value of \$45.3 million and the Company recognized \$4.7 million of gain on sale, which is reflected within gain on sale of aircraft on our consolidated statements of operations and comprehensive (loss) income.

As of September 30, 2022, the Company has 11 CRJ-900 aircraft, eight (8) CRJ-700 aircraft, and one (1) CRJ-200 aircraft that are classified as assets held for sale with a net book value of \$73.0 million, which is reflected within assets held for sale on our consolidated balance sheet.

8. Balance Sheet Information

Certain significant amounts included in the Company's consolidated balance sheets as of September 30, 2022 and 2021, consisted of the following (in thousands):

	<u>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>
Expendable parts and supplies, net:		
Expendable parts and supplies	\$ 31,913	\$ 29,297
Less: obsolescence and other	(5,198)	(4,830)
	<u>\$ 26,715</u>	<u>\$ 24,467</u>
Prepaid expenses and other current assets:		
Prepaid aviation insurance	\$ 2,618	\$ 2,171
Prepaid vendors	1,310	893
Prepaid other insurance	1,268	1,323
Lease Incentives	352	1,445
Other	1,068	1,053
	<u>\$ 6,616</u>	<u>\$ 6,885</u>
Property and equipment, net:		
Aircraft and other flight equipment substantially pledged	\$ 1,260,143	\$ 1,611,544
Other equipment	5,577	4,934
Leasehold improvements	2,776	2,776
Vehicles	992	1,184
Building	777	699
Furniture and fixtures	298	300
Total property and equipment	1,270,563	1,621,437
Less: accumulated depreciation	(405,309)	(469,546)
	<u>\$ 865,254</u>	<u>\$ 1,151,891</u>
Other assets:		
Investments in equity securities	\$ 15,178	\$ 25,149
Lease incentives	1,097	10,957
Other	15	15
	<u>\$ 16,290</u>	<u>\$ 36,121</u>
Other accrued expenses:		
Accrued property taxes	\$ 5,866	\$ 8,783
Accrued interest	2,882	2,565
Accrued vacation	4,746	5,936
Accrued lodging	3,795	3,380
Accrued maintenance	1,453	1,580
Accrued liability on government payroll program	2,967	2,775
Accrued simulator costs	1,045	457
Accrued employee benefits	1,679	981
Accrued fleet operating expense	1,606	786
Short term lease incentive liability	97	3,318
Other	2,864	3,096
	<u>\$ 29,000</u>	<u>\$ 33,657</u>
Other noncurrent liabilities:		
Warrant liabilities	\$ 25,225	\$ 21,964
Lease incentive obligations	1,050	6,358
Long term employee benefits	1,123	1,447
Long term liability on government payroll program	—	2,775
Other	1,821	2,047
	<u>\$ 29,219</u>	<u>\$ 34,591</u>

Impairment of long-lived assets

The Company monitors for any indicators of impairment of the long-lived fixed assets. When certain conditions or changes in the economic situation exist, the assets may be impaired and the carrying amount of the assets exceed its fair value. The assets are then tested for recoverability of carrying amount. The Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired, the undiscounted net cash flows estimated to be generated by those assets are less than the carrying amount of those assets, and the net book value of the assets exceeds their estimated fair value.

We group assets at the capacity purchase agreement, flight services agreement, and fleet-type level (i.e., the lowest level for which there are identifiable cash flows). If impairment indicators exist with respect to any of the asset groups, we estimate future cash flows based on projections of capacity purchase or flight services agreement, block hours, maintenance events, labor costs and other relevant factors.

Due to the impacts of the pilot shortage and the pilot wage increase, the Company assessed whether any impairment of its long-lived assets existed for all asset groups during the quarter ended September 30, 2022. The Company has determined that impairment charges were deemed necessary only for the asset group associated with the CRJ-900 fleet operating under the American CPA because the future cash flows from the operation of other asset groups through the respective retirement dates exceeded the carrying value. The asset group associated with the CRJ-900 fleet includes owned aircraft, leased aircraft, intangible assets of customer relationship, and other relevant long-lived assets. The fair values of assets within the CRJ-900 fleet were calculated using Level 3 fair value inputs based primarily upon recent market transactions, appraisals, and third-party bids, which were corroborated with published pricing guides and our assessment of existing market conditions based on industry knowledge. For the year ended September 30, 2022, the Company recognized a total impairment loss of \$109.7 million related to the asset group associate with the CRJ-900 fleet, of which \$92.6 million was related to property and equipment, \$15.2 million was related to operating lease right-of-use assets, and \$1.9 million was related to intangible asset of customer relationship. These impairment charges were recorded in asset impairment on our consolidated statements of operations and comprehensive (loss) income. The Company did not record any impairment losses related to its long-lived assets during the years ended September 30, 2021 and 2020.

The Company's assumptions about future conditions important to its assessment of potential impairment of its long-lived assets, including the impact of the COVID-19 pandemic to its business, are subject to uncertainty, and the Company will continue to monitor these conditions in future periods as new information becomes available, and will update its analyses accordingly.

Depreciation Expense on Property and Equipment

Depreciation expense on property and equipment totaled \$80.5 million, \$81.2 million and \$80.8 million for the years ended September 30, 2022, 2021, and 2020, respectively.

Other Assets

In connection with a negotiated forward purchase contract for electrically-powered vertical takeoff and landing aircraft ("eVTOL aircraft") executed in February 2021, we obtained equity warrant assets giving us the right to acquire a number shares of common stock in Archer Aviation, Inc. ("Archer"), which at the time of our initial investment was a private, venture-backed company. As the initial investment in Archer did not have a readily determinable fair value, we accounted for this investment using the measurement alternative under ASC 321 and measured the investments at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments from the same issuer. We estimated the initial equity warrant asset value to be \$16.4 million based on publicly available information as of the grant date. In September 2021, the merger between Archer and a special purpose acquisition company ("SPAC") was completed, resulting in a readily determinable fair value of our investments in Archer. Accordingly, gains and losses associated with changes in the fair value of our investments in Archer are measured in earnings, in accordance with ASC 321.

The initial grant date value of the warrants, \$16.4 million, was recognized as a vendor credit liability within other noncurrent liabilities. The liability related to the warrant assets will be settled in the future, as a reduction of the acquisition date value of the eVTOL aircraft contemplated in the related aircraft purchase agreement.

In connection with closing of the merger between Archer and the SPAC described above, in September 2021, we purchased 500,000 Class A common shares in Archer for \$5.0 million, and obtained an additional warrant to purchase shares of Archer with a total grant date value of \$5.6 million. The initial value of the warrants was recognized as a vendor credit liability within other noncurrent liabilities, and will be settled in the future, as a reduction of the acquisition date value of the eVTOL aircraft contemplated in the related aircraft purchase agreement. Because these investments have readily

determinable fair values, gains and losses resulting from changes in fair value of the investments are reflected in earnings, in accordance with ASC 321. All of our vested warrants have been exercised into shares of Archer common stock.

Losses on our investments in Archer totaled \$13.7 million and \$6.8 million during the fiscal years ended September 30, 2022 and 2021, and are reflected in loss on investments, net in our Consolidated Statements of Operations and Comprehensive (Loss) Income.

The fair values of the Company's investments in Archer are Level 1 within the fair value hierarchy as the values are determined using quoted prices for the equity securities.

In connection with a negotiated forward purchase contract for fully electric aircraft executed in July 2021, we obtained \$5.0 million of preferred stock in Heart Aerospace Incorporated ("Heart"), a privately held company. Our investment in Heart does not have a readily determinable fair value, so we account for the investment using the measurement alternative under ASC 321 and measure the investment at initial cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments from the same issuer. We consider a range of factors when adjusting the fair value of these investments, including, but not limited to, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, financing transactions subsequent to the acquisition of the investment, or other features that indicate a change to fair value is warranted. Any changes in fair value from the initial cost of the investment in preferred stock are recognized as increases or decreases on our balance sheet and as net gains or losses on investments in equity securities, in other income (expense), net. The initial investment in preferred stock was measured at cost of \$5.0 million. There were no identical or similar transactions during the fiscal year ended September 30, 2022, and as such, no adjustments to the initial cost of the equity investment resulting from observable price changes have been recorded at September 30, 2022.

In connection with a negotiated forward purchase contract for hybrid-electric vertical takeoff and landing ("VTOL") aircraft executed in February 2022, we obtained a warrant giving us the right to acquire a number of shares of common stock in the privately-held manufacturer of the VTOL aircraft. These investments do not have a readily determinable fair value, so we account for them using the measurement alternative under ASC 321 and measure the investments at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments from the same issuer. We consider a range of factors when adjusting the fair value of these investments, including, but not limited to, the term and nature of the investment, local market conditions, values for comparable securities, current and projected operating performance, financing transactions subsequent to the acquisition of the investment or other features that indicate a discount to fair value is warranted. Any changes in fair value from the grant date value of the warrant assets will be recognized as increases or decreases to the investment on our balance sheet and as net gains or losses on investments equity securities. We estimated the initial warrant asset value to be \$3.2 million based on prices of similar investments in the same issuer. The grant date value of the warrants, \$3.2 million, was recognized as a vendor credit liability within other noncurrent liabilities. The liability related to the warrant assets will be settled in the future, as a reduction of the acquisition date value of the VTOL aircraft contemplated in the related forward purchase agreement.

Total net losses on our investments in equity securities totaled \$13.7 million during the year ended September 30, 2022, respectively, and are reflected in loss on investments, net in our consolidated statements of operations and comprehensive (loss) income. As of September 30, 2022, the aggregate carrying amount of our investments in equity securities was \$15.2 million, and the carrying amount of our investments without readily determinable fair values was \$9.0 million.

9. Fair Value Measurements

Other than our assets held for sale, asset group associated with the CRJ-900 fleet, and investments in equity securities described in Notes 7 and 8, respectively, we did not measure any of our assets or liabilities at fair value on a recurring or nonrecurring basis as of September 30, 2022 and 2021.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable included on the consolidated balance sheets approximated fair value at September 30, 2022 and 2021 because of the immediate or short-term maturity of these financial instruments.

The Company's debt agreements are not traded on an active market. The Company has determined the estimated fair value of its debt to be Level 3, as certain inputs used to determine the fair value of these agreements are unobservable and, therefore, could be sensitive to changes in inputs. The Company utilizes the discounted cash flow method to estimate the fair value of Level 3 debt.

The carrying value and estimated fair value of the Company's long-term debt, including current maturities, were as follows (in millions):

	September 30, 2022		September 30, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities ⁽¹⁾	\$ 615.3	\$ 541.7	\$ 670.3	\$ 676.8

(1) Current and prior period long-term debts' carrying and fair values exclude net debt issuance costs.

10. Long-Term Debt, Finance Leases, and Other Borrowings

Long-term debt as of September 30, 2022 and 2021, consisted of the following (in thousands):

	September 30, 2022	September 30, 2021
Senior and subordinated notes payable to secured parties, due in monthly installments, interest based on LIBOR plus interest spread at 2.71% through 2027, collateralized by the underlying aircraft	\$ 73,850	\$ 86,551
Notes payable to secured parties, due in semi-annual installments, interest based on LIBOR plus interest spread at 4.75% to 6.25% through 2028, collateralized by the underlying aircraft	131,010	152,100
Notes payable to secured parties, due in quarterly installments, interest based on LIBOR plus interest at spread 2.20% to 2.32% for senior note & 4.50% for subordinated note through 2028, collateralized by the underlying aircraft	106,865	122,762
Other obligations due to financial institution, monthly and/or quarterly interest due from 2022 through 2031, collateralized by the underlying equipment	18,038	4,581
Notes payable to financial institution, due in monthly installments, interest based on LIBOR plus interest spread at 3.10% through 2024, collateralized by the underlying equipment	26,758	45,559
Notes payable to financial institution, due in monthly installments, plus interest spread at 5.00% through 2022, collateralized by the underlying aircraft	-	30,625
Notes payable to financial institution, due in monthly installments, plus interest spread at 5.00% through 2023, secured by flight equipment	2,000	4,000
Revolving credit facility, monthly interest based on LIBOR plus interest spread at 3.75% through 2022	15,630	22,930
Notes payable to financial institution, quarterly interest based on LIBOR plus interest spread at 3.50% through 2027	204,947	201,227
Notes payable to financial institution, due in monthly installments, interest based on LIBOR plus interest spread at 4.24%, through 2027, collateralized by the underlying equipment	36,212	-
Gross long-term debt, including current maturities	\$ 615,310	\$ 670,335
Less unamortized debt issuance costs	(8,303)	(9,295)
Less notes payable warrants	(7,272)	(9,630)
Net long-term debt, including current maturities	\$ 599,735	\$ 651,410
Less current portion, net of unamortized debt issuance costs	(97,218)	(111,710)
Net long-term debt	\$ 502,517	\$ 539,700

Principal maturities of long-term debt as of September 30, 2022, and for each of the next five (5) years are as follows (in thousands):

Periods Ending September 30,	Total Principal Amount
2023	\$ 99,102
2024	73,374
2025	64,512
2026	271,824
2027	63,958
Thereafter	42,540
	<u>\$ 615,310</u>

The net book value of collateralized aircraft and equipment as of September 30, 2022 was \$856.9 million.

Enhanced Equipment Trust Certificate ("EETC")

In December 2015, an Enhanced Equipment Trust Certificate ("EETC") pass-through trust was created to issue pass-through certificates to obtain financing for new E-175 aircraft. At September 30, 2022, Mesa has \$131.0 million of equipment notes outstanding issued under the EETC financing included in long-term debt on the consolidated balance sheets. The structure of the EETC financing consists of a pass-through trust created by Mesa to issue pass-through certificates, which represent fractional undivided interests in the pass-through trust and are not obligations of Mesa.

The proceeds of the issuance of the pass-through certificates were used to purchase equipment notes which were issued by Mesa and secured by its aircraft. The payment obligations under the equipment notes are those of Mesa. Proceeds received from the sale of pass-through certificates were initially held by a depository in escrow for the benefit of the certificate holders until Mesa issued equipment notes to the trust, which purchased such notes with a portion of the escrowed funds.

Mesa evaluated whether the pass-through trust formed for its EETC financing is a variable interest entity ("VIE") and required to be consolidated. The pass-through trust was determined to be a VIE; however, the Company has determined that it is not the primary beneficiary of the pass-through trust, and therefore, has not consolidated the pass-through trust with its financial statements.

CIT Revolving Credit Facility

On June 30, 2022, we entered into the Second Amended and Restated Credit and Guaranty Agreement by and among Mesa Airlines and Mesa Air Group Airline Inventory Management, L.L.C., as borrowers, Mesa Air Group, as a Guarantor, the other guarantors party thereto from time to time, CIT Bank, as Administrative Agent, and the other lenders party thereto, which was effective as of June 30, 2022 and extended the maturity date of the facility by three (3) months to December 31, 2022.

As of September 30, 2022, \$15.6 million of the draw loan remained outstanding. Future borrowings, if any, under this facility are subject to, among other things, the Company having sufficient unencumbered assets to meet the borrowing base requirements under the facility.

Our CIT revolving credit facility includes a minimum interest and rental coverage ratio covenant. In March and April 2022, we entered into amendments to the CIT revolving credit facility which lowered the minimum interest and rental coverage ratio covenant for the year September 30, 2022. As a result, we are in compliance with this covenant.

Loan Agreement with the United States Department of the Treasury

On October 30, 2020, the Company entered into a Loan and Guarantee Agreement with U.S. Department of the Treasury (the "U.S. Treasury") for a secured loan facility of up to \$200.0 million that matures in October 2025 ("the Treasury Loan"). On October 30, 2020, the Company borrowed \$43.0 million and on November 13, 2020, the Company borrowed an additional \$152.0 million. No further borrowings are available under the Treasury Loan. The Company also issued warrants to purchase shares of common stock to the U.S. Treasury.

The Treasury Loan bears interest at a variable rate equal to (a)(i) the LIBOR rate divided by (ii) one minus the Eurodollar Reserve Percentage plus (b) 3.50%. Accrued interest on the loans is payable in arrears on the first business day following the 14th day of each March, June, September, and December, beginning with December 15, 2020.

All principal amounts outstanding under the Treasury Loan are due and payable in a single installment on October 30, 2025 (the "Maturity Date"). Interest is paid in kind by increasing the principal amount of the loan by the amount of such

interest due on an interest payment date for the first 12 months of the loan. Mesa's obligations under the Treasury Loan are secured by certain aircraft, aircraft engines, accounts receivable, ground service equipment, and tooling (collectively, the "Collateral"). The obligations under the Treasury Loan are guaranteed by the Company and Mesa Air Group Inventory Management. The proceeds were used for general corporate purposes and operating expenses, to the extent permitted by the CARES Act. Voluntary prepayments of loans under the Treasury Loan may be made, in whole or in part, by Mesa Airlines, without premium or penalty, at any time and from time to time. Amounts prepaid may not be reborrowed. Mandatory prepayments of loans under the Treasury Loan are required, without premium or penalty, to the extent necessary to comply with the covenants discussed below, certain dispositions of the Collateral, certain debt issuances secured by liens on the Collateral and certain insurance payments related to the Collateral. In addition, if a "change of control" (as defined in the Treasury Loan) occurs with respect to Mesa Airlines, Mesa Airlines will be required to repay the loans outstanding under the Treasury Loan.

The Treasury Loan requires the Company, under certain circumstances, including within 10 business days prior to the last business day of March and September of each year beginning March 2021, to appraise the value of the Collateral and recalculate the collateral coverage ratio. If the calculated collateral coverage ratio is less than 1.6 to 1.0, Mesa Airlines will be required either to provide additional Collateral (which may include cash collateral) to secure its obligations under the Treasury Loan or repay the term loans under the Treasury Loan, in such amounts that the recalculated collateral coverage ratio, after giving effect to any such additional Collateral or repayment, is at least 1.6 to 1.0.

The Treasury Loan contains two (2) financial covenants, a minimum collateral coverage ratio and a minimum liquidity level. The Treasury Loan also contains customary negative and affirmative covenants for credit facilities of this type, including, among others: (a) limitations on dividends and distributions; (b) limitations on the creation of certain liens; (c) restrictions on certain dispositions, investments and acquisitions; (d) limitations on transactions with affiliates; (e) restrictions on fundamental changes to the business, and (f) restrictions on lobbying activities. Additionally, the Company is required to comply with the relevant provisions of the CARES Act, including limits on employment level reductions after September 30, 2020, restrictions on dividends and stock buybacks, limitations on executive compensation, and requirements to maintain certain levels of scheduled service.

In connection with the Treasury Loan and as partial compensation to the U.S. Treasury for the provision of financial assistance under the Treasury Loan, the Company issued to the U.S. Treasury warrants to purchase an aggregate of 4,899,497 shares of the Company's common stock at an exercise price of \$3.98 per share, which was the closing price of the Common Stock on The Nasdaq Stock Market on April 9, 2020. The exercise price and number of shares of common stock issuable under the Warrants are subject to adjustment as a result of anti-dilution provisions contained in the Warrants for certain stock issuances, dividends, and other corporate actions. The warrants expire on the fifth anniversary of the date of issuance and are exercisable either through net share settlement or net cash settlement, at the Company's option. For accounting purposes, the fair value for the Warrant was estimated using a Black-Scholes option pricing model and recorded in stockholders' equity with an offsetting debt discount to the Treasury Loan in the consolidated balance sheet.

The Company incurred \$3.1 million in debt issuance costs relating to the Treasury Loan. In accordance with the applicable guidance, Mesa allocated the debt issuance costs between the Treasury Loan and related warrants. At funding on October 30, 2020, the initial \$43.0 million was recorded net of \$0.7 million in capitalized debt issuance costs. At funding on November 13, 2020, the remaining \$152.0 million was recorded net of \$2.3 million in capitalized debt issuance costs. The remaining \$0.1 million in debt issuance costs was allocated to the warrants as a reduction to the warrant value within additional paid-in capital. Debt issuance costs allocated to the debt are amortized into interest expense using the effective interest method over the term of the related loan.

Prior to the November 13, 2020 funding of the \$152.0 million portion of the Treasury Loan, the Company repaid \$167.7 million in existing aircraft debt covering 44 aircraft, including indebtedness under its (a) Senior Loan Agreements, dated June 27, 2018, (b) Junior Loan Agreements, also dated June 27, 2018, (c) Credit Agreements, dated January 31, 2007, April 16, 2014, and May 23, 2014, (d) Senior Loan Agreements, dated December 27, 2017, and (e) Junior Loan Agreements, also dated December 27, 2017 (collectively, "the EDC Loans"). The Company made payments totaling \$164.2 million to repay the EDC Loans, consisting of principal of \$167.7 million, and a \$3.5 million discount on the balance owed. Additionally, in connection with the repayment, \$2.5 million of unamortized original issue discount and deferred financing costs were recorded as a loss on debt extinguishment, resulting in a net gain on extinguishment of \$1.0 million recorded within other income.

In April 2022, we entered into an agreement with the U.S. Treasury to lower the minimum collateral coverage ratio covenant to 1.5 to 1.0 through September 30, 2022. As of September 30, 2022, the Company is in compliance with all debt covenants.

In December 2021, we entered into a loan agreement with a financing institution to finance certain purchases of spare engines via a newly formed limited liability company ("LLC"). The loan agreement provides for aggregate borrowings of up to \$54.0 million through November 2022. In December 2021, we borrowed an aggregate of \$35.3 million under the loan agreement, which matures in December 2027. The borrowed amounts are collateralized by the underlying engines and require monthly principal and interest payments until maturity. Borrowings under the loan agreement bear interest at the monthly LIBOR plus 4.25%. The borrowings are the obligation of the newly formed LLC and are guaranteed by Mesa Airlines, Inc.

The newly formed LLC, which is wholly owned by Mesa, was determined to be a VIE for which we are the primary beneficiary because we have the power to direct the activities of the LLC that most significantly impact the LLC's economic performance and the obligation to absorb losses and right to receive benefits from the LLC in our capacity as sole member of the LLC and guarantor of the borrowings. Therefore, the LLC is consolidated in our financial statements and the borrowings are reflected as long-term debt in our consolidated balance sheets.

The loan agreement contains a loan-to-value ("LTV") financial covenant pursuant to which we are required to prepay certain amounts of the loan if the aggregate outstanding principal balance of the loan exceeds a specified percentage of the appraised value of the engines beginning in the 12th full month after closing and each June 1 and December 1 thereafter.

As of September 30, 2022, we were in compliance with all debt covenants.

11. Earnings Per Share

Calculations of net (loss) income per common share were as follows (in thousands, except per share data):

	Year Ended September 30,		
	2022	2021	2020
Net (loss) income	\$ (182,678)	\$ 16,588	\$ 27,464
Basic weighted average common shares outstanding	36,133	35,713	35,237
Add: Incremental shares for:			
Dilutive effect of warrants	—	2,543	—
Dilutive effect of restricted stock	—	587	71
Diluted weighted average common shares outstanding	36,133	38,843	35,308
Net (loss) income per common share			
Basic	\$ (5.06)	\$ 0.46	\$ 0.78
Diluted	\$ (5.06)	\$ 0.43	\$ 0.78

Basic (loss) income per common share is computed by dividing net (loss) income attributable to Mesa Air Group by the weighted average number of common shares outstanding during the period.

The number of incremental shares from the assumed issuance of shares relating to restricted stock and exercise of warrants (excluding warrants with a nominal conversion price) is calculated by applying the treasury stock method. Share-based awards and warrants whose impact is considered to be anti-dilutive under the treasury stock method were excluded from the diluted net (loss) income per share calculation. In loss periods, these incremental shares are excluded from the calculation of diluted loss per share, as the inclusion of unvested restricted stock and warrants would have an anti-dilutive effect.

The following number of weighted-average potentially dilutive shares (in thousands) were excluded from the calculation of diluted net (loss) income per share because the effect of including such potentially dilutive shares would have been anti-dilutive:

	Year Ended September 30,		
	2022	2021	2020
Warrants	758	—	—
Restricted stock	106	—	—
	864	—	—

12. Common Stock

In connection with the Treasury Loan and as partial compensation to the U.S. Treasury for the provision of financial assistance under the Treasury Loan, the Company issued warrants to the U.S. Treasury to purchase shares of the Company's common stock, no par value, at an exercise price of \$3.98 per share (the "Exercise Price"), which was the closing price of the common stock on The Nasdaq Stock Market on April 9, 2020. The warrants were issued pursuant to the terms of a Treasury Warrant Agreement entered into by the Company and the U.S. Treasury. The exercise price and number of warrant shares issuable under the warrants are subject to adjustment as a result of anti-dilution provisions contained in the warrants for certain stock issuances, dividends, and other corporate actions. The warrants expire on the fifth anniversary of the date of issuance and are exercisable either through net share settlement or net cash settlement, at the Company's option. The warrants are accounted for within equity at a grant date fair value determined under the Black Scholes Option Pricing Model. As of September 30, 2022, 4,899,497 warrants were issued and outstanding.

The Company has not historically paid dividends on shares of its common stock. Additionally, the Treasury Loan and the Company's aircraft lease facility (the "RASPRO" Lease Facility) with RASPRO Trust 2005, a pass-through trust contains restrictions that limit the Company's ability to or prohibit it from paying dividends to holders of its common stock.

13. Income Taxes

The provision for income taxes consists of the following:

	Years Ended September 30,		
	2022	2021	2020
	(in thousands)		
Current			
Federal	\$ —	\$ (39)	\$ —
State	231	202	297
	<u>\$ 231</u>	<u>\$ 163</u>	<u>\$ 297</u>
Deferred			
Federal	(47,879)	4,494	8,404
State	(4,342)	1,171	830
	<u>\$ (52,221)</u>	<u>\$ 5,665</u>	<u>\$ 9,234</u>
(Benefit) provision for income taxes	<u>\$ (51,990)</u>	<u>\$ 5,828</u>	<u>\$ 9,531</u>

The reconciliation between the effective tax rate on income from continuing operations and the statutory tax rate is as follows:

	Years Ended September 30,		
	2022	2021	2020
	(in thousands)		
Income tax (benefit) provision at federal statutory rate	\$ (49,280)	\$ 4,707	\$ 7,769
(Reduction) increase in income taxes resulting from:			
State taxes, net of federal tax benefit	(3,953)	669	968
Nondeductible stock compensation expenses	251	(241)	524
Permanent items	206	292	314
Change in valuation allowances	(22)	(140)	1,173
162(m) limitation	11	12	14
Impact of changing rates on deferred tax assets	(247)	509	(2,313)
Expired tax attributes	964	152	633
Other	80	(132)	449
Income tax (benefit) provision	<u>\$ (51,990)</u>	<u>\$ 5,828</u>	<u>\$ 9,531</u>

The components of the Company's deferred taxes as of September 30, 2022 and 2021 are as follows:

	Years Ended September 30,	
	2022	2021
	(in thousands)	
Net operating loss carryforwards	\$ 131,897	\$ 121,604
Deferred credits	703	899
Other accrued expenses	1,769	2,682
Prepays and other	1,175	1,969
Warrant liabilities	5,725	5,018
State alternative minimum tax	1	1
Other reserves and estimated losses	873	729
Operating lease liabilities	8,012	15,226
Deferred revenue	5,506	1,439
Gross deferred tax assets	\$ 155,661	\$ 149,567
Less: valuation allowance	(2,901)	(2,922)
Total net deferred tax assets	\$ 152,760	\$ 146,645
Intangible assets	(877)	(1,552)
Operating lease right-of-use assets	(2,055)	(11,467)
Property and equipment	(166,586)	(200,105)
Unrealized gain on equity investments	(961)	(3,461)
Total deferred tax liabilities	\$ (170,479)	\$ (216,585)
Net deferred tax liability	\$ (17,719)	\$ (69,940)

The Company has federal and state income tax net operating losses ("NOL") carryforwards of \$591.4 million and \$247.0 million, which expire in fiscal years 2027-2038 and 2022-2042, respectively. Approximately \$180.9 million of our federal NOL carryforwards are not subject to expiration. These NOL carryovers are only available to offset 80% of taxable income in years in which they are utilized due to tax law changes as a result of the Tax Cuts and Jobs Act.

The Company believes that it is more likely than not that the benefit from certain state NOL carryforwards will not be realized. In recognition of this risk, the Company has provided a valuation allowance of \$2.9 million as of September 30, 2022 and \$2.9 million as of September 30, 2021 on the deferred tax assets related to these state NOL carryforwards. If or when recognized, the tax benefits related to any reversal of the valuation allowance on deferred tax assets will be recognized as a reduction of income tax expense.

The federal and state NOL carryforwards in the income tax returns filed included unrecognized tax benefits. The deferred tax assets recognized for those NOLs are presented net of these unrecognized tax benefits.

Because of the change of ownership provisions of the Tax Reform Act of 1986, the use of a portion of our NOL and tax credit carryforwards may be limited in future periods. Further, a portion of the carryforwards may expire before being applied to reduce future income tax liabilities. The Company determined it had an ownership change in February of 2009. Based on the study conducted at that time, a portion of the federal NOLs were determined to be limited by IRC Section 382, resulting in the Company writing off a portion of its NOLs at that time. Additionally, the Company's initial public offering in August of 2018 resulted in a change in ownership under Section 382 of the Internal Revenue Code. The Company completed an update to the analysis of any potential limitation on the use of its net operating losses under Section 382 for the fiscal year ended September 30, 2022. Based on such analysis, the Company does not believe any ownership changes during the review period will further limit its ability to use its current net operating losses to offset future taxable income, if any.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits:

	Years Ended September 30,		
	2022	2021	2020
	(in thousands)		
Unrecognized tax benefits — October 1	\$ 4,866	\$ 4,866	\$ 4,688
Gross decreases — tax positions in prior period	—	—	—
Gross increases — tax positions in prior period	—	—	178
Unrecognized tax benefits — September 30	\$ 4,866	\$ 4,866	\$ 4,866

The Company's unrecognized tax benefits of \$4.9 million, \$4.9 million and \$4.9 million as of September 30, 2022, 2021, and 2020, respectively, is included as an offset to the net deferred tax asset balance. If recognized, the balance of the uncertain tax benefits would impact the effective tax rate.

We recognize interest accrued related to unrecognized tax benefits and penalties as income tax expense. We have not recorded accrued penalties or interest related to the unrecognized tax benefits noted above as the amounts would result in an adjustment to NOL carryforwards.

We are subject to taxation in the United States and various states. As of September 30, 2022, the Company is no longer subject to U.S. federal or state examinations by taxing authorities for fiscal years prior to 2002.

14. Share-Based Compensation

Restricted Stock

The Company grants restricted stock units ("RSUs") as part of its long-term incentive compensation to employees and non-employee members of the Board of Directors. RSUs generally vest over a period of three (3) to five (5) years for employees and one (1) year for members of the Board of Directors. The restricted common stock underlying RSUs are not deemed issued or outstanding upon grant, and do not carry any voting rights. RSUs are measured based on the fair market value of the underlying common stock on the grant date.

The restricted stock activity for our years ended September 30, 2022, 2021, and 2020 is summarized as follows:

2018 Plan	Number of Shares	Weighted- Average Grant Date Fair Value
Restricted shares unvested at September 30, 2019	847,974	\$ 9.56
Granted	910,297	3.97
Vested	(555,473)	9.21
Cancelled	(7,250)	7.89
Restricted shares unvested at September 30, 2020	1,195,548	\$ 5.47
Granted	346,123	9.53
Vested	(492,465)	6.89
Cancelled	(43,000)	4.57
Restricted shares unvested at September 30, 2021	1,006,206	6.22
Granted	718,959	3.20
Vested	(455,303)	6.13
Cancelled	(97,369)	2.97
Restricted shares unvested at September 30, 2022	<u>1,172,493</u>	<u>\$ 4.43</u>

As of September 30, 2022, there was \$4.4 million of total unrecognized compensation cost related to unvested share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.7 years.

Compensation cost for share-based awards are recognized on a straight-line basis over the vesting period. The Company recognizes forfeitures of share-based awards as they occur. Share-based compensation expense for the years ended September 30, 2022, 2021, and 2020 was \$2.8 million, \$3.1 million, and \$4.4 million, respectively. Share-based compensation expense is recorded in general and administrative expenses in the consolidated statements of operations and comprehensive (loss) income.

The Company repurchased 147,108 shares of its common stock for \$0.5 million to cover the income tax obligation on vested employee equity awards during the fiscal year ended September 30, 2022. The Company repurchased 155,174 shares of its common stock for \$1.5 million to cover the income tax obligation on vested employee equity awards and warrant conversions during the fiscal year ended September 30, 2021. During the fiscal year ended September 30, 2020, the Company repurchased 142,439 shares of its common stock for \$0.6 million to cover the income tax obligation on vested employee equity awards.

15. Employee Stock Purchase Plan

2019 ESPP

The Mesa Air Group, Inc. 2019 Employee Stock Purchase Plan (the "2019 ESPP") is a nonqualified plan that provides eligible employees of Mesa Air Group, Inc. with an opportunity to purchase Mesa Air Group, Inc. ordinary shares through payroll deductions. Under the 2019 ESPP, eligible employees may elect to contribute 1% to 15% of their eligible compensation during each semi-annual offering period to purchase Mesa Air Group, Inc. ordinary shares at a 10% discount.

A maximum of 500,000 Mesa Air Group, Inc. ordinary shares may be issued under the 2019 ESPP. As of September 30, 2022, eligible employees purchased and the Company issued an aggregate of 304,137 Mesa Air Group, Inc. ordinary shares under the 2019 ESPP, 109,943 of which were purchased and issued during the current fiscal year.

16. Leases

At September 30, 2022, the Company leased 16 aircraft, airport facilities, office space, and other property and equipment under non-cancelable operating leases. The operating leases require the Company to pay taxes, maintenance, insurance, and other operating expenses. Rental expense is recognized on a straight-line basis over the lease term, net of lessor rebates and other incentives. The Company expects that, in the normal course of business, such operating leases that expire will be renewed or replaced by other leases, or the property may be purchased rather than leased. Aggregate rental expense under all operating aircraft, equipment and facility leases totaled approximately \$43.4 million, \$44.6 million, and \$51.4 million for the year ended September 30, 2022, 2021, and 2020, respectively.

At September 30, 2022, the Company leased 2 aircraft and 3 spare engines under non-cancelable finance leases. Basic rent on finance leases is paid monthly and at the end of the lease term. At the end of the lease term, the Company has the option to purchase the aircraft and engines for most of the finance leases. These finance leases are reflected as finance lease obligations of \$18.0 million on our consolidated balance sheet as of September 30, 2022.

The components of our operating and finance lease costs were as follows (in thousands):

	Year Ended September 30,	
	2022	2021
Operating lease costs	\$ 37,637	\$ 37,929
Variable and short-term lease costs	5,783	6,708
Interest expense on finance lease liabilities	547	576
Amortization expense of finance lease assets	2,705	2,130
Total lease costs	<u>\$ 46,672</u>	<u>\$ 47,343</u>

As of September 30, 2022, the Company's operating lease right-of-use assets were \$43.1 million, the Company's current maturities of operating lease liabilities were \$17.2 million, and the Company's noncurrent operating lease liabilities were \$16.7 million. As of September 30, 2022, the Company's current portion of finance lease liabilities were \$2.7 million, and the Company's noncurrent finance lease liabilities were \$15.3 million.

The Company's operating lease payments included in operating cash flows for the year ended September 30, 2022 and 2021 were \$36.3 million and \$47.6 million, respectively. The Company's finance lease interest payments included in operating cash flows for the year ended September 30, 2022 and 2021 were \$0.3 million and \$0.6 million, respectively. The Company's finance lease principal payments included in financing cash flows for the year ended September 30, 2022 and 2021 were \$2.5 million and \$2.3 million, respectively.

Due to the impacts of the pilot shortage and the pilot wage increase, we evaluated all asset groups during the quarter ended September 30, 2022 and determined that only the asset group associated with the CRJ-900 fleet operating under the American CPA, discussed in Note 8, required impairment. This resulted in an impairment loss of \$15.2 million to the leased aircraft within the asset group for the CRJ-900 fleet operating for the year ended September 30, 2022, which was recorded in asset impairment on our consolidated statements of operations and comprehensive (loss) income. Additionally, we recorded a \$0.2 million of impairment on certain operating lease ROU assets associated with the abandonment of a leased facility during the year ended September 30, 2022. The Company did not record any impairment losses related to its operating lease right-of-use assets during the years ended September 30, 2021 and 2020.

The table below presents the weighted average remaining terms and discount rates for our operating and finance leases as of September 30, 2022:

As of September 30, 2022

Finance leases:	
Weighted average remaining lease term	7.4 years
Weighted average discount rate	6.1%
Operating leases:	
Weighted average remaining lease term	3.8 years
Weighted average discount rate	4.5%

The following table summarizes future minimum rental payments, primarily related to leased aircraft, required under operating and finance leases that had initial or remaining non-cancelable lease terms as of September 30, 2022 (in thousands):

Periods Ending September 30,	Operating Leases	Finance Leases
2023	\$ 18,356	\$ 2,730
2024	10,172	7,054
2025	1,564	1,800
2026	1,046	1,800
2027	1,029	1,800
Thereafter	5,054	6,600
Total lease payments	37,221	21,784
Less: imputed interest	(3,256)	(3,746)
Amounts recorded in the consolidated balance sheet	\$ 33,965	\$ 18,038

RASPRO Lease Facility. On September 23, 2005, Mesa Airlines, as lessee, entered into the RASPRO Lease Facility, with RASPRO as lessor, for 15 of our CRJ-900 aircraft. The obligations under the RASPRO Lease Facility are guaranteed by us, and basic rent is paid quarterly on each aircraft. On each of March 10, 2014, June 5, 2014, and December 8, 2017, the RASPRO Lease Facility was amended to defer certain payments of basic rent (the "*Deferred Amounts*"). Until the principal of and accrued interest on the *Deferred Amounts* are paid in full: (i) we and Mesa Airlines are prohibited from paying any dividends to holders of our common stock, (ii) we are prohibited from repurchasing any of our warrants or other equity interests, (iii) Mesa Airlines must maintain a minimum of \$35.0 million of cash, cash equivalents and availability under lines of credit, (iv) Mesa Airlines must provide RASPRO with periodic monthly, quarterly and annual reports containing certain financial information and forecasted engine repair costs and (v) we must maintain a minimum debt-to-assets ratio.

In June 2020, the Company amended its RASPRO aircraft lease agreement to defer a \$4.0 million lease payment otherwise due in June 2020. Per the amended agreement dated June 5, 2020, the Company is required to pay this amount over the period of September 2021 through March 2024. The Company made the accounting election available for COVID-19 related concessions provided by a lessor and accordingly, this was not a lease modification and required no changes to current accounting treatment. As of September 30, 2022, we were in compliance with the covenants in the RASPRO Lease Facility.

17. Commitments and Contingencies

Litigation

We are involved in various legal proceedings (including, but not limited to, insured claims) and FAA civil action proceedings which we consider routine to our business activities on an ongoing basis. If we believe that a loss arising from such matters is probable and can be reasonably estimated, we accrue the estimated liability in our consolidated financial statements. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. For those proceedings in which an unfavorable outcome is reasonably possible but not probable, we have disclosed an estimate of the reasonably possible loss or range of losses or we have concluded that an estimate of the reasonably possible loss or range of losses arising directly from the proceeding (i.e., monetary damages or amounts paid in judgment or settlement) is not material. If we cannot estimate the probable or reasonably possible loss or range of losses arising from a proceeding, we have disclosed that fact. In assessing the materiality of a proceeding, we evaluate, among other factors, the amount of monetary damages claimed, as well as the potential impact of non-monetary remedies sought by plaintiffs (e.g., injunctive relief) that may require us to change our business practices in a manner that could have a material adverse impact on our business.

With respect to the matters disclosed in Item 3: "Legal Proceedings", we believed that the ultimate outcomes of the two (2) putative class action lawsuits and such other routine legal matters are not likely to have a material adverse effect on our financial position, liquidity, or results of operations. However, legal and regulatory proceedings are inherently unpredictable and subject to significant uncertainties. If one or more matters were resolved against us in a reporting period for amounts in excess of management's expectations, the impact on our operating results or financial condition for that reporting period could be material.

Engine Purchase Commitments

On February 26, 2021, the Company and General Electric Company ("GE"), acting through its GE-Aviation business unit, entered into an Amended and Restated Letter Agreement No. 13-3. The Company agreed to purchase and take delivery of 10 new CF34-8C5 or CF34-8E5 engines with delivery dates starting from July 1, 2021 through November 1, 2022. During the quarter ended March 31, 2021, a \$7.0 million non-refundable purchase deposit was made for the first five (5) engines to be delivered in calendar year 2021. The Company has options to purchase an additional 10 similar engines beyond 2022. The total purchase commitment related to these 10 engines is approximately \$52.2 million. As of September 30, 2022, we have purchased nine (9) of the engines pursuant to the Amended and Restated Letter Agreement No. 13-3 with delivery of the remaining three (3) engines expected to take place during calendar year 2023.

If the Company fails to accept delivery of the spare engines when duly tendered, the Company may be assessed a minimum cancellation charge based on the engine price determined as of the date of scheduled engine delivery to the Company.

Electric Aircraft Forward Purchase Commitments

As described in Note 8, in February 2021, the Company entered into a forward purchase contract with Archer for a number of electrically-powered vertical takeoff and landing aircraft ("eVTOL aircraft"). The aggregate base commitment for the eVTOL aircraft is \$200.0 million, with an option to purchase additional aircraft. The Company's obligation to purchase the eVTOL aircraft is subject to the Company and Archer first agreeing in the future to a number of terms and conditions, which may or may not be met.

As described in Note 8, in July 2021, the Company entered into a forward purchase contract with Heart for a number of fully electric aircraft. The maximum aggregate base commitment for the aircraft is \$1,200.0 million, with an option to purchase additional aircraft. The Company's obligation to purchase the aircraft is subject to the Company and Heart first agreeing in the future to a number of terms and conditions, which may or may not be met.

Other Commitments

We have certain contracts for goods and services that require us to pay a penalty, acquire inventory specific to us or purchase contract-specific equipment, as defined by each respective contract, if we terminate the contract without cause prior to its expiration date. Because these obligations are contingent on our termination of the contract without cause prior to its expiration date, no obligation would exist unless such a termination occurs.

18. Subsequent Events

Amendment No. 11 to American CPA

In December 2022, we entered into Amendment No. 11 (the "AA Amendment") to the American CPA. The AA Amendment provides for the termination and wind-down of the American CPA by April 3, 2023 (the "Wind-down Period"), at which time all Covered Aircraft (as defined in the American CPA) will be removed from the American CPA. We will begin to place aircraft operated under the American CPA with in March 2023. As of the date of this Annual Report on Form 10-K, we operate 42 CRJ-900 aircraft under the American CPA, including two (2) operational spares. The American CPA was previously set to expire by its terms on December 31, 2025.

Under the terms of the AA Amendment, during the Wind-down Period (i) we will continue to receive a fixed minimum monthly amount per aircraft covered by the American CPA, plus additional amounts based on the number flights and block hours actually flown during each month, subject to adjustment based on the Company's controllable completion rate and certain other factors, and (ii) American has agreed not to exercise certain any termination or withdrawal rights under the American CPA if we fail to meet certain operational performance targets for the three (3) consecutive month period ending January 31, 2023.

Provided we comply with the terms of the American CPA during the Wind-down Period and no Material Breach (as defined in the American CPA) has occurred, American has also agreed to waive Mesa's failure to meet certain past operational performance targets and other requirements, which triggered termination and withdrawal rights for American pursuant to the terms of American CPA.

The AA Amendment provides for liquidated damages (the "Liquidated Damages Claim") payable to American in the event of a Material Breach (as defined in the American CPA) of the American CPA or a repudiation by us of our obligations under the American CPA.

So long as we have not caused any Material Breaches during the Wind-Down Period, then immediately upon the expiration thereof, the parties have agreed to execute a written mutual release of claims and acknowledgment that no Material Breaches have occurred under the American CPA (including, without limitation, any Liquidated Damages Claim).

Amendment and Restatement of the United CPA

On December 27, 2022, we entered into the Third Amended and Restated Capacity Purchase Agreement with United (as amended and restated, the "Amended and Restated United CPA"), which amends and restates the Second Amended and Restated Capacity Purchase Agreement, dated as of November 4, 2020, with United (as theretofore amended). The Amended and Restated United CPA provides, among other things, for the following amended terms:

- The addition of up to 38 CRJ-900 aircraft to be operated by the Company on behalf of United under the Amended and Restated United CPA, dependent on the number of E-175 aircraft the Company is operating;
- An increase in rates to cover the Company's pilot pay increases instituted in September 2022, effective through September 2025;
- United to be responsible for all costs associated with converting the CRJ-900 aircraft for operation in United's network;
- Terms providing that United may remove from the scope of the United CPA the CRJ-900, subject to certain notice and other requirements;
- United's existing utilization waiver for the Company's operation of E175LL Covered Aircraft (as defined in the United CPA) to be extended to December 31, 2023;
- The extension of existing monthly operational performance incentives; and
- An agreement by the Company to not enter into new regional air carrier service agreements, excluding the Company's existing agreement with DHL.

In consideration for entering into the Amended and Restated United CPA and providing the revolving line of credit (discussed below), the Company has agreed to (i) grant United the right to designate one individual (the "United Designee") to be appointed to the Company's board of directors, and (ii) issue to United shares of our common stock equal to ten percent (10.0%) of the Company's issued and outstanding shares on a fully diluted basis as of the date of such issuance (the "United Shares"). United's board designee rights will terminate at such time as United's equity ownership in the Company falls below five percent (5.0%).

The United Shares will be issued pursuant to an equity purchase agreement, which will contain customary representations, warranties, covenants and indemnities for such a transaction, including pre-emptive rights relating to the issuance of any equity securities by the Company. The Company will also enter into a definitive registration rights agreement with United, granting United customary demand registration rights in respect of publicly registered offerings of the Company, subject to usual and customary exceptions and limitations.

Revolving Line of Credit

In connection with the above-referenced Amendment to the United CPA, United has agreed to purchase and assume, pursuant to an Assignment and Assumption Agreement (the "Assignment"), all of CIT Bank's rights and obligations under Mesa's and Mesa Air Group Airline Inventory Management, L.L.C.'s existing revolving credit facility with CIT, which is guaranteed by the Company (the "Existing Agreement"). In connection with the effectiveness of the Assignment, the Existing Agreement will be amended (as so amended, the "Amended Credit Facility") to, among other things, (i) extend the Revolving Loan Maturity Date (as defined in the Amended Credit Facility) from the earlier to occur of November 30, 2028 or the date of the termination of the United CPA; (ii) provide for a revolving loan of \$10.0 million plus certain other fees (the "Effective Date Bridge Loan"), which will be due and payable on January 31, 2024, subject to certain mandatory prepayment requirements; (iii) provide for Revolving Commitments (as defined in the Amended Credit Facility) equal to \$30.7 million (inclusive of the amount outstanding under such facility as of the effective date of the Assignment) plus the original principal amount of the Effective Date Bridge Loan; (iv) amortization of the obligations outstanding under the Existing Agreement commencing the last business day of each fiscal quarter commencing the fiscal quarter ending March 31, 2025; (v) a covenant capping Restricted Payments (as defined in the Amended Credit Facility) at \$5.0 million per fiscal year, a consolidated interest and rental coverage ratio of 1.00 to 1.00 covenant, measured at the end of each fiscal quarter, and a Liquidity (as defined in the Amended Credit Facility) requirement of not less than \$15.0 million at close of any business day. Amounts borrowed under this facility bear interest at 3.50% for Base Rate Loans and 4.50% per annum for Term SOFR Loans (as each term is defined in the Amended Credit Facility). Amounts borrowed under the Amended Credit Facility will be secured by a collateral pool consisting of a combination of expendable parts, rotatable parts and engines and a pledge of the Company's stock in certain aviation companies.

Amendment to the Loan and Guarantee Agreement with the United States Department of the Treasury

On December 22, 2022, Mesa Air Group, Inc. (the "Company") and its wholly owned subsidiaries, Mesa Airlines, Inc. ("Mesa") and Mesa Air Group Airline Inventory Management, L.L.C., entered into a Modification and Waiver Agreement (the "Modification Agreement") with the United States Department of the Treasury (the "Treasury") and The Bank of New York Mellon, as Administrative Agent and Collateral Agent (the "Bank of New York"). The Modification Agreement provides for the amendment of the Loan and Guarantee Agreement, dated as of October 30, 2020 (as theretofore amended, the "Loan Agreement"), among Mesa, as Borrower, the Company, as a Guarantor, the Guarantors party thereto from time to time, the Treasury, and the Bank of New York. The amended terms include, among others, the following: (i) a modification of the Collateral Coverage Ratio covenant with respect to amounts on deposit in the Eligible Receivables Account and the Collateral Coverage Ratio covenant, effective through the maturity date of the Loan Agreement; and (ii) a waiver of the Collateral Coverage Ratio covenant requirement with respect to the release of liens on Collateral. The Modification Agreement also imposes certain obligations on the Company in connection with its sale of Collateral subject to the Loan Agreement and certain lien release obligations on the Treasury with respect to such sales. Capitalized terms used herein but not otherwise defined have the meanings assigned to such terms in the Loan Agreement.

Amendment to Credit Agreement with Economic Development Corporation of Canada

On December 15, 2022, the Company entered into an agreement to renegotiate an existing credit agreement with the Economic Development Corporation of Canada ("EDC") and Mitsubishi Heavy Industries RJ Aviation, Inc. ("MHIRJ") that would, among other things, (i) reduce principal amortization on seven (7) CRJ-900 certain airframes financed with EDC for 24 months, with such deferred sum repaid at maturity in June 2027, subject to certain engine overhaul investment requirements in year two (2) to be agreed upon, and (ii) forgive \$700,000 of subordinated debt payable to MHIRJ on each of the seven (7) CRJ-900 aircraft if repaid prior to December 31, 2023.

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 management team, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2022.

Based on this evaluation, our CEO and CFO concluded that, our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2022 based on the material weaknesses in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) described below.

Management's Annual Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K includes a report of management's assessment regarding internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm because, as a "Emerging Growth Company", our independent registered public accounting firm is not required to issue such an attestation report.

The following report is provided by management in respect of our internal control over financial reporting:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management used the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control - Integrated Framework (2013), or the COSO framework, to evaluate the effectiveness of internal control over financial reporting. Management believes that the COSO framework is a suitable framework for its evaluation of financial reporting because it is free from bias, permits reasonably consistent qualitative and quantitative measurements of our internal control over financial reporting, is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of our internal control over financial reporting are not omitted and is relevant to an evaluation of internal control over financial reporting. Management has assessed the effectiveness of our internal control over financial reporting as of September 30, 2022 and has concluded that such internal control over financial reporting was not effective, based on the material weaknesses described below.

Material weakness in 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 the annual or interim financial statements will not be prevented or detected on a timely basis. Based on our assessments and those criteria, management determined that our review and oversight control activities did not operate at a sufficient level of precision to detect errors related to (1) the application of the accounting for net operating loss carryforwards governed by the Tax Cuts and Jobs Act (TCJA) and (2) the accounting for the impairment of the assets. Internal controls in place were not operating effectively to prevent and detect a material misstatement. We have established plans to remediate these material weaknesses outlined below.

Management's steps taken to remediate the material weakness.

To remediate these two material weaknesses, we have taken the following actions:

- 1) We plan to hire additional qualified personnel, to assist management with its financial statement close process and provide oversight of our financial reporting, including items of a non-routine or technical nature.
- 2) We plan to implement more timely operation of the review controls and improve communications amongst the various stakeholders in the company.

Our management has concluded that the financial statements included elsewhere in this Annual Report on Form 10-K present fairly, in all material respects, our financial position, results of operations and is in conformity with GAAP.

Changes in internal control over financial reporting.

Except with respect to the remediation actions described above, there have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitation on the effectiveness of internal control.

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, 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. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required to be disclosed by this item is incorporated herein by reference to our 2023 Proxy Statement, which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2022.

We have a code of conduct and ethics that applies to all employees, including our principal executive officer and principal financial officer, as well as to the members of our Board of Directors. The code is available at investor.mesa-air.com/corporate-governance/governance-overview. We intend to disclose any changes in, or waivers from, this code by posting such information on the same website or by filing a Current Report on Form 8-K, in each case to the extent such disclosure is required by rules of the SEC or The Nasdaq Global Select Market.

ITEM 11. EXECUTIVE COMPENSATION

The information required to be disclosed by this item is incorporated herein by reference to our 2023 Proxy Statement which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2022.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required to be disclosed by this item is incorporated herein by reference to our 2023 Proxy Statement which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2022.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be disclosed by this item is incorporated herein by reference to our 2023 Proxy Statement which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2022.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required to be disclosed by this item is incorporated herein by reference to our 2023 Proxy Statement which we expect to file with the SEC within 120 days after the end of our fiscal year ended September 30, 2022.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

The following financial statements are filed as part of this report:

Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)

Consolidated Balance Sheets as of September 30, 2022 and 2021

Consolidated Statements of Operations and Comprehensive (loss) income for the years ended September 30, 2022, 2021, and 2020

Consolidated Statements of Stockholders' Equity for the years ended September 30, 2022, 2021, and 2020

Consolidated Statements of Cash Flows for the years ended September 30, 2022, 2021, and 2020

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or notes to the consolidated financial statements under Part II, Item 8 of this Annual Report on Form 10-K.

3. Exhibits

The exhibits listed below are filed as part of this Annual Report. References under the caption "*Incorporated by Reference*" to exhibits or other filings indicate that the exhibit or other filing has been filed, that the indexed exhibit and the exhibit referred to are the same and that the exhibit referred to is incorporated by reference. Management contracts and compensatory plans or arrangements filed as exhibits to this Annual Report are identified by the "#" sign.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Second Amended and Restated Articles of Incorporation of the Registrant	8-K	August 14, 2018	3.1	
3.2	Second Amended and Restated Bylaws of the Registrant	8-K	December 10, 2020	3.1	
4.1	Form of Common Stock Certificate	S-1/A	August 6, 2018	4.1	
4.2	Description of Capital Stock				X
4.3	Warrant Agreement, dated October 30, 2020, between Mesa Air Group, Inc. and the United States Department of the Treasury	10-K	December 14, 2020	4.3	
4.4	Form of Warrant (incorporated by reference to Annex B to Exhibit 4.3)	10-K	December 14, 2020	4.4	
10.1#	Mesa Air Group, Inc. 2018 Equity Incentive Plan and related forms of agreement	S-8	August 16, 2019	99.1	
10.2#	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers	S-1	July 13, 2018	10.5	
10.3#	Amended and Restated Employment Agreement between the Registrant and Jonathan G. Ornstein, dated July 26, 2018	S-1/A	July 30, 2018	10.7	
10.4#	Amended and Restated Employment Agreement between the Registrant and Michael J. Lotz, dated July 26, 2018	S-1/A	July 30, 2018	10.8	
10.5#	Amended and Restated Employment Agreement between the Registrant and Brian S. Gillman, dated July 26, 2018	S-1/A	July 30, 2018	10.9	
10.6#	Employment Agreement between the Registrant and Torque Zubeck, dated February 23, 2021	10-K	December 10, 2021	10.10	
10.7.1††	Second Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc. and Mesa Airlines, Inc. dated November 4, 2020	10-K	December 14, 2020	10.10.15	
10.7.2††	First Amendment to the Second Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc. and Mesa Airlines, Inc. dated September 22, 2021	10-K	December 10, 2021	10.11.4	
10.7.3††	Second Amendment to the Second Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc. and Mesa Airlines, Inc. dated February 4, 2022	10-Q	May 9, 2022	10.1	
10.7.4††	Third Amendment to the Second Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc. and Mesa Airlines, Inc. dated July 11, 2022	10-Q	August 8, 2022	10.3	
10.7.5††	Fourth Amendment to the Second Amended and Restated United Capacity Purchase Agreement between United Airlines, Inc. and Mesa Airlines, Inc. dated August 8, 2022				X

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.8††	Aircraft Purchase Agreement between Mesa Airlines, Inc. and United Airlines, Inc. dated September 27, 2022				X
10.9.1††	Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated November 19, 2020, effective as of January 1, 2021	10-Q	February 9, 2021	10.1.1	
10.9.2††	First Amendment to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated November 19, 2020, effective January 1, 2021	10-Q	February 9, 2021	10.1.2	
10.9.3††	Amendment No. 2 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated April 9, 2021	10-Q	August 9, 2021	10.2.1	
10.9.4††	Amendment No. 3 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated April 19, 2021	10-Q	August 9, 2021	10.2.2	
10.9.5††	Amendment No. 4 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated June 9, 2021	10-Q	August 9, 2021	10.2.3	
10.9.6††	Amendment No. 5 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated August 9, 2021	10-K	December 10, 2021	10.12.6	
10.9.7††	Amendment No.7 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated March 31, 2022	10-Q	May 9, 2022	10.12.8	
10.9.8††	Amendment No.8 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated June 10, 2022	10-Q	August 8, 2022	10.12.9	
10.9.9††	Amendment No.9 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated June 20, 2022	10-Q	August 8, 2022	10.12.10	
10.9.10††	Amendment No.10 to the Amended and Restated Capacity Purchase Agreement among the Registrant, Mesa Airlines, Inc. and American Airlines, Inc. dated July 28, 2022				X
10.10.1	Credit and Guaranty Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C., the other guarantors party thereto from time to time, CIT Bank, N.A. and the other lenders party thereto, dated August 12, 2016	S-1/A	July 30, 2018	10.12.1	
10.10.2	Amendment No. 1 to Credit Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated June 5, 2017	S-1/A	July 30, 2018	10.12.2	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.10.3	Amendment No. 2 to Credit Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated June 27, 2017	S-1/A	July 30, 2018	10.12.3	
10.10.4	Amendment No. 3 to Credit Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated September 19, 2017	S-1/A	July 30, 2018	10.12.4	
10.10.5	Amendment No. 4 to Credit Agreement among the Registrant, Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C. and CIT Bank, N.A., dated April 27, 2018.	S-1/A	July 30, 2018	10.12.5	
10.11.1	Mortgage and Security Agreement among Mesa Airlines, Inc., Mesa Air Group Airline Inventory Management, L.L.C., the other grantors referred to therein and CIT Bank, N.A., dated August 12, 2016	S-1/A	July 30, 2018	10.13.1	
10.13	Credit Agreement between Mesa Airlines, Inc. and Export Development Canada, dated August 12, 2015	S-1/A	July 30, 2018	10.16	
10.14.1	Credit Agreement between Mesa Airlines, Inc. and Export Development Canada, dated January 18, 2016	S-1/A	July 30, 2018	10.17.1	
10.14.2	Amendment No. 1 to Credit Agreement between Mesa Airlines, Inc. and Export Development Canada, dated March 30, 2017	S-1/A	July 30, 2018	10.17.2	
10.14.3	Omnibus Amendment Agreement among the Registrant, Mesa Airlines, Inc. and Export Development Canada, dated April 30, 2018	S-1/A	July 30, 2018	10.17.3	
10.15	Credit Agreement between Mesa Airlines, Inc. and Export Development Canada, dated June 27, 2016	S-1/A	July 30, 2018	10.18	
10.16.1	Office Lease Agreement between the Registrant and DMB Property Ventures Limited Partnership, dated October 16, 1998	DRS	May 7, 2018	10.20.1	
10.16.2	First Amendment to Lease between the Registrant and DMB Property Ventures Limited Partnership, dated March 9, 1999	DRS	May 7, 2018	10.20.2	
10.16.3	Second Amendment to Lease between the Registrant and DMB Property Ventures Limited Partnership, dated November 8, 1999	DRS	May 7, 2018	10.20.3	
10.16.4	Lease Amendment Three between the Registrant and CMD Realty Investment Fund IV, L.P., dated November 7, 2000	DRS	May 7, 2018	10.20.4	
10.16.5	Lease Amendment Four between the Registrant and CMD Realty Investment Fund IV, L.P., dated May 15, 2001	DRS	May 7, 2018	10.20.5	
10.16.6	Lease Amendment Five between the Registrant and CMD Realty Investment Fund IV, L.P., dated October 11, 2002	DRS	May 7, 2018	10.20.6	
10.16.7	Lease Amendment Six between the Registrant and CMD Realty Investment Fund IV, L.P., dated April 1, 2003	DRS	May 7, 2018	10.20.7	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.16.8	Amended and Restated Lease Amendment Seven between the Registrant and CMD Realty Investment Fund IV, L.P., dated April 15, 2005	DRS	May 7, 2018	10.20.8	
10.16.9	Lease Amendment Eight between the Registrant and CMD Realty Investment Fund IV, L.P., dated October 12, 2005	DRS	May 7, 2018	10.20.9	
10.16.10	Lease Amendment Nine between the Registrant and Transwestern Phoenix Gateway, L.L.C., dated November 4, 2010	DRS	May 7, 2018	10.20.10	
10.16.11	Lease Amendment Eleven between the Registrant and Phoenix Office Grand Avenue Partners, LLC, dated July 31, 2014	DRS	May 7, 2018	10.20.11	
10.16.12	Lease Amendment Twelve between the Registrant and Phoenix Office Grand Avenue Partners, LLC, dated November 20, 2014	DRS	May 7, 2018	10.20.12	
10.17.1††	Letter Agreement No. 12 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated October 22, 2019, and effective as of October 9, 2019	10-K	December 14, 2020	10.20.1	
10.17.2††	Letter Agreement No. 13 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated December 11, 2019, and effective as of December 13, 2019	10-K	December 14, 2020	10.20.2	
10.17.3††	Letter Agreement No. 13-1 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated March 26, 2020	8-K	March 31, 2020	10.1	
10.17.4††	Letter Agreement No. 12-1 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated March 26, 2020	8-K	March 31, 2020	10.2	
10.17.5††	Amended and Restated Letter Agreement No. 13-2 between the Registrant and General Electric Company, acting through its GE-Aviation business unit, dated October 8, 2020	10-K	December 14, 2020	10.20.5	
10.18.1	Loan and Guarantee Agreement, dated as of October 30, 2020, among Mesa Airlines, Inc., as Borrower, the Guarantors party hereto from time to time, the United States Department of the Treasury, and The Bank of New York Mellon, as Administrative Agent and Collateral Agent.	10-K	December 14, 2020	10.22.1	
10.19	Fourteenth Amendment to Lease between the Registrant and BOF AZ Phoenix Gateway Center LLC, dated December 15, 2021	10-Q	February 9, 2022	10.1	
21.1	List of subsidiaries of the Registrant				X
23.1	Consent of Ernst & Young LLP				X
31.1	Certification of Principal Executive Officer pursuant to Rule 13(a)-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002				X

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
31.2	Certification of Principal Financial Officer pursuant to Rule 13(a)-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002				X
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				X
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				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

- * This certification will not be deemed "**filed**" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent specifically incorporated by reference into such filing.
- ** The exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). The Registrant agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon its request.
- # Management contract or compensatory plan.
- †† Certain confidential information contained in this agreement has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

MESA AIR GROUP, INC.

Date: December 29, 2022

By: /s/ Torque Zubeck
Torque Zubeck
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 29, 2022 by the following persons on behalf of the registrant and in the capacities indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/Jonathan G. Ornstein</u> Jonathan G. Ornstein	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	December 29, 2022
<u>/s/Torque Zubeck</u> Torque Zubeck	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	December 29, 2022
<u>/s/Ellen N. Artist</u> Ellen N. Artist	Director	December 29, 2022
<u>/s/Mitchell Gordon</u> Mitchell Gordon	Director	December 29, 2022
<u>/s/Dana J. Lockhart</u> Dana J. Lockhart	Director	December 29, 2022
<u>/s/Daniel McHugh</u> Daniel McHugh	Director	December 29, 2022
<u>/s/Harvey W. Schiller</u> Harvey W. Schiller	Director	December 29, 2022
<u>/s/Spyridon Skiados</u> Spyridon Skiados	Director	December 29, 2022

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Mesa Air Group, Inc. ("Mesa," "we," "our," or "us") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock.

DESCRIPTION OF CAPITAL STOCK

The following summary of the terms of our capital stock is based upon our Second Amended and Restated Articles of Incorporation (our "Articles") and our Amended and Restated Bylaws (our "Bylaws"). The summary is not complete, and is qualified by reference to our Articles and our Bylaws, which are filed as exhibits to this Annual Report on Form 10-K and are incorporated by reference herein. We encourage you to read our Articles, our Bylaws and the applicable provisions of the Nevada Revised Statutes (the "NRS") for additional information.

Authorized Shares of Capital Stock

Our authorized capital stock consists of 125,000,000 shares of common stock, no par value per share, and 5,000,000 shares of preferred stock, no par value per share. As of September 30, 2022, there were 36,376,897 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding. The outstanding shares of our common stock are duly authorized, validly issued, fully paid and nonassessable.

Listing

Our common stock trades on the Nasdaq Global Select Market under the symbol "MESA."

Voting Rights

Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the shareholders, including the election of directors, subject to any exclusive voting or director designation rights of the holders of shares of any series of our preferred stock that we may designate in the future. The rights, preferences and privileges that may be granted to holders of our preferred stock, were we to issue such preferred stock, could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. Our issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control of Mesa or other corporate action. We have no present plan to issue any such shares of preferred stock, although our board of directors (our "Board") has the authority to do so without any action by our shareholders, and to fix the rights, preferences, privileges and restrictions of such preferred stock. Our shareholders do not have cumulative voting rights in the election of directors.

Dividend Rights

Holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our Board out of legally available funds, subject to preferences that may be applicable to any then-outstanding preferred stock and limitations under certain of our existing credit facilities and the NRS.

Rights upon Liquidation

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to the net assets legally available for distribution to shareholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

Other Rights and Preferences

Our common stock has no sinking fund, redemption provisions, or preemptive, conversion, subscription or exchange rights. Holders of our common stock entitled to vote on a matter, other than with respect to the election of directors, may only take action at special or annual meetings of the shareholders where the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action, unless voting by classes or series is required for any action of the shareholders by the NRS, our Articles or our Bylaws, in which case the number of votes cast in favor of the action by the voting power of each such class or series must exceed the number of votes cast in opposition to the action by the voting power of each such class or series. Shareholders entitled to vote on the election of directors at a special or annual meeting of the shareholders at which a quorum is present may elect directors by a plurality of the votes cast. We reserve the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in our Articles, with the exception of Article 11, in the manner, and subject to approval by shareholders as now or hereafter prescribed by statute, and all rights conferred upon holders of our common stock are granted subject to this reservation.

Transfer Agent and Registrar

ComputerShare is the transfer agent and registrar for our common stock and its telephone number is (212) 805-7100.

Certain Transfer Restrictions

Our Articles impose limits on certain transfers of our stock, which limits are intended to preserve our ability to use our net operating loss carryforwards. Specifically, our Articles prohibit the transfer of any shares of our capital stock that would result in (i) any person or entity owning 4.75% or more of our then-outstanding capital stock, or (ii) an increase in the percentage ownership of any person or entity owning 4.75% or more of our then-outstanding capital stock. These transfer restrictions expire upon the earliest of (i) the repeal of Section 382 of the Internal Revenue Code of 1986, as amended, or any successor statute if our Board determines that such restrictions are no longer necessary to preserve our ability to use our net operating loss carryforwards, (ii) the beginning of a fiscal year to which our Board determines that no net operating losses may be carried forward, or (iii) such other date as determined by our Board. These transfer restrictions apply to the beneficial owner of the shares of our capital stock. The clients of an investment advisor are treated as the beneficial owners of stock for this purpose if the clients have the right to receive dividends, if any, the power to acquire or dispose of the shares of our capital stock, and the right to proceeds from the sale of our capital stock. Certain transactions approved by our Board, such as mergers and consolidations meeting certain requirements set forth in our Articles, are exempt from the above-described transfer restrictions. Our Board also has the ability to grant waivers, in its discretion, with respect to transfers of our stock that would otherwise be prohibited. Our Board has agreed to waive the above-referenced restrictions in our Articles to those persons or entities that acquire shares of our common stock in excess of the 4.75% threshold in this offering. Any transfer of common stock in violation of these restrictions will be void and will be treated as if such transfer never occurred.

Limited Ownership and Voting by Foreign Owners

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our Articles restrict the ownership and voting of shares of our common stock by people and entities who are not “citizens of the United States” as that term is defined in 49 U.S.C. § 40102(a). That statute defines “citizen of the United States” as, among other things, a U.S. corporation, of which the president and at least two-thirds of the board of directors and other managing officers are individuals who are citizens of the United States, which is under the actual control of citizens of the United States and in which at least 75% of the voting interest is owned or controlled by persons who are citizens of the United States. Our Articles prohibit any non-U.S. citizen from owning or controlling more than 24.9% of the aggregate votes of all outstanding shares of our common stock or 49.0% of the total number of outstanding shares of our capital stock. The restrictions imposed by the above-described ownership caps are applied to each non-U.S. citizen in reverse chronological order based on the date of registration on our foreign stock record. At no time may shares of our capital stock held by non-U.S. citizens be voted unless such shares are reflected on the foreign stock record. The voting rights of non-U.S. citizens having voting control over any shares of our capital stock are subject to automatic suspension to the extent required to ensure that we are in compliance with applicable law. In the event any transfer or issuance of shares of our capital stock to a non-U.S. citizen would result in non-U.S. citizens owning more than the above-described cap amounts, such transfer or issuance will be void and of no effect.

Anti-Takeover Provisions of Our Articles, Our Bylaws and the NRS

Certain provisions of the NRS deter hostile takeovers. Specifically, NRS 78.411 through 78.444 prohibit a publicly held Nevada corporation from engaging in a “combination” with an “interested stockholder” for a period of two years following the date the person first became an interested shareholder, unless (with certain exceptions) the “combination” or the transaction by which the person became an interested shareholder is approved in a prescribed manner. Generally, a “combination” includes a merger, asset or stock sale, or certain other transactions resulting in a financial benefit to the interested shareholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, beneficially owns or within two years prior to becoming an “interested shareholder” did own, 10% or more of a corporation’s voting power. Our Articles exclude us from the restrictions imposed by these statutes.

Nevada’s “acquisition of controlling interest” statutes, NRS 78.378 through 78.3793, contain provisions governing the acquisition of a controlling interest in certain Nevada corporations. These “control share” laws provide generally that any person that acquires a “controlling interest” in certain Nevada corporations may be denied voting rights, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights. These statutes provide that a person acquires a “controlling interest” whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the NRS, would enable that person to exercise (1) one-fifth or more, but less than one-third, (2) one-third or more, but less than a majority or (3) a majority or more, of all of the voting power of the corporation in the election of directors. Once an acquirer crosses one of these thresholds, shares that it acquired in the transaction taking it over the threshold and within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become “control shares” to which the voting restrictions described above apply. Our Articles provide that these statutes do not apply to us or to any acquisition of our common stock.

Section 78.139 of the NRS, to which we are subject, provides that directors may resist a change or potential change in control if the directors, by majority vote of a quorum, determine that the change is opposed to, or not in, the best interests of the corporation.

In order to ensure that our capacity purchase agreements are not subject to early termination, our Articles prohibit the sale, transfer or assignment of our capital stock to the extent that such transfer would result in a change of control. Our Articles also grant our Board the ability to establish one or more series of preferred stock (including convertible preferred stock), to determine, with respect to any series of preferred stock, the voting powers, designations, preferences, limitations, restrictions and relative rights of each such series, and to authorize the issuance of shares of any such series, making it possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of Mesa. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of Mesa.

August 8, 2022

VIA FEDEX AND E-MAIL

Mesa Airlines, Inc. 410 N. 44th Street
Suite 700
Phoenix, AZ 85008
Attention: President & General Counsel

Re: Fourth Amendment (this "Amendment") to the Capacity Purchase Agreement

Ladies and Gentlemen:

As you are aware, Mesa Airlines, Inc. ("Contractor"), Mesa Air Group, Inc. ("Parent") and United Airlines, Inc. ("Unjted") and, together with Contractor and Parent, the "Parties", are each a party to that certain Second Amended and Restated Capacity Purchase Agreement dated as of November 4, 2020 (as amended by the First Amendment, Second Amendment, and Third Amendment thereto, the "CPA"). Capitalized terms not defined herein shall be defined as provided in the CPA. All terms and conditions set forth in this Amendment are effective as of the earlier to occur of (i) 12:01 a.m. Chicago, Illinois time on August 31, 2022, and (ii) the date (if any) on which Parent and United enter into an "Aircraft Purchase Agreement" as such term is used in that certain letter agreement by and between Parent and United dated of even date herewith for the "Sale of Portfolio of 18 Aircraft", an executed copy of which is attached to this Amendment as Exhibit A.

SECTION 1. Certain Amendments.

1.1 Section 2.4 - Removal Events. Section 2.4(c)(i) of the CPA is hereby replaced in its entirety with the following:

"(c)

- (i) Without limiting, and in addition to, the other rights set forth in Section 2.4(c) with respect to each EI 75LL Covered Aircraft at any time following the Actual In-Service Date set forth on Table 4 of Schedule 1 of such aircraft, [***] For clarification purposes, EI 75LL Covered Aircraft that are not the subject of a 2.4(c)(i) Notice shall remain subject to the terms of this Agreement (including this Section 2.4). Subject to Section 8.4Cf), following the delivery of a 2.4(c)(i) Notice, the provisions of Section 8.3(b)(i). [***]

1.2 Section 2.4 - Removal Events. Section 2.4(c)(ii) of the CPA is hereby replaced in its entirety with the following:

"(c)

- (ii) [intentionally omitted.]"

1.3 Section 8.4- Certain Other Remedies. Section 8.4(f) of the CPA is hereby replaced in its entirety with the following:

"(f) [***]

1.4 Exhibit A - Defined Terms. Exhibit A to the CPA is hereby amended to delete the following definition: "EI 75LL Accelerated Margin Payment". Exhibit A to the CPA is also hereby amended to restate the definition of "EI 75[,L Removed Aircraft" as the following:

"EI 75LL Removed Aircraft" - is defined in Section 2.4(c)(i).

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

SECTION 2. Miscellaneous.

This Amendment may be executed in counterparts, each of which is deemed an original hereof. The Parties shall become bound by this Amendment immediately upon execution hereof by each Party. Except as expressly amended in this Amendment, the CPA will remain in full force and effect. Notwithstanding anything to the contrary in this Amendment, the terms and provisions of this Amendment are intended solely for the benefit of the Parties, and it is not the intention of the Parties to confer third party beneficiary rights upon any other person. This Amendment (together with the attached exhibits) constitutes the entire agreement between the Parties, and supersedes any other agreements, representations, warranties, covenants, communications, or understandings, whether oral or written (including, but not limited to, e mail and other electronic correspondence), that may have been made or entered into by or between the Parties or any of their respective affiliates or agents relating in any way to the transactions contemplated by this Amendment.

[Signature page follows]

If Contractor is in agreement with the above, please indicate its agreement by having an authorized representative sign below in the space provided and return a signed copy of this Amendment to the undersigned.

Very truly yours,

UNITED AIRLINES, INC.

By: _____
Name:
Title:

ACCEPTED AND AGREED:

MESA AIRLINES, INC.

By: /s/ Michael Lotz
Name: Michael Lotz
Title: President

MESA AIR GROUP, INC.

By: /s/ Michael Lotz
Name: Michael Lotz
Title: President

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

If Contractor is in agreement with the above, please indicate its agreement by having an authorized representative sign below in the space provided and return a signed copy of this Amendment to the undersigned.

Very truly yours,

UNITED AIRLINES, INC.

By: _____

Name: Gerry Laderman,

Title: EVP & Chief Financial Officer

ACCEPTED AND AGREED:

MESA AIRLINES, INC.

By: _____

Name:

Title:

MESA AIR GROUP, INC.

By: _____

Name:

Title:

[**]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

Exhibit A

[**]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

AIRCRAFT PURCHASE AGREEMENT

between

**MESA AIRLINES, INC.,
as Seller**

**MESA AIR GROUP, INC.,
as Mesa Air Group**

and

**UNITED AIRLINES, INC.,
as Purchaser**

Dated as of September 27, 2022

THIS DOCUMENT IS INTENDED SOLELY TO FACILITATE DISCUSSIONS AMONG THE POTENTIAL PARTIES IDENTIFIED HEREIN. IT IS NOT INTENDED TO CREATE, AND WILL NOT BE DEEMED TO CREATE, A LEGALLY BINDING OR ENFORCEABLE OFFER OR AGREEMENT OF ANY TYPE OR NATURE PRIOR TO THE DULY AUTHORIZED AND APPROVED EXECUTION OF THIS DOCUMENT BY ALL SUCH PARTIES AND THE DELIVERY OF AN EXECUTED COPY HEREOF BY ALL SUCH PARTIES TO ALL OTHER PARTIES. THIS FORM AGREEMENT IS SUBJECT TO FURTHER DISCUSSION AND REVIEW IN ALL RESPECTS.

[* * *] = [CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT IS (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.

TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS AND INTERPRETATION	1
Section 1.1.	Definitions	1
Section 1.2.	Interpretation	1
ARTICLE II	SALE AND PURCHASE OF AIRCRAFT	2
Section 2.1.	Sale and Purchase of Aircraft; Assignment of Lease	2
ARTICLE III	PURCHASE PRICE AND PAYMENTS	3
Section 3.1.	Calculation of Purchase Price.	3
Section 3.2.	Deposit; Deposit Return; Escrow Agreement.	3
ARTICLE IV	INSPECTION	4
Section 4.1.	Purchasers Right to Inspection	4
Section 4.2.	Data	4
Section 4.3.	Physical Inspection	4
Section 4.4.	Access to Data and Aircraft	4
Section 4.5.	Post-Inspection	5
ARTICLE V	DELIVERY OF AIRCRAFT; CLOSING DATE; EXCLUSIVITY; MANUFACTURER AND VENDOR WARRANTIES	6
Section 5.1.	Condition	6
Section 5.2.	Delivery Location of Aircraft; Location and Placement of In-Scope Engines at Closing.	6
Section 5.3.	Scheduled Closing Date; Closing Date; Certain Costs and Expenses.	7
Section 5.4.	Final Closing Date	7
Section 5.5.	Exclusivity	8
Section 5.6.	Manufacturer and Vendor Warranties	8
Section 5.7.	Payoff Letters	8
ARTICLE VI	CONDITIONS PRECEDENT SELLER	9
Section 6.1.	Conditions Precedent to Sale of Each Aircraft	9
Section 6.2.	Waiver of Conditions Precedent	10
ARTICLE VII	CONDITIONS PRECEDENT PURCHASER	10
Section 7.1.	Conditions Precedent to Purchase of Aircraft	10
Section 7.2.	Waiver of Conditions Precedent	12

ARTICLE VIII	CLOSING DELIVERABLES SELLER	12
Section 8.1.	Sellers Closing Deliverables	12
ARTICLE IX	CLOSING DELIVERABLES PURCHASER	13
Section 9.1.	Purchasers Closing Deliverables	13
ARTICLE X	REPRESENTATIONS AND WARRANTIES OF THE MESA PARTIES.	14
Section 10.1.	Representations and Warranties of Each Mesa Party	14
Section 10.2.	Seller Acknowledgements	16
ARTICLE XI	REPRESENTATIONS AND WARRANTIES OF PURCHASER	16
Section 11.1.	Purchaser Representations and Warranties	16
Section 11.2.	Purchaser Acknowledgements	17
ARTICLE XII	EVENTS OF DEFAULT	18
Section 12.1.	Default of Seller.	18
Section 12.2.	Default of Purchaser.	18
ARTICLE XIII	TERMINATION	20
Section 13.1.	Grounds for Termination	20
Section 13.2.	Effect of Termination	21
ARTICLE XIV	LIABILITY INSURANCE	21
Section 14.1.	Liability Insurance	21
ARTICLE XV	TAXES AND INDEMNITY.	22
Section 15.1.	Taxes and Indemnity.	22
ARTICLE XVI	WARRANTIES AND DISCLAIMERS	22
Section 16.1.	Disclaimer.	22
Section 16.2.	Aircraft Acceptance Certificate.	23
Section 16.3.	Seller Indemnity	23
Section 16.4.	Purchaser Indemnity.	23
ARTICLE XVII	MISCELLANEOUS	24
Section 17.1.	Entire Agreement; Amendments	24

Section 17.2.	Non-Waiver; Effect on [***], CPA, Etc.	24
Section 17.3.	Severability	24
Section 17.4.	Notices	24
Section 17.5.	Governing Law and Jurisdiction.	25
Section 17.6.	Waiver of Sovereign Immunity	25
Section 17.7.	Waiver of Jury Trial	25
Section 17.8.	Further Assurances	25
Section 17.9.	Counterparts	25
Section 17.10.	Transaction Costs	25
Section 17.11.	Assignment; Successors and Assigns	25
Section 17.12.	Confidentiality	26
Section 17.13.	Delivery of Documents by Electronic Means.	26
Section 17.14.	Third-Party Beneficiaries.	26
Section 17.15.	Specific Performance	26
Section 17.16.	Limitation of Liability	26
Section 17.17.	Joint and Several Obligations	27

SCHEDULES

Schedule 1	Definitions	1-1
Schedule 2	Aircraft Information	2-1
Schedule 3	Notices	3-1
Schedule 4	[***]	4-1
Schedule 5	Leases	5-1
Schedule 6	Tranche 1 Aircraft	6-1
Schedule 7	Specified Debt	7-1

EXHIBITS

Exhibit A	Aircraft Acceptance Certificate	A-1
Exhibit B	Bill of Sale	B-1
Exhibit C	Form of Lease Assignment	C-1

AIRCRAFT PURCHASE AGREEMENT

AIRCRAFT PURCHASE AGREEMENT, dated as of September 27, 2022 (this “**Agreement**”), among Mesa Airlines, Inc., a Nevada corporation having its principal office at 410 North 44th Street, Suite 700, Phoenix, Arizona 85008 (“**Seller**”), United Airlines, Inc., a Delaware corporation having its principal office at 233 South Wacker Drive, Chicago, Illinois 60606 (“**Purchaser**”), and, for certain provisions set forth in this Agreement, Mesa Air Group, Inc., a Nevada corporation having its principal office at 410 North 44th Street, Suite 700, Phoenix, Arizona 85008 (“**Mesa Air Group**” and together with Seller, “**Mesa Parties**,” and each individually, “**Mesa Party**”). Purchaser, Mesa Air Group and Seller may be referred to herein individually as a “**Party**” and, collectively, as the “**Parties**.”

WITNESSETH

WHEREAS, Seller is the owner of certain Aircraft (as defined below);

WHEREAS, Seller desires to sell, and Purchaser desires to purchase, such Aircraft;

WHEREAS, the Parties now desire to enter into a definitive agreement pursuant to which Seller will sell to Purchaser, and Purchaser will purchase from Seller, the Aircraft; and

WHEREAS, concurrently with the Closing Date with respect to each Aircraft under this Agreement, Seller and Purchaser desire to enter into a lease assignment and assumption agreement with respect to each such Aircraft effective as of such Closing Date pursuant to which Seller will assign to Purchaser the Lease related thereto (each such agreement, a “**Lease Assignment**” and together with this Agreement, the “**Definitive Documentation**”);

NOW, THEREFORE, for good and valuable consideration, the receipt, validity, and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. For all purposes of this Agreement, capitalized terms used herein and not otherwise defined have the meanings given to them in Schedule 1 attached hereto.

Section 1.2. Interpretation. All references in this Agreement to Exhibits, Appendices, Schedules, Articles, Sections, paragraphs, subsections, and other subdivisions refer to the corresponding Exhibits, Appendices, Schedules, Articles, Sections, paragraphs, subsections, and other subdivisions of or to this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any Articles, Sections, paragraphs, subsections, or other subdivisions of this Agreement are for convenience only, do not constitute any part of this Agreement, and shall be disregarded in construing the language hereof. The words “this Agreement,” “herein,” “hereby,” “hereunder,” and “hereof,” and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection, or other subdivision unless expressly so limited. The words “this Article,” “this Section,” and “this subsection,” and words of similar import, refer only to the Article, Section, or subsection hereof in which such words occur. The word “including” (in its various forms) means “including without limitation”. All references to “\$” or “dollars” shall be deemed references to United States Dollars. Pronouns in masculine, feminine, or neuter genders

shall be construed to state and include any other gender, and words, terms, and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Appendices, Schedules, and Exhibits referred to herein are attached hereto. Except as otherwise provided in this Agreement, any reference herein to any law shall be construed as referring to such law as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, and references to particular provisions of a law include a reference to the corresponding provisions of any prior or succeeding law, and any reference herein to a document includes that document as amended from time to time in accordance with its terms, and any document entered into in substitution or replacement therefor. Any reference to an amendment includes a supplement, novation, or re-enactment, and “amended” is to be construed accordingly. The word “extent” in the phrase “to the extent” means the degree to which a subject or other theory extends, and such phrase shall not simply mean “if”. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and Business Days refer to days that are Business Days in each of Chicago, Illinois and New York City, New York. Whenever any action must be taken hereunder on or by a day that is not a Business Day, then such action may be validly taken on or by the next day that is a Business Day. Time shall be of the essence in this Agreement. Any reference to any federal, state, local, or foreign law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context shall otherwise require. Reference herein to “federal” shall be construed as referring to U.S. federal.

ARTICLE II

SALE AND PURCHASE OF AIRCRAFT

Section 2.1. Sale and Purchase of Aircraft; Assignment of Lease. With respect to each Aircraft, Seller agrees to sell, and Purchaser agrees to buy, such Aircraft in each case upon and subject to the terms and conditions of this Agreement. The aggregate consideration payable with respect to each Aircraft on the Closing Date of such Aircraft will be the Purchase Price; provided that, the payment of the applicable Purchase Price or portion thereof shall be in accordance with the applicable provisions of this Agreement, including ARTICLE III and ARTICLE IX. In addition, on the Closing Date with respect to each Aircraft:

(a) Seller shall, by execution and delivery of a Bill of Sale, sell to Purchaser outright and unconditionally good and marketable title in and to the Aircraft, free and clear of all Liens except Permitted Liens.

(b) Concurrently with Seller’s delivery to Purchaser of an executed Bill of Sale, Purchaser shall accept delivery of the Aircraft, and Purchaser shall execute and deliver an Aircraft Acceptance Certificate in respect of such Aircraft.

(c) With respect to each Aircraft, concurrently with the Closing of the sale and purchase of such Aircraft under this Agreement, Seller, Purchaser and [***] will consummate a Lease Assignment with respect to each such Aircraft, among other things, pursuant to which the Purchaser will be substituted as the “Lessor” under the Lease applicable to such Aircraft.

(d) [***]

ARTICLE III
PURCHASE PRICE AND PAYMENTS

Section 3.1. Calculation of Purchase Price.

(a) The aggregate consideration payable by Purchaser to Seller at the Closing for each Aircraft shall be equal to [***] The Base Purchase Price for a particular Aircraft [***] is referred to in this Agreement as the “**Purchase Price**”.

(b) If the Closing Date in respect of an Aircraft occurs after [***] (the “**Economic Closing Date** [***]”

Section 3.2. Deposit; Deposit Return; Escrow Agreement.

(a) Within [***] following the date on which both Parties have executed this Agreement, [***] for each Aircraft with respect to which Closing has occurred prior to the end of such [***] period. With respect to each Aircraft, such Deposit shall be refundable in whole or in part as set forth below in this Section 3.2; provided that, for all purposes of this Agreement, a reference to the Deposit with respect to an Aircraft (including any associated terms and conditions with respect to the return of the Deposit with respect to a particular Aircraft) shall be deemed to refer only to the \$[***] portion of the Deposit applicable to such particular Aircraft [***]

(b) [***]

(c) Each of the following shall constitute a “**Deposit Return Event**” with respect to an Aircraft (it being understood that a Deposit Return Notice may, but shall not be required to, apply to more than one Aircraft):

(i) [***]
(ii) [Intentionally Blank];

(iii) [***]
(iv) [***]

(v) in the event that a bankruptcy case or bankruptcy proceeding is commenced by or against the [***] Seller, or Mesa Air Group; or

(vi) in the event that Purchaser has terminated this Agreement with respect to such Aircraft pursuant to Section 4.5.

(d) If a valid written notice of termination of this Agreement with respect to any Aircraft is submitted pursuant to Section 13.1(c), then, in addition to any rights or remedies available to Purchaser at Law or in equity (subject to any limitations on such rights and remedies as are expressly set out in this Agreement), [***]

(e) [***]

(f) [***]

ARTICLE IV
INSPECTION

Section 4.1. Purchaser's Right to Inspection. Prior to the Closing Date of each Aircraft, Seller shall, subject to the proviso in Section 4.3, make the Aircraft available to allow Purchaser to inspect such Aircraft, including the Data, in order to confirm, without limitation, the completeness and airworthiness of the Aircraft, the accuracy of the representations and warranties of the Mesa Parties set forth in Section 10.1 with respect to the Aircraft, and to review the compliance by Seller with its covenants and agreements hereunder with respect to the Aircraft. The provisions below in this ARTICLE IV shall not, subject to the proviso in Section 4.3, limit the generality of the foregoing sentence.

Section 4.2. Data. Prior to the Closing Date of each Aircraft, Purchaser shall be entitled to inspect the Data for such Aircraft (the "Data Inspection"), and, in furtherance of the same, Seller shall (i) make available to Purchaser all Data for such aircraft that is in Seller's possession and (ii) use commercially reasonable efforts to cause the [***] to make available to Purchaser any and all Data for such Aircraft that are both (x) not in Seller's possession and (y) reasonably available to the [***]. From and after the Closing with respect to each Aircraft and until the [***] thereafter, Seller shall use commercially reasonable efforts to assist Purchaser with Purchaser's reasonable requests regarding the Data for the applicable Aircraft or the contents thereof, including providing all maintenance records in Seller's possession as to such Aircraft and any components thereof (in each case whether or not constituting Data for such Aircraft) and seeking to obtain from the [***] records that are not in Seller's possession.

Section 4.3. Physical Inspection. Prior to the Closing Date of each Aircraft, Purchaser shall have the right to conduct an inspection of such Aircraft, limited to a "walk around" inspection level of access where no panels requiring tools may be opened (the "Physical Inspection" and together with "Data Inspection," the "Inspection"). To facilitate such inspection by Purchaser, Seller shall, for each Aircraft, arrange such Physical Inspection by Purchaser for each Aircraft at the applicable Delivery Location, and, as to the Aircraft other than the Tranche 1 Aircraft, Seller shall use commercially reasonable efforts to cause [***] to make each such Aircraft available for Physical Inspection and its related Data available for Data Inspection, in each case, no later than [***]; provided that, Seller's obligations to arrange such Physical Inspection and Data Inspection is (i) acknowledged by the Parties to be subject to the cooperation of [***] and the Purchaser and that both Seller and Purchaser shall use commercially reasonable efforts to procure such cooperation from [***] and (ii) is subject to Section 4.4.

Section 4.4. Access to Data and Aircraft. Seller shall provide access to the Aircraft (subject to the proviso in Section 4.3) for Purchaser's Inspection as and when available to avoid any unreasonable disruption to the [***] service operations for Purchaser (the existence of any such disruption to be reasonably determined by Purchaser) and, with Purchaser's prior written consent, may occur during night stops or short flight operational turnarounds. Purchaser agrees to make its applicable representatives available for such Inspection as and when reasonably required to accommodate the schedule of the Aircraft and the [***]. Any such Inspection shall be subject to the applicable terms and conditions of this Agreement and the applicable Lease. The Parties shall cooperate reasonably to consider extensions to the timeframe for completing the Inspection for an Aircraft or its related Data if the availability of such Aircraft, components thereof, or the Data is

adversely impacted by circumstances beyond the Parties' or the [***] reasonable control or by the [***] lack of cooperation to make the same reasonably available. With respect to each Aircraft, including Data, Purchaser shall use commercially reasonable efforts to cause such Inspection to be completed by the later of (i) the date falling [***] following the date Seller has caused [***] to provide access to all Data for such Aircraft and (ii) the [***] following the date on which Purchaser has been furnished actual physical access to the Aircraft by either Seller or the [***]

Section 4.5. Post-Inspection. With respect to each Aircraft inspected by Purchaser in accordance with the foregoing provisions of this ARTICLE IV, Purchaser shall notify Seller in writing no later than [***] following completion of the Inspection of such Aircraft of either (a) Purchaser's satisfaction with such Inspection or (b) any concerns arising from such Inspection which may prevent Purchaser from accepting such Aircraft. If no such notification is received by Seller within such time period or, if Purchaser has been given a reasonable opportunity to inspect such Aircraft in accordance with the foregoing provisions of this Article IV and Purchaser does not complete the Inspection within the time frame set out in the last sentence of Section 4.4 (subject to any extension thereof agreed by Purchaser and Seller in writing), then Purchaser shall be deemed to have completed the Inspection in respect of such Aircraft to Purchaser's satisfaction. If such notification is received by Seller within such time period and Purchaser notes any material concerns in such notification, then Seller and Purchaser shall discuss in good faith the resolution of any such concerns. If Seller does not resolve the material concerns raised by Purchaser in such notification in a manner reasonably acceptable to Purchaser on or prior to the [***] following Purchaser's delivery of such notification, then Purchaser may terminate this Agreement in respect of such Aircraft, and the applicable Deposit refund provisions of Section 3.2 shall apply. Notwithstanding the foregoing provisions of this Section 4.5, Purchaser acknowledges and agrees that the Unserviceable Engines are in unserviceable or runout condition (as applicable) and that (i) such condition shall not be the basis upon which Purchaser may note a "material concern" or decline to accept the Unserviceable Engines and (ii) subject to and without limiting Section 5.2, Seller shall not be required to take any remedial actions with respect to the Unserviceable Engines.

ARTICLE V
DELIVERY OF AIRCRAFT; CLOSING DATE; EXCLUSIVITY; MANUFACTURER
AND VENDOR WARRANTIES

Section 5.1. Condition. Each Aircraft shall be delivered by Seller and accepted by Purchaser at the Closing for such Aircraft in the condition and subject to the disclaimers and agreements set forth in Section 16.1.

Section 5.2. Delivery Location of Aircraft; Location and Placement of In-Scope Engines at Closing.

(a) With respect to each Aircraft, Seller shall cause such Aircraft to be located in Kingman, Arizona at the Closing for such Aircraft at an address to be designated by Purchaser by written notice delivered to Seller no later than [***] prior to such Closing (the “**Delivery Location**”) or, if the Seller notifies Purchaser that delivery to such location is not possible, then at such other location designated by Purchaser and such other location, if any, shall instead be the “Delivery Location”; provided, however, that (x) with respect to the STL Engines, the Delivery Location shall instead be in St. Louis, Missouri at an address to be designated by Purchaser by written notice delivered to Seller no later than [***] prior to the Closing for the Aircraft applicable to such STL Engines, and (y) with respect to the GE Engine, subject to Section 5.2(d), the Delivery Location shall instead be in Houston, Texas (with further delivery thereafter to IGM as provided in Section 5.2(d)). Seller’s obligation to cause each Aircraft (including its associated In-Scope Engines) to be located at the applicable Delivery Location in accordance with this Section 5.2 is acknowledged by the Parties to be subject to the cooperation of [***] and that Seller and Purchaser shall each use commercially reasonable efforts to procure such cooperation from [***] and to cause [***] to position each Aircraft (including its associated In-Scope Engines) at such Delivery Location; provided that, such positioning does not cause unreasonable disruption to [***] operations thereof, as reasonably determined by Purchaser.

(b) [***]

(c) With respect to each Aircraft, if, despite the use of commercially reasonable efforts required by Section 5.2(b)(ii), Seller is unable to cause [***] then (i) without limitation of any provision of ARTICLE VI, ARTICLE VII, ARTICLE VIII and ARTICLE IX (other than any requirements thereof that are not satisfied as a consequence [***] the Parties shall proceed to the Closing of such Aircraft, (ii) Seller (and each of Seller’s agents, contractors, and representatives) is hereby authorized by Purchaser to and shall [***], but in no event later than [***] following the Closing of such Aircraft, and (iii) Seller shall indemnify and hold harmless the Purchaser Indemnified Parties, and each of them, from and against any and all claims not covered by available insurance incurred or suffered by, asserted against, charged to, or recoverable from any of the Purchaser Indemnified Parties and which arise to any extent out of or are in any manner connected [***] in each case whether or not caused by a Mesa Party’s breach of this Agreement but expressly excluding any claims caused by the gross negligence or willful misconduct of any Purchaser Indemnified Party.

(d) With respect to the GE Engine, the Parties acknowledge and agree that the HPT is currently, and is expected to be at the Closing for the Aircraft associated with such GE Engine,

under repair at GE Engine Services Strother, 7577 4th Avenue, Strother Field Industrial Park, Arkansas City, Kansas 67005 (the “**GE Facility**”) pursuant to repair order number 322012381. Notwithstanding the foregoing, Purchaser shall take title to the entire GE Engine (including the HPT associated therewith) at the Closing for the Aircraft associated with such GE Engine. As soon as practicable following the Closing with respect to such Aircraft, but in no event more than [***] thereafter or such later date that is [***] after the date on which repair of the HPT has been completed by GE Facility and Seller has received possession thereof, Seller (and each of Seller’s agents, contractors and representatives) is hereby authorized by Purchaser to and shall, [***] cause the HPT to be reinstalled in the GE Engine and to thereafter promptly deliver the same to IGM. Seller shall notify the GE Facility and any and all applicable vendors that Purchaser has taken title to such HPT as of such Closing. Seller shall indemnify and hold harmless the Purchaser Indemnified Parties, and each of them, from and against any and all claims not covered by available insurance incurred or suffered by, asserted against, charged to, or recoverable from any of the Purchaser Indemnified Parties and which arise to any extent out of or are in any manner connected with Seller’s obligations under this Section 5.2(d) but expressly excluding any claims caused by the gross negligence or willful misconduct of any Purchaser Indemnified Party.

Section 5.3. Scheduled Closing Date; Closing Date; Certain Costs and Expenses.

(a) With respect to the Tranche 1 Aircraft, the Closing shall occur by teleconference and electronic exchange of documents on the [***] following full satisfaction or waiver of all of the conditions precedent set forth in ARTICLE VI and ARTICLE VII of this Agreement (other than those that, by their nature, are to be satisfied at the Closing, but subject to the satisfaction of those conditions at Closing, or the waiver of those conditions at Closing by the Party in whose favor any such condition runs). With respect to each Aircraft other than the Tranche 1 Aircraft, Purchaser and Seller shall mutually agree on the scheduled Closing Date therefor, provided that such scheduled Closing Date shall not be fewer than [***] following the date that the Aircraft [***] is at the Delivery Location and available for Physical Inspection but without limiting any of Purchaser’s rights or remedies under ARTICLE IV as to such Aircraft.

(b) The Closing with respect to each Aircraft shall, subject to the terms and conditions of this Agreement including ARTICLE VI and ARTICLE VII hereof, occur on the applicable Closing Date for such Aircraft. All actions that will be taken and all documents that will be executed and delivered by the Parties at each Closing will be deemed to have been taken and executed simultaneously, and no action will be deemed taken nor any document executed and delivered until all such actions have been taken, and all such documents have been executed and delivered.

Section 5.4. Final Closing Date. The Parties shall use commercially reasonable efforts to cause the Closing of each Aircraft to occur on or prior to [***] or such other date as may be mutually agreed in writing by the Parties (the “Final Closing Date”). If the Closing in respect of any Aircraft has not occurred prior to the Final Closing Date, then Purchaser shall have the right (except in any circumstance with respect to which Seller is entitled to terminate this Agreement under Section 12.2 due to a default by Purchaser that has not been cured in accordance therewith), exercisable by written notice to Seller, to terminate its obligations in the Definitive Documentation with respect to such Aircraft upon which Section 3.2 shall apply.

Section 5.5. Exclusivity. Each Mesa Party shall not, and shall cause its subsidiaries and affiliates not to, (a) solicit, encourage, or initiate the submission of proposals or offers from, (b) furnish or provide any confidential or non-public information to, (c) participate in discussions or negotiations with, or (d) enter into any agreement, arrangement, or understanding with, any person (other than Purchaser and its affiliates and representatives), in each case of the foregoing clauses (a) through (d) concerning the sale, transfer or disposition of any Aircraft, or any portion thereof, or any rights relating thereto [***] Immediately upon the execution and delivery of this Agreement, each Mesa Party shall, and shall cause its subsidiaries and affiliates to, (x) cease and terminate any and all existing discussions and/or negotiations with any person (other than Purchaser and its affiliates and representatives) regarding or relating in any way to any sale, transfer or disposition of the Aircraft or any rights relating [***] and (y) close access to any and all data rooms (virtual or otherwise) to any such persons.

Section 5.6. Manufacturer and Vendor Warranties. Seller hereby sells, transfers, assigns, and conveys, in each case effective as of the Closing Date with respect to each Aircraft, to Purchaser, any rights and benefits with respect to such Aircraft under any and all of the following, in each case which are capable of being assigned to Purchaser: (i) credit memos issued for parts and equipment for the Aircraft issued by the manufacturer, and (ii) warranties and service life policies of the Airframe manufacturer, Engine manufacturer, In-Scope Engine manufacturer, and any vendor or supplier.

Section 5.7. Payoff Letters. [***]

ARTICLE VI
CONDITIONS PRECEDENT – SELLER

Section 6.1. Conditions Precedent to Sale of Each Aircraft. The obligation of Seller to transfer to Purchaser each Aircraft on its Closing Date is subject to satisfaction of the following conditions precedent on or prior to such Closing Date with respect to each Aircraft to be delivered at such Closing:

(a) The representations and warranties of Purchaser hereunder shall be true and accurate in all material respects as of the Closing Date with respect to each Aircraft (unless any such representation and warranty shall have been made with reference to a specified date, in which case such representation and warranty shall be true and accurate as of such specified date);

(b) Purchaser shall have performed and observed, in all material respects, all of its covenants, obligations, and agreements in the Definitive Documentation which are to be observed or performed by it as of such Closing Date with respect to each Aircraft;

(c) Seller shall have received Purchaser's closing deliverables listed in Section 9.1 with respect to each Aircraft applicable to such Closing;

(d) As to each Aircraft subject to such Closing, the amounts payable by Purchaser in accordance with Section 9.1(b) pursuant to each Payoff Letter(s) with respect to each Aircraft applicable to such Closing shall have been received in full by the party(ies) entitled to receive such amounts;

(e) Purchaser shall have paid the Deposit to the Escrow Agent in accordance with Section 3.2(a);

(f) No change shall have occurred after the date of execution of this Agreement in any applicable Law that makes it a violation of Law for Purchaser or Seller to execute, deliver, and perform its obligations under the Definitive Documentation;

(g) No action or proceeding shall have been instituted, nor shall any action be threatened in writing, before any Government Entity, nor shall any order, judgment, or decree have been issued or proposed to be issued by any Government Entity, to set aside, restrain, enjoin, or prevent the completion and consummation of Definitive Documentation or the transactions contemplated hereby or thereby, including the leasing of any Aircraft;

(h) All appropriate action required to have been taken prior to the Closing Date with respect to each Aircraft applicable to such Closing by the FAA, or any governmental or political agency, subdivision or instrumentality of the United States, in connection with the transactions contemplated by this Agreement with respect to each such Aircraft shall have been taken, and all orders, permits, waivers, authorizations, exemptions, and approvals of such entities required to be in effect on the Closing Date with respect to each Aircraft applicable to such Closing in connection with the transactions contemplated by this Agreement with respect to such Aircraft shall have been issued; and

(i) Each FAA Release(s), each Lease Assignment shall be duly executed by Purchaser and [***] and the FAA registration application shall be duly executed by Purchaser, in each case relating to the Aircraft applicable to such Closing, and such documents shall be in proper form for filing with the FAA and in receipt of FAA Counsel, in each case as confirmed by FAA Counsel.

Section 6.2. Waiver of Conditions Precedent. The conditions precedent specified in Section 6.1 are for the sole benefit of Seller and may only be waived, in whole or in part, and with or without condition, by Seller.

ARTICLE VII
CONDITIONS PRECEDENT – PURCHASER

Section 7.1. Conditions Precedent to Purchase of Aircraft. The obligation of Purchaser to purchase each Aircraft on its Closing Date is subject to satisfaction of the following express conditions precedent on such Closing Date with respect to each Aircraft to be delivered at such Closing:

(a) The representations and warranties of Seller hereunder shall be true and accurate in all material respects as of the Closing Date with respect to each Aircraft (unless any such representation and warranty shall have been made with reference to a specified date, in which case such representation and warranty shall be true and accurate in all material respects as of such specified date);

(b) Seller shall have performed and observed, in all material respects, all of its covenants, obligations, and agreements in the Definitive Documentation which are to be observed or performed by it as of such Closing Date with respect to each Aircraft applicable to such Closing;

(c) Purchaser shall have received Seller's closing deliverables listed in Section 8.1 with respect to each Aircraft applicable to such Closing;

(d) Purchaser and its representatives shall have had the opportunity to conduct the Inspection pursuant to ARTICLE IV;

(e) No change shall have occurred after the date of execution of this Agreement in any applicable Law that makes it a violation of Law for Purchaser or Seller to execute, deliver, and perform its obligations under the Definitive Documentation;

(f) No action or proceeding shall have been instituted, nor shall any action be threatened in writing, before any Government Entity, nor shall any order, judgment, or decree have been issued or proposed to be issued by any Government Entity, to set aside, restrain, enjoin, or prevent the completion and consummation of the Definitive Documentation or the transactions contemplated hereby or thereby, including the leasing of any applicable Aircraft;

(g) All appropriate action required to have been taken prior to the Closing Date with respect to each Aircraft by the FAA, or any governmental or political agency, subdivision or instrumentality of the United States, in connection with the transactions contemplated by the Definitive Documentation shall have been taken, and all orders, permits, waivers, authorizations, exemptions, and approvals of such entities required to be in effect on the Closing Date with respect to each Aircraft applicable to such Closing in connection with the transactions contemplated by

this Agreement with respect to such Aircraft shall have been issued;

(h) There shall be no event or occurrence that gives rise to, or that would reasonably be expected to give rise to with the passage of time, any right of Purchaser to terminate the CPA under Section 8.2(a), Section 8.2(b), or Section 8.2(f) of the CPA;

(i) There shall be no event or occurrence that gives rise to, or that would reasonably be expected to give rise to, with the passage of time, either (x) any default, event of default, or breach under any Debt Instrument relating to such Aircraft or (y) any acceleration of payment obligations under any Debt Instrument relating to such Aircraft;

(j) On the Closing Date with respect to each Aircraft applicable to such Closing, no event shall have occurred and be continuing, or would result from the Lease of such Aircraft to be purchased on such date, which constitutes, or would reasonably be expected to constitute with the passage of time, an Event of Default under the Lease applicable to such Aircraft;

(k) There has not been any bankruptcy case or bankruptcy proceeding commenced by or against Seller, Mesa Air Group, or the [***]

(l) Purchaser (as the successor "Lessor" under the applicable Lease after giving effect to the applicable Lease Assignment with respect to such Aircraft) shall be entitled to the benefits and protections of Section 1110 (as currently in effect) with respect to each Aircraft purchased on its Closing Date in the event of a case under Chapter 11 of the Bankruptcy Code in which [***] is a debtor;

(m) On the Closing Date with respect to each Aircraft (a) the FAA Filed Documents with respect to the Aircraft to be purchased on such date shall have been duly filed for recordation (or shall be in the process of being so duly filed for recordation) with the FAA in accordance with the Act, (b) the International Interest created under each Lease Assignment with respect to each Aircraft in the Airframe and In-Scope Engines shall have been (or shall be in the process of being) registered with the International Registry, and (c) each Financing Statement with respect to the Lease for such Aircraft shall have been duly filed (or shall be in the process of being so duly filed) by Purchaser in the appropriate jurisdiction;

(n) Purchaser shall be satisfied that the sale of the Aircraft applicable to such Closing to Purchaser will not give rise to any Taxes for which Purchaser may be liable;

(o) Purchaser shall have received priority search certificates with respect to such Aircraft and a print out of the "closing room" from the International Registry reflecting that the only existing International Interests with respect to such Aircraft are in favor of the "secured party" in relation to the Debt for such Aircraft and with respect to the Lease for such Aircraft and confirmation that such "secured party" has consented to discharge all existing International Interests with respect to which it holds the right to discharge upon receipt of the Purchase Price of such Aircraft; and

(p) With respect to each Aircraft applicable to such Closing, (i) Seller shall have delivered a true and complete fully executed copy of the applicable Lease, (ii) other than pursuant to the applicable Lease Assignment or otherwise with the prior written consent of Purchaser, there

shall have been no amendment, modification, or termination of the Lease applicable to such Aircraft, and (iii) the Lease applicable to such Aircraft shall remain in full force and effect.

Section 7.2. Waiver of Conditions Precedent. The conditions precedent specified in Section 7.1 are for the sole benefit of Purchaser and may only be waived or deferred, in whole or in part, and with or without condition, by Purchaser.

ARTICLE VIII CLOSING DELIVERABLES – SELLER

Section 8.1. Seller's Closing Deliverables. At the Closing for each Aircraft, Seller shall deliver, or cause to be delivered, to Purchaser (or its designee) or, if applicable, to the FAA Counsel, the following with respect to each Aircraft applicable to such Closing:

(a) Confirmation that each applicable Aircraft and each of the associated In-Scope Engines is at the applicable Delivery Location in accordance with Section 5.2;

(b) Duly executed counterpart signatures from each of Seller and each applicable affiliate of Seller to the Transaction Documents required to be executed by Seller or its affiliates for the Aircraft applicable to such Closing (including the Lease Assignment with respect to each applicable Aircraft);

(c) An Officer's Certificate of Seller, dated as of such Closing Date, certifying to the satisfaction in full of the conditions precedent set forth in clauses Section 7.1(a) and Section 7.1(b) of Section 7.1;

(d) (i) Evidence that the applicable Aircraft shall be, at the time of title transfer, free and clear from any and all Liens and interests, other than Permitted Liens (including evidence of termination of all UCCs recorded with respect to any Mesa Party or any affiliate thereof), and (ii) releases of prior recorded Liens and International Interests with respect to such Aircraft;

(e) Confirmation (including oral confirmation during the "closing call") from the holders of the Liens over the applicable Aircraft that such holders are prepared to release all of their respective Liens on such Aircraft upon receipt of the amount necessary to repay the Debt for such Aircraft in accordance with the applicable Payoff Letter(s);

(f) [Intentionally Blank];

(g) Correct copies of the bills of sale pursuant to which Seller took title to each Aircraft applicable to such Closing;

(h) The broker's report and insurance certificates required by each Lease with respect to each Aircraft;

(i) Consents from Seller necessary to permit all relevant International Registry registrations to be made immediately following the delivery of the Bill of Sale by Seller to Purchaser to reflect the interests of Purchaser in and to each applicable Airframe and each associated In-Scope Engine;

(j) a non-accident and non-incident statement or letter issued by the [***]; and

(k) Duly executed release instructions to the Escrow Agent for the release to Seller of the portion of the Deposit, if any, applicable to such Aircraft.

ARTICLE IX
CLOSING DELIVERABLES – PURCHASER

Section 9.1. Purchaser's Closing Deliverables. At the Closing for each Aircraft, Purchaser shall deliver, or cause to be delivered, to Seller or, if applicable, to the FAA Counsel, or, to such other Person(s) as set forth below, the following with respect to each Aircraft applicable to such Closing:

(a) Duly executed counterpart signatures from Purchaser to the Transaction Documents required to be executed by Purchaser for the Aircraft applicable to such Closing (including the Lease Assignment with respect to each applicable Aircraft);

(b) As to each Aircraft subject to such Closing, an amount in cash equal to the Purchase Price, by wire transfer of immediately available funds apportioned (i) to an account and in such amount specified in the applicable Payoff Letter(s) in respect of such Aircraft and (ii) to Seller's Account in an amount equal to the balance of the Purchase Price remaining after subtracting the amount payable pursuant to clause (i) of this Section 9.1(b);

(c) An Officer's Certificate of Purchaser, dated as of such Closing Date, certifying to the satisfaction in full of the conditions precedent set forth in clauses Section 6.1(a) and Section 6.1(b) of Section 6.1;

(d) [Intentionally Blank];

(e) A certificate of insurance satisfactory to Seller evidencing the insurance required under this Agreement; and

(f) Duly executed release instructions to the Escrow Agent for the release to Seller of the portion of the Deposit, if any, applicable to the Aircraft subject to such Closing.

ARTICLE X
REPRESENTATIONS AND WARRANTIES OF THE MESA PARTIES

Section 10.1. Representations and Warranties of Each Mesa Party. Each Mesa Party represents and warrants to Purchaser as of the date of this Agreement and the Closing Date with respect to each Aircraft as follows:

(a) Such Mesa Party is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Nevada and has all the requisite corporate power and authority and holds all licenses, permits, and other required authorizations from governmental authorities necessary to conduct the business in which it is currently engaged, own, or hold under lease its properties, and enter into and execute, deliver, and perform its obligations under this Agreement. Such Mesa Party is duly qualified to do business as a foreign corporation in good standing in each jurisdiction in which the nature and extent of the business conducted by it, or the ownership of its properties, requires such qualification, except where the failure to be so qualified would not give rise to a Material Change to it;

(b) Such Mesa Party has taken, or caused to be taken, all necessary action within its organization to authorize the execution and delivery of this Agreement, and the performance of its obligations hereunder. This Agreement constitutes the legal, valid, and binding obligation of such Mesa Party, enforceable against such Mesa Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar Laws and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law);

(c) The execution and delivery by such Mesa Party of this Agreement, the performance by it of its obligations hereunder, and the consummation by it of the transactions contemplated hereby, do not and will not (a) violate or conflict with any provision of the Certificate of Incorporation or By-Laws (or similar organizational documents) of such Mesa Party, (b) violate any Law applicable to or binding on it, or (c) violate or constitute any default under (other than any violation or default that would not result in a Material Change to it), or result in the creation of any Lien (other than a Permitted Lien) upon any applicable Aircraft under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, loan, or other material agreement, instrument or document to which such Mesa Party is a party or by which such Mesa Party or any of its properties is bound;

(d) The execution and delivery by it of this Agreement, the performance by it of its obligations hereunder and the consummation by it of the transactions contemplated hereby do not and will not require the consent or approval of, or the giving of notice to, or the registration with, or the recording or filing of any documents with, or the taking of any other action in respect of, (a) any trustee or other holder of any Debt of such Mesa Party or (b) any Government Entity, other than the filing of (x) the FAA Filed Documents and with respect to each Lease Assignment for each Aircraft, the Financing Statements (and UCC continuation statements periodically) (and the registrations with the International Registry with respect to each Aircraft) and (y) filings, recordings, notices or other ministerial actions pursuant to any routine recording, contractual, or regulatory requirements applicable to it;

(e) As of the date of this Agreement and prior to the [***] before the Closing Date of each Aircraft, there is no action, claim, arbitration, administrative or other proceeding, governmental investigation, or inquiry pending or, to the Actual Knowledge of such Mesa Party, threatened against such Mesa Party or its affiliates or, to the Actual Knowledge of Seller, pending or threatened, against [***], before any court, governmental body, arbitration board, tribunal, or administrative agency, in each case, that would either (x) be reasonably likely to affect such Mesa Party or its affiliates, or (y) result in a Material Change to such Mesa Party or affect the performance by Seller of its obligations under this Agreement or the consummation of the transactions contemplated hereby;

(f) The audited consolidated balance sheet of Seller with respect to Seller's most recent fiscal year included in Seller's most recent annual or quarterly report of financial condition provided to Purchaser (or otherwise reported to applicable Government Entities) and the related consolidated statements of operations and cash flows for the period then ended have been prepared in accordance with GAAP and fairly present in all material respects the financial condition of Seller and its consolidated subsidiaries as of such date and the results of its operations and cash flows for such period, and since the date of such balance sheet, there has been no material adverse change in such financial condition or operations of Seller, except for matters disclosed in the financial statements referred to above;

(g) Except for (a) the registration of each Aircraft with the FAA pursuant to the Act in the name of Purchaser, (b) the filing for recordation (and recordation) of the FAA Filed Documents pursuant to the Act, (c) the filing with the FAA pursuant to the FAA Regulations of an AC Form 8050-135 with respect to the Contract of Sale from Seller to Purchaser and the International Interest of Purchaser in each Airframe and In-Scope Engine under each Lease Assignment with respect to each Aircraft, (d) the registration of such Contract of Sale and International Interest with the International Registry, and (e) the filing of the Financing Statements (and continuation statements relating thereto at periodic intervals), no further action, including any filing or recording of any document (including any financing statement in respect thereof under Article 9 of the UCC) is necessary in order to establish and perfect the right, title, or interest of Purchaser in each Aircraft, as against Seller and any other person, in each case, in any applicable jurisdiction in the United States;

(h) (i) other than Specified Debt applicable to such Aircraft, there is no Debt in respect of such Aircraft, (ii) upon the extinguishment of the Debt set out in the Payoff Letters, there will be no Debt in respect of the Aircraft to which such Payoff Letters relate, and (iii) immediately prior to the Effective Time, Seller will have good and marketable title to the Aircraft (each component thereof) then being sold by it, free and clear of all Liens other than (x) Permitted Liens (y) Liens to be released at the Effective Time pursuant to the FAA Releases and the applicable Payoff Letter(s), and (z) Liens to be discharged on the International Registry at the Effective Time;

(i) Such Mesa Party has not taken any action in connection with the sale of any Aircraft to Purchaser under this Agreement that would entitle any person to the payment of a brokerage, finder's, or other fee or commission fee in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Seller;

(j) Seller is the owner of the Aircraft;

(k) Except for the financing documents relating to each Aircraft that will be terminated prior to or at the Closing of such Aircraft, the Leases constitute all of the agreements to which the Aircraft are subject that purport to lease, permit the operation of, assign, transfer, dispose of, or transfer all or any portion of the Aircraft, and Seller has delivered, or will deliver promptly after the Closing of such Aircraft, to Purchaser true and complete copies of all of the Leases relating to such Aircraft;

(l) Neither such Mesa Party nor [***] is in breach or default under the Lease applicable to any Aircraft;

(m) Seller, as lessor, has not taken any steps to assign or make available to [***] per the requirements of Article 14 of each Lease the benefit of any remaining warranties with respect to the Aircraft and other equipment subject to such Lease;

(n) [***]

(o) Other than those granted to Purchaser pursuant to this Agreement, there are no agreements, arrangements, or understandings granting any person a right to purchase (including rights of first of refusal, options, or similar rights) any portion of any Aircraft;

(p) The Seller has a valid business reason to undertake the sale and transfer of the Aircraft and the assignment of the Leases for such Aircraft, and it has concluded that the Purchase Price for each Aircraft payable pursuant to this Agreement represents reasonably equivalent value for the purchase of Aircraft and assignment of the Leases. Seller is not entering into this Agreement with the actual intent to hinder, delay, or defraud either present or future creditors, nor would the consummation of the transactions hereunder reasonably be expected to give rise to a claim of “fraudulent conveyance” or similar creditors’ claims.

(q) The transfer of Aircraft by the Seller under this Agreement is not being made for or on account of an antecedent debt owed by Seller to Purchaser.

Section 10.2. Seller Acknowledgements. Seller acknowledges that Purchaser is entering into this Agreement and the other Transaction Documents to which it is a party in reliance upon the accuracy of each of the representations and warranties contained in Section 10.1, which representations and warranties have been given by Seller so as to induce Purchaser to enter into this Agreement and the other Transaction Documents.

ARTICLE XI

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Section 11.1. Purchaser Representations and Warranties. Purchaser represents and warrants to Seller as of the date of this Agreement and each Closing Date with respect to each Aircraft as follows:

(a) Purchaser is a corporation duly incorporated, validly existing, and in good standing under the Laws of the State of Delaware and has the corporate power and authority to

enter into and perform its obligations under this Agreement;

(b) Purchaser has taken, or caused to be taken, all necessary corporate action to authorize the execution and delivery of this Agreement and the performance of its obligations thereunder, and this Agreement constitutes the legal, valid, and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar Laws and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law);

(c) The execution and delivery by Purchaser of this Agreement, the performance by Purchaser of its obligations hereunder, and the consummation by Purchaser of the transactions contemplated hereby do not and will not (a) violate or conflict with any provision of the Certificate of Incorporation or By-Laws of Purchaser, or (b) violate any Law applicable to or binding on it; and

(d) The execution and delivery by Purchaser of this Agreement, the performance by Purchaser of its obligations hereunder, and the consummation by Purchaser of the transactions contemplated hereby do not and will not require the consent or approval of, or the giving of notice to, or the registration with, or the recording or filing of any documents with, or the taking of any other action in respect of (a) any trustee or other holder of any Debt of Purchaser and (b) any Government Entity, other than the filing of the FAA Filed Documents with respect to each Aircraft (and the registrations with the International Registry with respect to each Aircraft) and the related Financing Statements (and UCC continuation statements periodically).

Section 11.2. Purchaser Acknowledgements. Purchaser acknowledges that Seller is entering into this Agreement and the other Transaction Documents to which Seller is a party in reliance upon the accuracy of each of the representations and warranties contained in Section 11.1, which representations and warranties have been given by Purchaser so as to induce Seller to enter into this Agreement and the other Transaction Documents.

ARTICLE XII
EVENTS OF DEFAULT

Section 12.1. Default of Seller.

(a) With respect to one or more Aircraft, the occurrence of one or more of the following events shall constitute a default by Seller hereunder:

- (i) Seller's failure to consummate the Closing of any Aircraft when required to do so in accordance with all applicable terms and conditions of this Agreement with respect to such Aircraft; or
- (ii) Any Mesa Party's failure to observe or perform any of its other material obligations under this Agreement.

For the avoidance of doubt, any Mesa Party shall not be in default of this Agreement under Section 12.1(a) as of any time at which the following are true: (1) such Mesa Party's failure under Section 12.1(a)(i) or Section 12.1(a)(ii) is caused solely by the non-satisfaction of a condition precedent under ARTICLE VII, (2) as to each condition precedent that has not been satisfied as contemplated by the foregoing clause (1), each Mesa Party has used its commercially reasonable efforts to cause such condition precedent to be satisfied prior to the applicable Closing, (3) despite the commercially reasonable efforts referenced in the immediately foregoing clause (2), such condition precedent remains unsatisfied due solely to the failure of the [***] to cooperate with one or both of the Parties hereto.

(b) If any such default under Section 12.1(a) should occur and not be cured within the time period set forth below (if such default is curable), then Purchaser shall be entitled, in each case at Purchaser's sole discretion so long as such default is then continuing, to elect one or more of the following, exercisable by delivering written notice to Seller immediately (if such default is not curable) or on the day immediately following the [***] after Seller's receipt of written notice of such default (if such default is curable and has not been cured within such [***] period): (i) suspend performance under this Agreement with respect to, at Purchaser's election, any or all of the Aircraft for which the Closing has not yet occurred, (ii) terminate this Agreement immediately with respect to, at Purchaser's election, any or all Aircraft for which the Closing has not yet occurred upon written notice to Seller (but no notice prior thereto shall be required), (iii) exercise any other rights and remedies available to Purchaser at Law or in equity, subject to the limitations of liability set forth in Section 17.16; provided, however, that Purchaser shall not have any right of termination under this Section 12.1 if Purchaser is in default under Section 12.2. If any such default under Section 12.1(a)(i) should occur with respect to an Aircraft and Seller does not cure such default within the cure period specified therein, then, in addition to the rights set out above in this Section 12.1(b), [***]

Section 12.2. Default of Purchaser.

(a) With respect to one or more Aircraft, the occurrence of one or more of the following events shall constitute a default by Purchaser hereunder:

(i) Purchaser's failure to timely pay the Deposit to the Escrow Agent in accordance with Section 3.2(a); or

(ii) Purchaser's failure to consummate the Closing of any Aircraft when required to do so in accordance with all applicable terms and conditions of this Agreement with respect to the applicable Aircraft; or

(iii) Purchaser's failure to perform any of its other material obligations under this Agreement.

(b) If any such default under this Section 12.2 should occur and not be cured within the time period set forth below (if such default is curable), then Seller shall be entitled, at Seller's sole discretion so long as such default is then continuing, to terminate this Agreement with respect to, at Seller's election, any or all applicable Aircraft for which the Closing has not yet occurred by delivering written notice of termination to Purchaser immediately (if such default is not curable) or the day immediately following the [***] after Purchaser's receipt of written notice of such default (if such default is curable and has not been cured within such [***] period); provided, however, that Seller shall not have any right of termination under this Section 12.2 if Seller is in default under Section 12.1.

(c) In the event of a valid termination of this Agreement with respect to one or more Aircraft under this Section 12.2, Seller shall be entitled to receive the portion of the Deposit applicable to each of the Aircraft subject to such termination, and, in such case, each of Seller and Purchaser shall promptly, [***]

ARTICLE XIII
TERMINATION

Section 13.1. Grounds for Termination. This Agreement may be terminated at any time prior to the Last Closing Date as follows:

- (a) in whole or in part, by mutual written consent of Seller and Purchaser;
- (b) in whole (at the written election of the terminating Party), by either Seller or Purchaser, if there shall be any Law that makes consummation of the transactions contemplated hereby illegal or otherwise restrained, enjoined, or prohibited or if consummation of the transactions contemplated hereby would violate any final order, decree, or judgment of any court or governmental authority having competent jurisdiction;
- (c) in accordance with Section 3.2(c), in the case of a Deposit Return Event as to an Aircraft; provided that (i) this Agreement shall automatically terminate with respect to the specific Aircraft to which the Deposit Return Event relates in respect of an Event of Loss (such termination being without prejudice to Purchaser's continuing and surviving right to deliver a Deposit Return Notice with respect to such Aircraft) and (ii) may only be terminated with respect to the specific Aircraft to which such Deposit Return Event relates in the case of any Deposit Return Event under Section 3.2(c)(i) (with respect to termination by Purchaser due to Material Damage), Section 3.2(c)(iv) or Section 3.2(c)(vi);
- (d) in whole or in part (at the written election of Purchaser), by Purchaser, pursuant to Section 12.1;
- (e) in whole or in part (at the written election of Seller), by Seller, pursuant to Section 12.2;
- (f) in whole or in part (at the written election of Purchaser), by Purchaser, if Seller is unable to resolve the material concerns that are raised in a notification to Seller by Purchaser in a manner reasonably acceptable to Purchaser regarding Purchaser's satisfaction with the Inspection of each Aircraft pursuant to Section 4.5;
- (g) in whole or in part (at the written election of Purchaser), by Purchaser, following any "Termination Event" under the CPA; and
- (h) with respect to any Aircraft, by Seller or Purchaser, if the Final Closing Date has occurred but the Closing with respect to such Aircraft has not yet occurred (provided that a Party shall not be entitled to exercise the termination rights under this Section 13.1(h) if it is in default under ARTICLE XII).

Notwithstanding anything to the contrary in this Agreement, each right of termination hereunder shall only be with respect to Aircraft for which a Closing has not yet occurred.

Section 13.2. Effect of Termination. Notwithstanding anything to the contrary in this Agreement, (a) the Surviving Provisions shall survive the termination of this Agreement, and (b) the termination of this Agreement will not relieve any Party from (i) any liability for any default by such Party under ARTICLE XII occurring prior to termination, or (ii) fraud; provided however, that nothing in this Section 13.2 will limit Section 12.1(b), Section 12.2(c) or Section 17.16 of this Agreement.

ARTICLE XIV
LIABILITY INSURANCE

Section 14.1. Liability Insurance. For a period commencing on the Closing Date for each Aircraft and ending on the earlier of (a) the date on which such Aircraft is inducted for a C-Check (as defined in the relevant Lease) and (b) the date [***] after the Closing Date in respect of such Aircraft (such period, the “Tail Insurance Period”), Purchaser shall use commercially reasonable efforts to procure that [***] (so long as the Lease for such Aircraft remains in effect or any replacement lease for such Aircraft is entered into by Purchaser and [***] or any follow-on purchaser or [***] in respect of such Aircraft shall carry comprehensive aviation general third-party liability insurance, including products liability insurance, in an amount, for so long as the Aircraft is operating, not less than the amount set forth in the applicable Lease as at the applicable Closing Date for any one occurrence and in the aggregate for products liability; provided, however, that during any period during the Tail Insurance Period when such Aircraft is in storage and is not being operated, in any manner whatsoever, Purchaser shall, in lieu of carrying such insurance, carry (or cause [***] or any follow-on purchaser or [***] as applicable, to carry) insurance coverage customary for non-operational commercial passenger aircraft in respect thereof. Purchaser shall (in the case of insurance maintained by Purchaser), and shall use commercially reasonable efforts to cause [***] or any follow-on purchaser or [***] (as applicable) to, name Seller, Mesa Air Group, their respective affiliates and their respective officers, directors, shareholders, members, managers and employees as additional insureds under such liability insurance policies during such Tail Insurance Period. Seller shall receive an insurance certificate reasonably satisfactory to Seller evidencing such insurance coverage prior to the Closing Date in respect of such Aircraft and prior to any expiration or replacement of such insurance coverage thereafter during such Tail Insurance Period.

ARTICLE XV
TAXES AND INDEMNITY

Section 15.1. Taxes and Indemnity.

(a) Each Party is responsible for researching its own tax position in relation to the transactions contemplated by the Transaction Documents, at its own cost and for its sole benefit.

(b) Purchaser shall be responsible for and shall indemnify and shall hold Seller harmless (including any amount necessary to hold Seller harmless on an After-tax Basis) from and against any and all Taxes imposed on Seller, Purchaser, or the Aircraft in respect of the sale and purchase of the Aircraft pursuant to the transactions contemplated hereby but excluding any thereof which are imposed on, with reference to, or based upon, (x) Seller's overall net income, gross receipts, profits, capital gains, or net worth by the relevant Government Entity in its country of organization, (y) Seller's gross negligence or willful misconduct or (z) taxes imposed solely as a result of activities of Seller in the jurisdiction imposing the taxes that are unrelated to Seller's dealings with Purchaser under this Agreement or the transactions contemplated by this Agreement.

(c) The Parties shall reasonably cooperate to deliver to each other such certifications and other documents as may be reasonably requested in order to avail themselves of any applicable exemption from Taxes.

ARTICLE XVI
WARRANTIES AND DISCLAIMERS

Section 16.1. Disclaimer.

(a) EXCEPT AS EXPRESSLY SET FORTH IN THE BILL OF SALE WITH RESPECT TO AN AIRCRAFT, AND WITHOUT LIMITING ANY OF THE RIGHTS OR REMEDIES OF PURCHASER UNDER THIS AGREEMENT, EACH AIRCRAFT IS BEING SOLD ON ITS RESPECTIVE CLOSING DATE TO PURCHASER IN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" CONDITION WITHOUT ANY REPRESENTATION, GUARANTEE OR WARRANTY OF THE SELLER, MESA AIR GROUP OR ANY AFFILIATE OF THE SELLER OR OF MESA AIR GROUP EXPRESS OR IMPLIED, OF ANY KIND, ARISING BY LAW OR OTHERWISE AS TO THE CONDITION THEREOF; AND

(b) WITHOUT LIMITING THE GENERALITY OF Section 16.1(a), PURCHASER UNCONDITIONALLY AGREES THAT EACH AIRCRAFT, EACH IN-SCOPE ENGINE AND EACH PART THEREOF ARE TO BE SOLD AND PURCHASED IN AN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" CONDITION AS AT THE RELEVANT DELIVERY DATE APPLICABLE THERETO, AND NO TERM, CONDITION, WARRANTY, REPRESENTATION OR COVENANT OF ANY KIND HAS BEEN ACCEPTED, MADE OR IS GIVEN BY SELLER, MESA AIR GROUP OR ANY AFFILIATE OF SELLER OR MESA AIR GROUP OR OF ANY OF THEIR RESPECTIVE SERVANTS OR AGENTS IN RESPECT OF THE AIRWORTHINESS, VALUE, QUALITY, DURABILITY, TITLE (EXCEPT AS EXPRESSLY PROVIDED IN THE APPLICABLE BILL OF SALE), CONDITION, DESIGN, OPERATION, DESCRIPTION, MERCHANTABILITY OR FITNESS FOR USE OR PURPOSE

OF THE AIRCRAFT, ANY IN-SCOPE ENGINE OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT, INHERENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), AS TO THE COMPLETENESS OR CONDITION OF THE DATA, OR AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, COPYRIGHT, DESIGN, OR OTHER PROPRIETARY RIGHTS; AND ALL CONDITIONS, WARRANTIES AND REPRESENTATIONS (OR OBLIGATION OR LIABILITY, IN CONTRACT OR IN TORT) IN RELATION TO ANY OF THOSE MATTERS, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, ARE EXPRESSLY EXCLUDED.

Section 16.2. Aircraft Acceptance Certificate. EXECUTION AND DELIVERY OF AN AIRCRAFT ACCEPTANCE CERTIFICATE BY PURCHASER TO SELLER SHALL BE CONCLUSIVE PROOF THAT THE AIRCRAFT, EACH IN-SCOPE ENGINE, AND EACH PART THEREOF DESCRIBED IN SUCH AIRCRAFT ACCEPTANCE CERTIFICATE ARE IN EVERY WAY SATISFACTORY TO PURCHASER AND HAVE BEEN ACCEPTED BY PURCHASER FOR ALL PURPOSES OF THIS AGREEMENT.

Section 16.3. Seller Indemnity. SUBJECT TO THE LIMITATIONS OF LIABILITY SET FORTH IN SECTION 17.6, EACH MESA PARTY SHALL INDEMNIFY AND HOLD HARMLESS PURCHASER INDEMNIFIED PARTIES, AND EACH OF THEM, FROM AND AGAINST ANY AND ALL CLAIMS INCURRED OR SUFFERED BY, ASSERTED AGAINST, CHARGED TO OR RECOVERABLE FROM ANY OF PURCHASER INDEMNIFIED PARTIES AND WHICH ARISE TO ANY EXTENT OUT OF OR ARE IN ANY MANNER CONNECTED WITH ANY BREACH OF ANY REPRESENTATION OR WARRANTY UNDER THIS AGREEMENT BY ANY MESA PARTY OR ANY DEFAULT BY ANY MESA PARTY UNDER Section 12.1, REGARDLESS OF WHETHER SUCH CLAIMS ARISE FROM ANY OF PURCHASER INDEMNIFIED PARTIES' SIMPLE NEGLIGENCE; PROVIDED, THAT NO PURCHASER INDEMNIFIED PARTY SHALL BE ENTITLED TO INDEMNIFICATION FOR A CLAIM TO THE EXTENT ARISING OUT OF SUCH PURCHASER INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

Section 16.4. Purchaser Indemnity. SUBJECT TO THE LIMITATIONS OF LIABILITY SET FORTH IN Section 17.16, PURCHASER SHALL INDEMNIFY AND HOLD HARMLESS SELLER INDEMNIFIED PARTIES, AND EACH OF THEM, FROM AND AGAINST ANY AND ALL CLAIMS INCURRED OR SUFFERED BY, ASSERTED AGAINST, CHARGED TO OR RECOVERABLE FROM ANY OF SELLER INDEMNIFIED PARTIES AND WHICH ARISE TO ANY EXTENT OUT OF OR ARE IN ANY MANNER CONNECTED WITH ANY BREACH OF ANY REPRESENTATION OR WARRANTY UNDER THIS AGREEMENT BY PURCHASER OR ANY DEFAULT BY PURCHASER UNDER Section 12.2, REGARDLESS OF WHETHER SUCH CLAIMS ARISE FROM ANY OF SELLER INDEMNIFIED PARTIES' SIMPLE NEGLIGENCE; PROVIDED, THAT NO SELLER INDEMNIFIED PARTY SHALL BE ENTITLED TO INDEMNIFICATION FOR A CLAIM TO THE EXTENT ARISING OUT OF SUCH SELLER INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

ARTICLE XVII
MISCELLANEOUS

Section 17.1. Entire Agreement; Amendments. This Agreement (with its schedules and exhibits) is the final and complete expression of the Parties' agreement and understanding with respect to the subject matter hereof and supersedes any other agreements, representations, warranties, covenants, communications, or understandings, whether oral or written (including e-mail and other electronic correspondence), that may have been made or entered into by or among any of the Parties or any of their respective affiliates or agents relating in any way to the transactions contemplated by this Agreement. For the avoidance of doubt, the Parties acknowledge and agree that the Letter Agreement has automatically terminated effective as of the date of this Agreement. This Agreement may not be amended except by an instrument in writing signed by or on behalf of both Parties.

Section 17.2. Non-Waiver; [*], CPA, Etc.** Any of the terms, covenants, or conditions hereof may be waived only by a written instrument executed by or on behalf of the Party hereto waiving compliance. No course of dealing on the part of any Party hereto, or its respective officers, employees, agents, accountants, attorneys, investment bankers, consultants, or other authorized representatives, nor any failure by a Party hereto to exercise any of its rights under this Agreement shall operate as a waiver thereof or affect in any way the right of such Party at a later time to enforce the performance of such provision. No waiver by any Party hereto of any condition, or any breach of any term or covenant contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term or covenant. Except as otherwise provided in this Agreement, the rights of the Parties hereto under this Agreement shall be cumulative, and the exercise or partial exercise of any such right shall not preclude the exercise of any other right. [***].

Section 17.3. Severability. In the event that any provision of this Agreement or the application thereof to any Party hereto or to any circumstance or in any jurisdiction governing this Agreement shall, to any extent, be invalid or unenforceable under any applicable Law, then such provision shall be deemed inoperative to the extent that it is invalid or unenforceable and the remainder of this Agreement, and the application of any such invalid or unenforceable provision to the Parties, jurisdictions or circumstances other than to whom or to which it is held invalid or unenforceable, shall not be affected thereby nor shall the same affect the validity or enforceability of this Agreement.

Section 17.4. Notices. All notices and other communications provided for hereunder shall be in writing and mailed, emailed, or delivered to the intended recipient at its address specified in Schedule 3 hereto or, as to each Party, at such other address as shall be designated by such Party in a written notice to each other Party complying as to delivery with the terms of this Section 17.4. Each such notice shall be deemed to have been received, in the case of email or a letter or courier service, when actually delivered if delivered before 4:00 p.m. on a Business Day in the country of the addressee and otherwise on the next such Business Day.

Section 17.5. Governing Law and Jurisdiction.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY, AND PERFORMANCE, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(b) The Parties irrevocably agree that the state and federal courts located in the Borough of Manhattan, City, and State of New York shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or any of the Transaction Documentation (including any non-contractual disputes or claims in connection herewith or therewith).

Section 17.6. Waiver of Sovereign Immunity. To the extent that any Party or any of its property is or becomes entitled at any time to any immunity on the grounds of sovereignty or otherwise from any legal action, suit, or proceeding, from set-off or counterclaim, from the jurisdiction of any competent court, from service of process, from attachment prior to judgment, from attachment in aid of execution, or from execution prior to judgment, or other legal process in any jurisdiction, such Party for itself and its property does hereby, to the fullest extent permitted by applicable Law, irrevocably and unconditionally waive, and agrees not to plead or claim, any such immunity with respect to its obligations, liabilities, or any other matter under or arising out of or in connection with this Agreement or the subject matter hereof.

Section 17.7. Waiver of Jury Trial. EACH PARTY, TO THE EXTENT PERMITTED BY LAW, KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY ACTION OR OTHER LEGAL PROCEEDING FOR MATTERS, CONTRACTUAL, TORTIOUS, OR OTHERWISE, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 17.8. Further Assurances. Each Party hereto will promptly and duly execute and deliver such further documents to make such further assurances for and take such further action reasonably requested by any Party to whom such first Party is obligated, all as may be reasonably necessary to carry out more effectively the intent and purpose of this Agreement and the other Transaction Documents.

Section 17.9. Counterparts. This Agreement may be executed in any number of counterparts and by any Party hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which, when taken together, shall constitute one and the same agreement.

Section 17.10. Transaction Costs. [***]

Section 17.11. Assignment; Successors and Assigns. Neither Seller nor Purchaser shall assign or transfer all or any of its rights and/or obligations under this Agreement without the prior written consent of the other Party, which may be withheld, conditioned, or delayed in such other Party's sole and absolute discretion; provided that, no assignment will relieve the assigning Party of any of its rights or obligations; and provided further, however, that Purchaser may assign its rights or obligations under this Agreement to any of its affiliates. This Agreement shall bind and inure to

the benefit of the Parties and any successors and assigns, in each case permitted hereunder, to the original Parties to this Agreement.

Section 17.12. Confidentiality. The terms and conditions set forth in this Agreement, and the existence of this Agreement, are acknowledged by the Parties to be confidential and subject to Section 11.6 of the CPA, and the Parties acknowledge and agree that Section 11.6 of the CPA is incorporated herein by reference *mutatis mutandis*. Notwithstanding the foregoing, each of Seller and Purchaser shall be permitted to disclose the terms and conditions and the existence of this Agreement to [***] and its affiliates and representatives as reasonably required to effectuate the transactions contemplated by this Agreement.

Section 17.13. Delivery of Documents by Electronic Means. Except for any document contemplated to be filed with the FAA, delivery of an executed counterpart of this Agreement, of the other Transaction Documents, or of any other documents in connection with any thereof by fax or other electronic image file will be deemed as effective as delivery of an originally executed counterpart. Any Party delivering an executed counterpart of this Agreement or other document by fax or other electronic image file will also deliver an originally executed counterpart, but the failure of any Party to deliver an originally executed counterpart of this Agreement or such other document will not affect the validity or effectiveness of this Agreement or such other document.

Section 17.14. Third-Party Beneficiaries. This Agreement is not intended to and shall not provide any person not a party hereto with any rights, of any nature whatsoever, against any of the Parties hereto, and no person not a party hereto shall have any right, power, privilege, benefit, or interest arising out of this Agreement or the other Transaction Documents.

Section 17.15. Specific Performance. The Parties agree that irreparable damage, for which monetary damages would not be an adequate remedy, would occur to Purchaser in the event that any of the provisions of this Agreement were not performed by any Mesa Party in accordance with their specific terms or were otherwise breached by a Mesa Party. It is accordingly agreed that Purchaser shall be entitled to seek an injunction or injunctions, or any other appropriate form of specific performance or equitable relief, to enforce specifically the terms and provisions hereof in any court of competent jurisdiction, in each case in accordance with this Section 17.15, this being in addition to any other remedy to which they are entitled under the terms of this Agreement at Law or in equity. Each Mesa Party accordingly agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of any such Party under this Agreement all in accordance with the terms of this Section 17.15. Each Mesa Party further agrees that neither Purchaser nor any other person shall be required to obtain, furnish, or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 17.15, and each Mesa Party irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. If prior to the Final Closing Date, Purchaser brings an action to enforce specifically the performance of the terms and provisions hereof by any Mesa Party, the Final Closing Date shall automatically be extended to such date as is reasonably necessary to provide Purchaser the benefit of this Section 17.15.

Section 17.16. Limitation of Liability. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, NO PARTY SHALL BE LIABLE UNDER THIS

AGREEMENT FOR ANY EXEMPLARY, SPECIAL, PUNITIVE, INDIRECT, REMOTE, SPECULATIVE, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, IN EACH CASE WHETHER IN TORT (INCLUDING NEGLIGENCE OR GROSS NEGLIGENCE), STRICT LIABILITY, BY CONTRACT, OR STATUTE, EXCEPT TO THE EXTENT A PARTY SUFFERS SUCH DAMAGES TO A THIRD PARTY IN CONNECTION WITH A FINALLY ADJUDICATED THIRD PARTY CLAIM, IN WHICH CASE SUCH AWARDED DAMAGES SHALL BE RECOVERABLE (TO THE EXTENT RECOVERABLE UNDER THIS AGREEMENT) WITHOUT GIVING EFFECT TO THIS Section 17.16.

Section 17.17. Joint and Several Obligations. Each Mesa Party shall be jointly and severally liable for all of the obligations and liabilities of one or more of the Mesa Parties contained in this Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement as of the day and year first above written.

SELLER:

MESA AIRLINES, INC.

By:

DocuSigned by:


Name: Mike Lotz

Title: President and CFO

MESA AIR GROUP:

MESA AIR GROUP, INC.

By:

DocuSigned by:


Name: Mike Lotz

Title: President and CFO

PURCHASER:

UNITED AIRLINES, INC.

By: _____

Name:

Title:

Signature Page to Aircraft Purchase Agreement

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement as of the day and year first above written.

SELLER:

MESA AIRLINES, INC.

By: _____

Name:

Title:

MESA AIR GROUP:

MESA AIR GROUP, INC.

By: _____

Name:

Title:

PURCHASER:

UNITED AIRLINES, INC.

By:  _____
The signature block for the purchaser includes a DocuSigned signature box for Jonathan Ireland with the ID BCD146FF34EB454.

Name: Jonathan Ireland

Title: Senior Vice President, Finance

Schedule 1

Definitions

“**Act**” means the Federal Aviation Act of 1958.

“**Actual Knowledge of Seller**” means the actual knowledge of one or more of Jonathan Ornstein, Brad Rich, Brian Gillman, Michael Lotz, or Torque Zubeck, in each case after reasonable inquiry, including inquiry to direct reports.

“**After-tax Basis**” [***]

“**Aircraft**” means an individual aircraft owned by Seller that is listed on Schedule 2, together with its related Airframe, two In-Scope Engines (including, if applicable under Section 5.2(b), engine stands), APUs, Data, parts, components and accessories (including QEC kits); it being understood that a Closing with respect to an Aircraft shall occur with respect to the Airframe, two In-Scope Engines (including, if applicable under Section 5.2(b), engine stands), APUs, Data, parts, components and accessories (including QEC kits), in each case applicable to such Aircraft.

“**Aircraft Acceptance Certificate**” means the aircraft acceptance certificate for an Aircraft substantially in the form set out in Exhibit A and signed by Purchaser at the Effective Time.

[***]

“**Airframe**” means the Bombardier Inc. Canadair Regional Jet CL-600-2C11 airframes bearing the manufacturer’s serial numbers and United States registration marks set forth in Schedule 2 (or any substitutions thereof agreed by Seller and Purchaser in a signed writing) (including the APU and all avionics, appliances, parts, furnishings, components, instruments and accessories installed thereon at each Closing).

“**APU**” means the auxiliary power unit installed on the Aircraft at the Effective Time. “**Bankruptcy Code**” means section 541 of title 11 of the United States Code.

“**Base Purchase Price**” means [***].

“**Bill of Sale**” means a bill of sale executed by Seller in respect of the Aircraft substantially in the form of Exhibit B.

“**Business Day**” means a day other than Saturday, Sunday, or any day on which banks located in Chicago, Illinois and New York, New York are authorized or obligated to close.

“**By-Laws**” means the rules and regulations that govern the operations of each entity.

“**Cape Town Treaty**” means the Convention on International Interests in Mobile Equipment, as modified by the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, signed at Rome on May 9, 2003.

“**Certificate of Incorporation**” means the document certifying each entity’s formation.

“**Closing**” means, with respect to each Aircraft, the closing of the sale of such Aircraft, including the Data, pursuant to the terms and conditions of this Agreement.

“**Closing Date**” means, with respect to each Aircraft, the date on which the Closing for such Aircraft occurs. The scheduled Closing Date for each Aircraft (or such other date to which Seller changes the scheduled Closing Date) pursuant to Section 5.3 shall presumptively be the Closing Date for such Aircraft.

“**CPA**” means that certain Second Amended and Restated Capacity Purchase Agreement dated as of November 4, 2020 among Seller, Purchaser, and Mesa Air Group, as amended.

“**Credit Amount**” has the meaning given to it in Section 3.2(b).

“**Data**” means all records, data and manuals (including regarding maintenance) relating to the applicable Aircraft that are required to be maintained by Seller in accordance with applicable FAA regulations, together with other such records, data and manuals relating to the applicable Aircraft as are reasonably available to Seller.

“**Data Inspection**” has the meaning given to it in Section 4.2.

“**Debt**” means [***]

“**Debt Instrument**” means a promissory note, certificate or other document constituting evidence of any Debt.

“**Definitive Documentation**” means this Agreement and each Lease Assignment for each Aircraft.

“**Delivery Location**” has the meaning given to such term in Section 5.2(a). “**Deposit**” has the meaning given to it in Section 3.2(a).

“**Deposit Return Event**” has the meaning given to it in Section 3.2(c). “**Deposit Return Notice**” has the meaning given to it in Section 3.2(b). “**Economic Closing Date**” has the meaning given to it in Section 3.1(b).

“**Effective Time**” means the time at which (i) title to each Aircraft is transferred from Seller to Purchaser on the Closing Date with respect to each Aircraft, as set forth in the related Bill of Sale and (ii) the Lease Assignment for each Aircraft is effective.

“**Engine**” means a General Electric CF34-8C5 model engine.

“**Escrow Agreement**” means that certain Escrow Agreement dated substantially concurrently with the date of this Agreement by and among the Escrow Agent, Seller, Purchaser, and Mesa Air Group. “**FAA**” means Federal Aviation Administration.

“**Event of Loss**” means, as to any Aircraft, the meaning given to that term in the Lease applicable to such Aircraft.

“**FAA Bill of Sale**” means, with respect to an Aircraft, an FAA bill of sale on Form 8050-2 (or any successor form thereto promulgated by the FAA) with respect to such Aircraft from Seller to Purchaser.

“**FAA Counsel**” means the law firm of Lytle Soulé & Felty, P.C. of Oklahoma City, OK, or such other law firm as Purchaser may designate in its sole discretion.

“**FAA Filed Documents**” means, with respect to each Aircraft, the related FAA Bill of Sale, each Lease Assignment, the related FAA Releases and an application for registration with respect to such Aircraft with the FAA in the name of Purchaser.

“**FAA Regulations**” means those rules and regulations promulgated by the FAA.

“**FAA Releases**” means, with respect to each Aircraft, releases, in form and substance satisfactory to Purchaser, releasing all Liens of record with the FAA with respect to such Aircraft.

“**Final Closing Date**” has the meaning given to it in Section 5.4.

“**Financing Statement**” means a record or records composed of an initial financing statement and any filed record relating to the initial financing statement.

“**GE Engine**” means the Engine having serial number [***].

“**GE Facility**” has the meaning given to such term in Section 5.2(d).

“**Government Entity**” means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government.

“**HPT**” means the high pressure turbine module associated with the GE Engine. “**IGM**” means Kingman Airport located in Kingman, Arizona.

“**In-Scope Engine**” means the Engines set forth on Schedule 2, together with all equipment and accessories installed on or appurtenant to such engine.

“**Inspection**” means the Data Inspection and the Physical Inspection. “**International Interest**” has the meaning given in the Cape Town Treaty.

“**International Registry**” means the international registry established pursuant to the Cape Town Treaty.

“**Last Closing Date**” means the date, if any, on which the Closing has occurred for all Aircraft.

“**Law**” means all applicable federal, state and local laws, rules, orders and regulations, including all rules and regulations of the appropriate authority, including the FAA and United States Department of Transportation.

“**Leases**” means the leases as to Aircraft between Mesa Airlines, Inc., as Lessor, [***] each of which is listed on Schedule 5.

“**Lease Assignment**” means, with respect to each Aircraft and Engine, an assignment, assumption and amendment agreement with respect to the Lease thereof, among Seller, Purchaser and[***] in substantially the form attached to this Agreement as Exhibit C.

“**Lease Default**” has the meaning given to it in each applicable Lease.

“**Lease Event of Default**” has the meaning given to it in each applicable Lease. “**Lessee**” means [***]

“**Letter Agreement**” means that certain letter agreement dated as of August 8, 2022 by and between Seller and Purchaser regarding the “Sale of Portfolio of 18 Aircraft”.

“**Lien**” means any mortgage, pledge, lien, charge, claim, encumbrance, International Interest (as defined in the Cape Town Treaty), lease (other than any Lease), or security interest affecting the title to or any interest in any Aircraft (other than any of the foregoing created by or through Purchaser).

“**Material Change**” means an event, occurrence, change in conditions or circumstances, or other change that results in, or could reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Seller or Mesa Air Group to perform its obligations under this Agreement.

“**Material Damage**” is defined in Section 3.2(c)(i).

“**Mesa Airlines**” means Mesa Airlines, Inc., a Nevada corporation. “**Mesa Parties**” means Seller and Mesa Air Group.

[***]

“**Part**” means, whether or not installed on the Aircraft, any component, furnishing or equipment (other than a complete In-Scope Engine) owned by Seller and constituting part of the applicable Aircraft.

“**Party**” has the meaning given to it in the Preamble.

“**Payoff Letters**” has the meaning given to it in Section 5.7.

“**Permitted Lien**” means, as to any Aircraft, (i) the Lease relating to such Aircraft and (ii) the Liens permitted under Section 17.6 of such Lease (but excluding “Lessor’s Liens” (as defined in such Lease) that are not Lessor’s Liens arising by, through or under Purchaser).

“**Person**” means any individual or entity, including any corporation, limited liability company, partnership (general or limited), joint venture, association, joint stock company, trust, incorporated organization or Government Entity.

“**Physical Inspection**” has the meaning given to it in Section 4.3. “**Purchaser**” means United Airlines, Inc.

“**Purchaser Indemnified Parties**” means, collectively, (x) Purchaser, together with its

subsidiaries and affiliates, and (y) the respective directors, officers, employees, successors, assignees, representatives, agents and shareholders of each of the Persons referenced in the immediately preceding clause (x).

“**Purchase Price**” has the meaning given to it in Section 3.1(a). “**Seller**” means Mesa Airlines, Inc.

“**Seller’s Account**” means the bank account of Seller set forth in Schedule 3 or any replacement bank account notified by Seller to Purchaser in writing no later than [***] prior to the applicable Closing.

“**Seller Indemnified Parties**” means, collectively, (x) Seller and Mesa Air Group, and (y) the respective directors, officers, employees, successors, assignees, representatives, agents and shareholders of each of the Persons referenced in the immediately preceding clause (x).

“**Specified Debt**” means the Debt in respect of the Aircraft set forth on Schedule 7.

“**STL Engines**” means the engines having serial numbers [***].

“**Surviving Provisions**” has the meaning given to it in Section 3.2(e). “**Tail Insurance Period**” has the meaning given to it in Section 14.1.

“**Tax**” means applicable sales, use, value added, and other similar taxes, together with any penalties, fines, or interest thereon or additions thereto, imposed, levied, or assessed by any federal, state, provincial, or local taxing authority or other governmental authority on the sale of Aircraft under this Agreement.

“**Tranche 1 Aircraft**” means the Aircraft to be included in the initial Closing, each of which is listed on Schedule 6.

“**Transaction Documents**” means, collectively, (x) this Agreement, (y) the Escrow Agreement, and (z) with respect to each Aircraft, the Aircraft Acceptance Certificate, the FAA Bill of Sale, Bill of Sale, FAA Releases, Lease Assignments [***]

“**UCC**” means Uniform Commercial Code.

“**Unserviceable Engines**” means [***]

Schedule 2
Aircraft Information

#	Model	Registration	MSN	ESN
1	CL-600-2C11	[***]	[***]	[***]
				[***]
2	CL-600-2C11	[***]	[***]	[***]
				[***]
3	CL-600-2C11	[***]	[***]	[***]
				[***]
4	CL-600-2C11	[***]	[***]	[***]
				[***]
5	CL-600-2C11	[***]	[***]	[***]
				[***]
6	CL-600-2C11	[***]	[***]	[***]
				[***]
7	CL-600-2C11	[***]	[***]	[***]
				[***]
8	CL-600-2C11	[***]	[***]	[***]
				[***]
9	CL-600-2C11	[***]	[***]	[***]
				[***]
10	CL-600-2C11	[***]	[***]	[***]
				[***]
11	CL-600-2C11	[***]	[***]	[***]
				[***]
12	CL-600-2C11	[***]	[***]	[***]
				[***]
13	CL-600-2C11	[***]	[***]	[***]
				[***]
14	CL-600-2C11	[***]	[***]	[***]
				[***]
15	CL-600-2C11	[***]	[***]	[***]
				[***]
16	CL-600-2C10	[***]	[***]	[***]
				[***]
17	CL-600-2C10	[***]	[***]	[***]
				[***]
18	CL-600-2C11	[***]	[***]	[***]
				[***]

Schedule 3

Addresses for notices

For notices to Seller:

Mesa Airlines, Inc.

410 North 44th Street, Suite 700

Phoenix, Arizona 85008

Attention: Michael Lotz, President

Brian Gillman, Executive Vice President & General Counsel Email: [***]

For notices to Mesa Air Group: Mesa Air Group, Inc.

410 North 44th Street, Suite 700

Phoenix, Arizona 85008

Attention: Michael Lotz, President

Brian Gillman, Executive Vice President & General Counsel Email: [***]

For notices to Purchaser:

United Airlines, Inc.

233 South Wacker Drive Chicago, Illinois 60606

Attention: Patrick Manning, Director UAX Commercial Strategy Email: [***]

Seller's Account

Bank Name: [***]

Bank Address:

[***]

Schedule 4

1. Letter Agreement N[***], Bombardier Inc. Canadair Regional Jet C1-600-2C11 Manufacturer's Serial Number [***] by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc. dated as of [***]
2. Letter Agreement N[***], Bombardier Inc. Canadair Regional Jet C1-600-2C11 Manufacturer's Serial Number [***], by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc., dated as of [***]
3. Letter Agreement N[***]Bombardier Inc. Canadair Regional Jet C1-600-2C11 Manufacturer's Serial Number [***], by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc., dated as of [***]
4. Letter Agreement N[***], Bombardier Inc. Canadair Regional Jet C1-600-2C11 Manufacturer's Serial Number [***] by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc., dated as of [***]
5. Letter Agreement N[***], Bombardier Inc. Canadair Regional Jet C1-600-2C11 Manufacturer's Serial Number [***], by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc., dated as of [***]
6. Letter Agreement N[***], Bombardier Inc. Canadair Regional Jet C1-600-2C11 Manufacturer's Serial Number [***], by and among Mesa Air Group, Inc., Mesa Airlines, Inc., and United Airlines, Inc., dated as of [***].
7. Letter Agreement N[***], Bombardier Inc. Canadair Regional Jet C1-600-2C11 Manufacturer's Serial Number [***] by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc., dated as of [***]
8. Letter Agreement N[***], Bombardier Inc. Canadair Regional Jet C1-600-2C10 Manufacturer's Serial Number [***], by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc., dated as of [***]
9. Letter Agreement N[***], Bombardier Inc. Canadair Regional Jet C1-600-2C10 Manufacturer's Serial Number [***] by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc., dated as of [***]
10. Letter Agreement N[***] Bombardier Inc. Canadair Regional Jet C1-600-2C11 Manufacturer's Serial Number [***] by and among Mesa Air Group, Inc., Mesa Airlines, Inc. and United Airlines, Inc., dated as of [***]

Schedule 5

1. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***], between Lessor and [***]
2. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***], between Lessor and [***]
3. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***], in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***], between Lessor and [***]
4. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***], in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***] between Lessor and [***] and to be amended by the Lease Supplement Amendment No. 1 (Engine Swap) to be dated as of the Closing Date relating to the such Aircraft, between Lessor and [***].
5. Aircraft Lease Agreement, dated as of [***] between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***], as amended by the Omnibus Lease Amendment dated [***], between Lessor and [***] and to be amended by the Lease Supplement Amendment No. 1 (Engine Swap) to be dated as of the Closing Date relating to the such Aircraft, between Lessor and [***]
6. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***], between Lessor and [***]
7. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***], as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended the Lease Amendment No. 1 (MSN [***] dated [***] between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***], between Lessor and [***], and to be amended by the Lease Supplement Amendment No. 1 (Engine Swap) to be dated as of the Closing Date relating to the such

Aircraft, between Lessor and [***]

8. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***] between Lessor and [***] and to be amended by the Lease Supplement Amendment No. 1 (Engine Swap) to be dated as of the Closing Date relating to the such Aircraft, between Lessor and [***]
9. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***]
10. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***], as supplemented by the Lease Supplement dated as of [***] between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***], between Lessor and [***] and to be amended by the Lease Supplement Amendment No. 1 (Engine Swap) to be dated as of the Closing Date relating to the such Aircraft, between Lessor and [***].
11. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***] between Lessor and [***]
12. Aircraft Lease Agreement, dated as of [***] between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***], between Lessor and [***]
13. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***], as supplemented by the Lease Supplement dated as of [***], between Lessor and [***]
14. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***] between Lessor and [***]
15. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11

Aircraft Manufacturer's Serial Number [***], as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***] between Lessor and [***]

16. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***], in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C10 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***]
17. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C10 Aircraft Manufacturer's Serial Number [***], as supplemented by the Lease Supplement dated as of [***], between Lessor and [***]
18. Aircraft Lease Agreement, dated as of [***], between Mesa Airlines, Inc., as Lessor, and [***] in respect of one (1) used Bombardier Inc. Canadair Regional Jet CL-600-2C11 Aircraft Manufacturer's Serial Number [***] as supplemented by the Lease Supplement dated as of [***], between Lessor and [***] as amended by the Omnibus Lease Amendment dated [***] between Lessor and [***]

Schedule 6

Tranche 1 Aircraft

#	Model	Registration	MSN	ESN
1	CL-600-2C11	[***]	[***]	[***]
				[***]
2	CL-600-2C11	[***]	[***]	[***]
				[***]
3	CL-600-2C11	[***]	[***]	[***]
				[***]
4	CL-600-2C11	[***]	[***]	[***]
				[***]
5	CL-600-2C11	[***]	[***]	[***]
				[***]
6	CL-600-2C11	[***]	[***]	[***]
				[***]
7	CL-600-2C11	[***]	[***]	[***]
				[***]
8	CL-600-2C11	[***]	[***]	[***]
				[***]
9	CL-600-2C11	[***]	[***]	[***]
				[***]
10	CL-600-2C11	[***]	[***]	[***]
				[***]

Schedule 7

Specified Debt

FORM OF AIRCRAFT ACCEPTANCE CERTIFICATE

relating to

One Bombardier model CL-600-2C11 airframe bearing manufacturer's serial number [●] and U.S. registration mark [●] with [] model [] engines bearing manufacturer's serial numbers [●] and [●] and all related Parts and Data (collectively, the "**Aircraft**").

United Airlines, Inc. ("**Purchaser**") hereby confirms, pursuant to the Aircraft Purchase Agreement, dated as of September [], 2022, among Mesa Airlines, Inc. ("**Seller**"), Mesa Air Group, Inc. ("**Mesa Air Group**") and Purchaser (the "**Purchase Agreement**"), that Purchaser's execution of this certificate constitutes (i) its confirmation that Purchaser is satisfied in every way and in all respects with the condition of the Aircraft, each In-Scope Engine, each Part thereof and the Data and (ii) its absolute, irrevocable and unconditional acceptance of the Aircraft, each In-Scope Engine, each Part thereof and the Data in accordance with the Purchase Agreement;

Purchaser acknowledges that it is purchasing the Aircraft, each In-Scope Engine, each Part thereof and the Data in "**AS IS**", "**WHERE IS**" and "**WITH ALL FAULTS**" condition and subject to each and every agreement, exclusion, waiver and disclaimer set forth in Section 16.1 of the Purchase Agreement; and

Purchaser has delivered this certificate at the Effective Time.

The terms "**Part**", "**Data**", "**Effective Time**", and "**In-Scope Engine**" shall have the same meanings in this certificate as in the Sale Agreement.

UNITED AIRLINES, INC.

By: _____
Name:
Title

Exhibit B

FORM OF BILL OF SALE

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Mesa Airlines, Inc. (“**Seller**”), owner of the aircraft, engines, equipment and documents described below (hereinafter referred to as the “**Aircraft**”):

one Bombardier model CL-600-2C11 aircraft bearing manufacturer’s serial number [●] and U.S. registration mark [●];

two [] model [] engines bearing manufacturer’s serial numbers [●] and [●] (each, an “**In- Scope Engine**”);
all Parts; and the Data,

does hereby sell, grant, transfer and deliver all right, title and interest in and to the Aircraft, subject only to Permitted Liens, to United Airlines, Inc. (“**Purchaser**”) pursuant to the Aircraft Purchase Agreement, dated as of September [], 2022, made among Seller Mesa Air Group, Inc. and Purchaser (the “**Sale Agreement**”), to have and to hold the Aircraft forever. Seller hereby warrants to Purchaser, and its successors and assigns, that it is the owner of the Aircraft, that there is hereby conveyed to Purchaser good and marketable title to the Aircraft free and clear of any and all Liens other than Permitted Liens, and that Seller will forever defend such title granted by it against all claims and demands whatsoever.

The terms “**Data**”, “**Parts**”, “**Liens**” and “**Permitted Liens**” shall have the same meanings in this Bill of Sale as in the Sale Agreement.

THIS BILL OF SALE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICTS OF LAW OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be duly executed as of
this ____ day of 202____, at
[a.m./p.m.] local time while the Aircraft was [locatedat/over]_____

MESA AIRLINES, INC.

By: _____
Name:
Title

Exhibit C

FORM OF LEASE ASSIGNMENT, ASSUMPTION AND AMENDMENT AGREEMENT

[To be attached when finalized]

Exhibit C - 1

**LEASE ASSIGNMENT, ASSUMPTION AND AMENDMENT
AGREEMENT (MSN_____)**

Lease Assignment, Assumption and Amendment Agreement (MSN_____), dated as of _____2022 (this “**Agreement**”), among Mesa Airlines, Inc., a company incorporated and existing under the laws of the State of Nevada (“**Assignor**”), United Airlines, Inc., a company incorporated and existing under the laws of the State of Delaware (“**Assignee**”), and [***] Assignor, Assignee and Lessee are sometimes referred to in this Agreement as a “**Party**” or “**Parties**”.

RECITALS:

- A. The Assignor has entered into an agreement to sell the Aircraft (as defined below) to Assignee.
- B. Pursuant to and in accordance with that certain Aircraft Purchase Agreement by and among Assignor, Assignee, and Mesa Air Group, Inc., dated as of _____, 2022 (the “**Aircraft Purchase Agreement**”), Assignor has agreed to assign and Assignee has agreed to assume, all of Assignor’s rights, obligations, duties and liabilities under that certain Aircraft Lease Agreement, dated _____, 2021, between Assignor as lessor and [***] as [***] (as amended modified or and supplemented from time to time, the “**Lease Agreement**”), in respect of one Bombardier Inc. Canadair Regional Jet CL-600-2C11 model aircraft bearing manufacturer’s serial number _____ and U.S. Registration number _____, together with two (2) General Electric model CF34-8C5B1 engines bearing manufacturer’s serial numbers _____ and _____, respectively (collectively, the “**Aircraft**”) and certain related documents listed in Schedule 1 hereto (collectively, the “**Lease Documents**”) on the terms and subject to the conditions set out herein (the “**Assignment**”).
- C. [***]

AGREEMENT:

The parties hereto agree as follows:

1. DEFINITIONS AND INTERPRETATION

The capitalized terms used in this Agreement shall have the respective meanings ascribed thereto below:

“Effective Date” means the date of this Agreement.

“Reserved Rights” means any and all rights, interests and benefits of Assignor under any indemnity, expense and related provisions of the Lease Agreement in respect of any losses, liabilities or claims suffered or incurred or brought against Assignor with respect to or relating to the period prior to the Effective Date.

Capitalized terms used, but not defined, in this Agreement shall have the respective meanings assigned to them in the Lease Agreement.

All references in this Agreement to Schedules, Clauses and other subdivisions refer to the corresponding Schedules, Clauses and other subdivisions of or to this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any Clauses or other subdivisions of this Agreement are for convenience only, do not constitute any part of this Agreement, and shall be disregarded in construing the language hereof. The words “this Agreement,” “herein,” “hereby,” “hereunder,” and “hereof,” and words of similar import, refer to this Agreement as a whole and not to any particular Clause or other subdivision unless expressly so limited. The words “this Clause,” and words of similar import, refer only to the Clause hereof in which such words occur. The word “including” (in its various forms) means “including without limitation”. Pronouns in masculine, feminine, or neuter genders shall be construed to state and include any other gender, and words, terms, and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Schedules referred to herein are attached hereto. Except as otherwise provided in this Agreement, any reference herein to any law shall be construed as referring to such law as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, and references to particular provisions of a law include a reference to the corresponding provisions of any prior or succeeding law, and any reference herein to a document includes that document as amended from time to time in accordance with its terms, and any document entered into in substitution or replacement therefor. Any reference to an amendment includes a supplement, novation, or re-enactment and “amended” is to be construed accordingly. The word “extent” in the phrase “to the extent” means the degree to which a subject or other theory extends, and such phrase shall not simply mean “if”. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and Business Days refer to days that are Business Days in each of Chicago, Illinois and New York City, New York. Whenever any action must be taken hereunder on or by a day that is not a Business Day, then such action may be validly taken on or by the next day that is a Business Day. Time shall be of the essence in this Agreement. Any reference to any federal, state, local, or foreign law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context shall otherwise require. Reference herein to “federal” shall be construed as referring to U.S. federal.

2. ASSIGNMENT AND ASSUMPTION; [*]**

As and with effect from the Effective Date:

- (1) [***] releases Assignor from Assignor's obligations, duties and liabilities to [***] under the Lease Documents to the extent related to the period, and which arise, after the Effective Date;
- (2) Assignor releases [***] from [***] obligations, duties and liabilities to Assignor under the Lease Documents and Assignor agrees that it has no further rights under the Lease Documents, in each case, to the extent related to the period, and which arise, after the Effective Date and other than in respect of the Reserved Rights;
- (3) Assignor agrees to assign and Assignee agrees to assume all of the rights, obligations, duties and liabilities of Assignor under the Lease Documents to the extent related to the period, and which arise, after the Effective Date;
- (4) [***] consents to the Assignment;
- (5) [***] agrees with Assignee that from and after the Effective Date, [***] will pay Rent to the Assignee and otherwise perform all obligations under the Lease Documents (as amended and supplemented by this Agreement) in favor of Assignee; and
- (6) [***]

each of the foregoing events and agreements being conditional on, and taking effect simultaneously with, the others.

3. INSURANCE

Notwithstanding the release in Clause 2(2) above and without limiting [***] continuing obligations in respect of the Reserved Rights, [***] shall:

- (1) comply with the liability insurance tail coverage obligations on the same terms *mutatis mutandis* as set forth in Section 19.3 of the Lease to the same extent as if expressly stated herein. In furtherance thereof, [***], Assignee and Assignor confirm that the provisions of Section 19.3 of the Lease Agreement are deemed to be set out in their entirety in this Agreement as if the references therein to "Lessor", "Owner", "Financing Parties" and "Indemnitees" had the meanings given to such terms immediately prior to the Effective Date.

4. LEASE AMENDMENT

As of, and with effect from, the Effective Date, the Lease Agreement, as assigned and assumed hereby, will be amended as follows:

- (1) The expression "Lessor" wherever it appears in each of the Lease Documents shall be treated as though it referred to Assignee to the exclusion of Assignor;

- (2) The term “Indemnitee” is hereby deleted in its entirety and replaced with the following:

“**Indemnitee**” means Lessor, Owner, any Owner Participant, any Servicer, any Financing Party, Mesa Airlines, Inc., Mesa Air Group, Inc., Obsidian Agency Services, Inc., Cortland Capital Market Services LLC, TCPC Funding I, LLC, Tennenbaum Senior Loan Fund V, LLC, TCP Whitney CLO, LTD, TCP Direct Lending Fund VIII-A, LLC, Reliance Standard Life Insurance Company, TCP DLF VIII ICAV, an umbrella type Irish collective asset management vehicle acting solely for and on behalf of its sub-fund TCP Direct Lending Fund VIII-U (Ireland), TCP DLF VIII-L Funding, LP, TCP DLF VIII-S Funding, LLC, TCP DLF VIII-T

Funding, LLC, TCP DLF VIII 2018 CLO, LLC. and their respective Affiliates, officers, directors, shareholders, members, managers, partners, duly authorized agents, employees and attorneys-in-fact and their respective successors and assigns.

- (3) Lessor's bank account information set forth in paragraph 3 of Appendix 2B to the Lease Agreement is hereby deleted in its entirety and replaced with the corresponding information set forth in Schedule 3 hereto;
- (4) The legend set forth in paragraph 5 of Appendix 2B is hereby deleted in its entirety and replaced with the following:
- “LEASED FROM UNITED AIRLINES, INC. AS OWNER AND LESSOR.”
- (5) Lessor's address for notices set forth in paragraph 6 of Appendix 2B to the Lease Agreement is hereby deleted in its entirety and replaced with the corresponding information set forth in Schedule 3 hereto; and
- (6) For all purposes of the calculation of Lessor Maintenance Contributions under Appendix 2F of the Lease Agreement, (i) all amounts of Utilization Rent received by Assignor from [***] prior to the Effective Date shall be deemed to have been paid to and received by Assignee and (ii) all amounts paid by Assignor, if any, to [***] pursuant to Appendix 2F shall be deemed to have been paid by Assignee to [***] thereunder. [***] agrees to look solely to Assignee for the payment of all Lessor Maintenance Contributions that become due and payable after the Effective Date.

5. CONDITIONS PRECEDENT

- 5.1 Promptly after the date hereof [***] will provide Assignee and Assignor with the following documents in form and substance satisfactory to Assignee and Assignor:
- (1) An officer's certificate from an officer of [***] addressing [***] power and authority to enter into this Agreement and to perform its obligations under this Agreement and the Lease Agreement as amended hereby; and

- (2) Certificates of insurance and an undertaking from [***] insurance broker evidencing compliance with the provisions hereof and of the Lease Agreement as to insurances.

The conditions precedent specified in this Clause 5.1 are for the benefit of Assignee and may be waived or deferred in whole or in part and with or without condition by Assignee, without prejudicing Assignee's right to receive fulfillment of such conditions, in whole or in part at any time thereafter, except as set out in the written consent to such waiver or deferral.

6. UNDERTAKINGS AND ACKNOWLEDGEMENTS

6.1 Payments to Assignee

[***] and Assignee agree that, from and after the Effective Date, all Rent and other payments (including, without limitation, Agreed Value) due from [***] under the Lease Agreement will be made to the Assignee's bank account set out in Schedule 3 to this Agreement.

6.2 Identification Plates

[***] undertakes to replace the identification plates currently affixed to the Aircraft and each Engine with new identification plates bearing the legend set forth in paragraph 5 of Appendix 2B to the Lease Agreement (as amended pursuant to this Agreement) and to notify Assignee of such replacement which shall be accomplished as soon as practicable (but, in any event, not later [***] after the Effective Date.

6.3 Further Assurances

Lessee further undertakes to perform and do all such other and further acts and things and execute and deliver any and all such other instruments as Assignor or Assignee may require to reflect the change in the identity of the owner and lessor of the Aircraft recited in this Agreement and to otherwise give effect to the intent of this Agreement and realize the full benefit thereof.

7. REPRESENTATIONS AND WARRANTIES

7.1 Each of [*] and Assignor (except for items (6) and (7) of this Clause 7.1 which are made and given by [***] only) represents and warrants (each as to itself only with respect to items (1) - (3) and item (9) of this Clause 7.1) to Assignee as of the date hereof, that:**

- (1) it is a corporation (in the case of Assignor) or a limited liability company (in the case of [***] duly organized and validly existing under the laws of its jurisdiction of organization and has the corporate power and authority to carry on its business as it is being conducted;
- (2) It has the corporate power to enter into and perform, and has taken all necessary corporate action to authorize the entry into, performance and delivery of this

Agreement and upon execution by the other Parties thereto this Agreement will constitute is valid and legally binding and enforceable obligations;

- (3) The execution and delivery of, the performance of its obligations under, and compliance by it with the provisions of, this Agreement will not (i) contravene any law applicable to it, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, in each case whether immediate or with the passage of time, any agreement or other instrument to which it is a party or is subject or by which it or any of its property is bound, (iii) contravene or conflict with any provision of its constitutional and/or organizational documents or (iv) result in the creation or imposition of, or oblige it to create, any Lien over any of its assets, rights or revenues;
- (4) The Lease Documents are in full force and effect and have not been terminated;
- (5) The Lease Documents constitute the sole and entire agreement between [***] and Assignor regarding the leasing of the Aircraft;
- (6) The Lease Documents are legal valid and binding agreements of [***] and are enforceable against [***] in accordance with their terms;
- (7) The Aircraft has been delivered to and irrevocably accepted by [***] under the Lease Agreement without qualification or exceptions (except as have been fully rectified or waived); and
- (8) No payment of Rent has been made by [***] in advance of the time when [***] is required to pay the same by the terms of the Lease Agreement; and
- (9) It is in compliance with its obligations under the Lease Agreement and, to its actual knowledge, there is no breach or default by the other Party under the Lease Agreement.

7.2 Assignee represents and warrants to [***] as of the date hereof that:

- (1) Assignee (a) is a company duly organized and validly existing under the Laws of the State of Delaware and (b) has the corporate power and authority to enter into and perform its obligations under this Agreement and the other Operative Documents; and
- (2) Assignee holds all authorizations necessary to permit its execution and delivery of this Agreement and the performance of its obligations hereunder and under the other Operative Documents.

8. MISCELLANEOUS

8.1 This Agreement is an Operative Document for purposes of the Lease Agreement.

8.2 ARTICLE 26 OF THE LEASE AGREEMENT SETTING FORTH, *INTER ALIA*, THE LESSOR'S AND [***] AGREEMENTS AS TO GOVERNING LAW,

JURISDICTION, WAIVER OF JURY TRIAL AND THE OTHER MATTERS ADDRESSED THEREIN SHALL APPLY, *MUTATIS MUTANDIS*, TO AND GOVERN THIS AGREEMENT TO THE SAME EXTENT AS IF FULLY SET FORTH HEREIN.

- 8.3 As between Assignor and Assignee only, such Parties agree that this Agreement is executed and delivered pursuant to the terms of the Aircraft Purchase Agreement and is specifically made subject to the terms, conditions and covenants contained therein. In the event of any conflict between the provisions of the Aircraft Purchase Agreement and this Agreement, the provisions of the Aircraft Purchase Agreement shall control.
- 8.4 Any of the terms, covenants, or conditions hereof may be waived only by a written instrument executed by or on behalf of the Party hereto waiving compliance. No course of dealing on the part of any Party hereto, or its respective officers, employees, agents, accountants, attorneys, investment bankers, consultants, or other authorized representatives, nor any failure by a Party hereto to exercise any of its rights under this Agreement shall operate as a waiver thereof or affect in any way the right of such Party at a later time to enforce the performance of such provision. No waiver by any Party hereto of any condition, or any breach of any term or covenant contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term or covenant. Except as otherwise provided in this Agreement, the rights of the Parties hereto under this Agreement shall be cumulative, and the exercise or partial exercise of any such right shall not preclude the exercise of any other right. [***]
- 8.5 This Agreement may be executed in any number of counterparts and by any Party hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which, when taken together, shall constitute one and the same agreement.
- 8.6 No Party shall assign or transfer all or any of its rights and/or obligations under this Agreement without the prior written consent of the other Parties, which may be withheld, conditioned, or delayed in each other Party's sole and absolute discretion. This Agreement shall bind and inure to the benefit of the Parties and any successors and assigns, in each case permitted hereunder, to the original Parties to this Agreement.
- 8.7 Except for the persons and entities identified as "Indemnitees" under the replacement definition of such term set forth in Clause 4(2) each of whom are express third party beneficiaries of Clause 4(2) and shall be entitled to directly enforce such clause (and the Lease Agreement as amended thereby) against [***] this Agreement is not intended to and shall not provide any person not a party hereto with any rights, of any nature

whatsoever, against any of the Parties hereto, and no person not a party hereto shall have any right, power, privilege, benefit, or interest arising out of this Agreement.

- 8.8 Each Party hereto will promptly and duly execute and deliver such further documents to make such further assurances for and take such further action reasonably requested by any Party to whom such first Party is obligated, all as may be reasonably necessary to carry out more effectively the intent and purpose of this Agreement and the other Transaction Documents.
- 8.9 This Agreement (with its schedules) is the final and complete expression of the Parties' agreement and understanding with respect to the subject matter hereof and supersedes any other agreements, representations, warranties, covenants, communications, or understandings, whether oral or written (including e-mail and other electronic correspondence), that may have been made or entered into by or among any of the Parties or any of their respective affiliates or agents relating in any way to the transactions contemplated by this Agreement. This Agreement may not be amended except by an instrument in writing signed by or on behalf of all Parties hereto.
- 8.10 In the event that any provision of this Agreement or the application thereof to any Party hereto or to any circumstance or in any jurisdiction governing this Agreement shall, to any extent, be invalid or unenforceable under any applicable law, then such provision shall be deemed inoperative to the extent that it is invalid or unenforceable and the remainder of this Agreement, and the application of any such invalid or unenforceable provision to the Parties, jurisdictions or circumstances other than to whom or to which it is held invalid or unenforceable, shall not be affected thereby nor shall the same affect the validity or enforceability of this Agreement.

[Signatures on following page]

Assignor, Assignee and [***] have caused this Agreement to be executed by their respective officers on the day and year first above written.

MESA AIRLINES, INC., as Assignor

By: _____
Name:
Title:

UNITED AIRLINES, INC., as Assignee

By: _____
Name:
Title:

[***]

By: _____
Name:
Title:

SCHEDULE 1 LEASE DOCUMENTS

- 1.
- 2.
- 3.
- 4.

* * * * *

Exhibit C - 11

SCHEDULE 2

LESSOR NOTICE AND ACCOUNT INFORMATION

LESSOR ADDRESS:

[Address]

Telephone:

Facsimile:

Electronic mail:

LESSOR ACCOUNT:

BANK:

BANK ABA:

ACCOUNT:

BANK

ADDRESS:

BANK PHONE

PAYEE:

ACCOUNT NAME:

SWIFT:

**AMENDMENT NO. 10 AND LIMITED WAIVER TO
CAPACITY PURCHASE AGREEMENT**

This Amendment No. 10 and Limited Waiver to Capacity Purchase Agreement (this "**Amendment**") is dated as of July 28, 2022 (the "**Amendment No. 10 Effective Date**"), between American Airlines, Inc., a Delaware corporation (together with its successors and permitted assigns, "**American**"), and Mesa Airlines, Inc., a Nevada corporation (together with its permitted successors and assigns, "**Contractor**").

WHEREAS, American entered into that certain Amended and Restated Capacity Purchase Agreement, dated as of November 19, 2020 and made effective as of January 1, 2021, with Contractor (as amended, modified and supplemented from time to time, the "**Capacity Purchase Agreement**") to establish the terms by which Contractor will provide regional airline services utilizing certain Covered Aircraft on behalf of American;

WHEREAS, on December 22, 2020, American entered into that certain Amendment No. 1 to Capacity Purchase Agreement with Contractor;

WHEREAS, on April 9, 2021, American entered into that certain Amendment No. 2 to Capacity Purchase Agreement with Contractor;

WHEREAS, on April 9, 2021, American entered into that certain Amendment No. 3 to Capacity Purchase Agreement with Contractor;

WHEREAS, on June 9, 2021, American entered into that certain Amendment No. 4 to Capacity Purchase Agreement with Contractor;

WHEREAS, on August 9, 2021, American entered into that certain Limited Waiver and Amendment No. 5 to Capacity Purchase Agreement with Contractor;

WHEREAS, on February 4, 2022, American entered into that certain Limited Waiver and Amendment No. 6 to Capacity Purchase Agreement with Contractor;

WHEREAS, on March 31, 2022, American entered into that certain Amendment No. 7 to Capacity Purchase Agreement with Contractor;

WHEREAS, on June 10, 2022, American entered into that certain Amendment No. 8 to Capacity Purchase Agreement with Contractor;

WHEREAS, on June 20, 2022, American entered into that certain Amendment No. 9 to Capacity Purchase Agreement with Contractor;

WHEREAS, it is in the best interests of the parties hereto to further amend the Capacity Purchase Agreement to reflect the agreements set forth herein; and

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Capacity Purchase Agreement.

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, American, on the one hand, and Contractor, on the other hand, agree to the following with respect to the Capacity Purchase Agreement:

1. Section II(D) of Schedule 5 [***] of the Capacity Purchase Agreement is hereby amended [***] as reflected below:

[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]

2. Section II(E) of Schedule 5 [***] of the Capacity Purchase Agreement is hereby amended [***] as reflected below:

[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]

3. Section IV.A. of Schedule 5 of the Capacity Purchase Agreement [***] is hereby amended by adding the following sentence to the end thereof:

[***]

4. Limited Waivers.

a. The Parties hereby agree that the [***] measurement period for purposes of Section 12.02(b)(ix) [***] shall commence with [***]

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

- b. The Parties hereby agree that the [***] measurement period for purposes of *Section 12.02(b)(x)* (Failure to Maintain Controllable On Time Departures) shall commence with [***]
- c. Contractor expressly acknowledges and confirms that the foregoing agreement to reset the [***] measurement periods in this *Section 4* are [***] occurrences solely with respect to the agreements expressly described in this *Section 4* and shall not be construed as creating any course of conduct on the part of American.
- d. [***]

5. Additional Agreements.

- a. Without limiting American's rights and remedies under the Capacity Purchase Agreement (including, but not limited to, *Section 6.12*, *Section 6.13* and *Article XII*) [***]
 - i. **"Aircraft Lease Rate"** means [***]
 - ii. **"Aircraft Lease Rate Payment"** means, [***]
 - iii. **"Aircraft Lease Rate Payment Period"** means the period commencing on [***] and ending on [***]
 - iv. **"Block Hour Shortfall"** means [***]
 - v. **"Unsupported Aircraft"** means, [***]
 - vi. **"Utilization"** means, [***]

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

vii. **"Utilization Shortfall"** means, [***]

i. **Illustrative Sample Calculation 1.** By way of example and illustration only:

1. [***]
 - a. [***]
 - b. [***]
 - c. [***]
 - d. [***]
 - e. [***]

ii. **Illustrative Sample Calculation 2.** By way of example and illustration only:

2. [***]
 - a. [***]
 - b. [***]
 - c. [***]
 - d. [***]
 - e. [***]

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

6. This Amendment shall become effective as of the Amendment No. 10 Effective Date upon satisfaction of all of the following conditions precedent:
 - a. Receipt by American of each of the following, in form and substance reasonably satisfactory to American: (j) a copy of this Amendment, duly executed and delivered by Contractor; and (ii) any other documents or agreements reasonably requested by American in connection with the transactions contemplated by this Amendment.
7. The Parties hereby acknowledge and represent to each other that after giving effect to the terms hereof, each representation and warranty of Contractor contained in the Capacity Purchase Agreement or in any other Related Agreement is true and correct in all material respects on the Amendment No. 10 Effective Date.
8. Except as amended and modified hereby, any and all of the terms and provisions of the Capacity Purchase Agreement shall remain in full force and effect and are hereby in all respects ratified and confirmed by American and Contractor. Each of American and Contractor hereby agrees that the amendments and modifications herein contained shall in no manner affect or impair the liabilities, duties and obligations of American or Contractor under the Capacity Purchase Agreement. Each reference in the Capacity Purchase Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference in the Capacity Purchase Agreement or other agreements, documents or other instruments executed and delivered pursuant to the Capacity Purchase Agreement to the "Capacity Purchase Agreement", shall mean and be a reference to the Capacity Purchase Agreement as amended by this Amendment.
9. THIS AMENDMENT, THE CAPACITY PURCHASE AGREEMENT, THE OTHER RELATED AGREEMENTS AND THE OTHER DOCUMENTS EXECUTED IN CONNECTION HERewith AND THEREWITH WHEN TAKEN TOGETHER REPRESENT THE ENTIRE AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

{Remainder of Page Intentionally Left Blank; Signature Page Follows}

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

IN WITNESS WHEREOF, American and Contractor have executed this Amendment as of the Amendment No. 10 Effective Date.

AMERICAN AIRLINES, INC.

Name: /s/ Brandon Kahle

Title: Vice President, Regional Operations & Planning

MESA AIRLINES, INC.

By: /s/ Bradford Rich

Name: Bradford R. Rich

Title: EVP&COO

[***]=[CONFIDENTIAL PORTION HAS BEEN OMITTED BECAUSE IT (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED]

List of Subsidiaries of Mesa Air Group, Inc.

Subsidiaries

Mesa Airlines, Inc.

Mesa Air Group—Airline Inventory Management, LLC

Jurisdiction of
Incorporation or
Organization

Nevada
Arizona

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-251290) of Mesa Air Group, Inc.,
- (2) Registration Statement (Form S-8 No. 333-233314) pertaining to the Mesa Air Group, Inc. 2019 Employee Stock Purchase Plan, and
- (3) Registration Statement (Form S-8 No. 333-233313) pertaining to the Mesa Air Group, Inc. 2018 Equity Incentive Plan;

of our report dated December 29, 2022, with respect to the consolidated financial statements of Mesa Air Group, Inc. included in this Annual Report (Form 10-K) of Mesa Air Group, Inc. for the year ended September 30, 2022.

/s/ Ernst & Young LLP

Phoenix, Arizona

December 29, 2022

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan G. Ornstein, certify that:

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

Date: December 29, 2022

/s/ JONATHAN G. ORNSTEIN

Jonathan G. Ornstein
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Torque Zubeck, certify that:

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

Date: December 29, 2022

/s/ TORQUE ZUBECK

Torque Zubeck
Chief Financial Officer

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

I, Jonathan G. Ornstein, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of Mesa Air Group, Inc. for the fiscal year ended September 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Mesa Air Group, Inc.

Dated: December 29, 2022

/s/ JONATHAN G. ORNSTEIN

Jonathan G. Ornstein
Chairman and Chief Executive Officer

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

I, Torque Zubeck, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of Mesa Air Group, Inc. for the fiscal year ended September 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Mesa Air Group, Inc.

Dated: December 29, 2022

/s/ TORQUE ZUBECK

Torque Zubeck
Chief Financial Officer