

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

**FORM 8-K/A
(Amendment No. 1)**

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): August 16, 2021 (July 13, 2021)

WHEELS UP EXPERIENCE INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-39541
(Commission
File Number)

98-1557048
(I.R.S. Employer
Identification No.)

601 West 26th Street
New York, New York
(Address of principal executive offices)

10001
(Zip Code)

(212) 257-5252
(Registrant's telephone number, including area code)
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

INTRODUCTORY NOTE

Introductory Note

This Amendment No. 1 on Form 8-K/A (“Amendment No. 1”) amends the Current Report on Form 8-K of Wheels Up Experience Inc., a Delaware corporation (the “Company”), filed on July 19, 2021 (the “Original Report”), in which the Company reported, among other events, the completion of the Business Combination (as defined in the Original Report).

This Amendment No. 1 is being filed solely for the purpose of amending the historical financial statements provided under Item 9.01(a) in the Original Report to include (i) the unaudited condensed consolidated financial statements of Wheels Up Partners Holdings, LLC, a Delaware limited liability company (“WUP”), as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 and (ii) the related Management’s Discussion and Analysis of Financial Condition and Results of Operations of WUP for the three and six months ended June 30, 2021 and 2020.

This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries, including WUP, subsequent to the filing date of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Form 8-K/A. Capitalized terms used but not defined herein have the meanings assigned to them in the Original Report.

Item 9.01. Financial Statements and Exhibits.

- (a) Financial statements of businesses acquired.

The unaudited condensed consolidated financial statements of WUP as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 and the related notes thereto are attached as Exhibit 99.1 and are incorporated herein by reference.

Also included as Exhibit 99.2 and incorporated herein by reference is the Management’s Discussion and Analysis of Financial Condition and Results of Operations of WUP as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020.

- (d) Exhibits

Exhibit Number	Description
99.1	<u>Unaudited Condensed Consolidated Financial Statements of WUP as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020.</u>
99.2	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations of WUP for the three and six months ended June 30, 2021.</u>
104	Cover Page Interactive Data File (formatted in Inline XBRL in Exhibit 101).

SIGNATURE

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

WHEELS UP EXPERIENCE INC.

Date: August 16, 2021

By: /s/ Kenneth Dichter

Name: Kenneth Dichter

Title: Chief Executive Officer

Unaudited Interim Condensed Consolidated Financial Statements

WHEELS UP PARTNERS HOLDINGS LLC

As of June 30, 2021 and December 31, 2020

and

For the Three and Six Months Ended June 30, 2021 and 2020

WHEELS UP PARTNERS HOLDINGS LLC
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WHEELS UP PARTNERS HOLDINGS LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands except share data)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 160,646	\$ 312,799
Accounts receivable, net	61,940	50,397
Other receivables	10,296	8,205
Parts and supplies inventories, net	8,106	5,320
Deferred offering costs	6,404	—
Prepaid expenses and other	22,698	18,801
Total current assets	270,090	395,522
Property and equipment, net	316,662	323,090
Operating lease right-of-use assets	117,277	64,479
Goodwill	437,376	400,160
Intangible assets, net	155,417	163,710
Restricted cash	12,077	12,077
Employee loans receivable, net	—	102
Other non-current assets	898	849
Total assets	<u>\$ 1,309,797</u>	<u>\$ 1,359,989</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 59,566	\$ 62,678
Accounts payable	44,647	20,920
Accrued expenses	90,674	71,381
Deferred revenue, current	565,732	651,096
Operating lease liabilities, current	32,388	15,858
Intangible liabilities, current	2,000	2,000
Other current liabilities	15,471	15,980
Total current liabilities	810,478	839,913
Long-term debt	122,891	148,411
Deferred revenue, non-current	1,967	1,982
Operating lease liabilities, non-current	90,238	56,358
Intangible liabilities, non-current	15,083	16,083
Other non-current liabilities	3,546	3,415
Total liabilities	1,044,203	1,066,162
Commitments and contingencies (Note 10)		
Members' equity:		
Class A preferred interests (73,723,250 interests issued and outstanding as of 2021 and 2020)	—	—
Class B preferred interests (34,023,527 interests issued and outstanding as of 2021 and 2020)	—	—
Class C preferred interests (37,642,050 interests issued and outstanding as of 2021 and 2020)	—	—
Class D preferred interests (36,909,359 interests issued and outstanding as of 2021 and 2020)	—	—
Class E preferred interests (112,949,305 interests issued and outstanding as of 2021 and 2020)	340,400	401,567
Common interests (71,882,729 and 63,262,039 interests issued and outstanding as of 2021 and 2020)	39,131	8,959
Common restricted interests	—	—
Common profits interests	9,442	8,957
Common stock options	6,752	4,475
Accumulated deficit	(130,131)	(130,131)
Total members' equity	265,594	293,827
Total liabilities and members' equity	<u>\$ 1,309,797</u>	<u>\$ 1,359,989</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

WHEELS UP PARTNERS HOLDINGS LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 285,580	\$ 134,331	\$ 547,237	\$ 290,427
Costs and expenses:				
Cost of revenue	255,188	127,336	489,695	275,294
Technology and development	8,025	4,449	15,049	9,301
Sales and marketing	17,895	11,587	33,689	25,238
General and administrative	15,786	10,277	33,955	24,196
Depreciation and amortization	13,482	15,273	27,313	29,467
CARES Act grant	—	(13,277)	—	(13,277)
Total costs and expenses	<u>310,376</u>	<u>155,645</u>	<u>599,701</u>	<u>350,219</u>
Loss from operations	(24,796)	(21,314)	(52,464)	(59,792)
Other income (expense):				
Interest income	6	50	18	467
Interest expense	(4,164)	(6,102)	(8,721)	(12,512)
Total other expense	<u>(4,158)</u>	<u>(6,052)</u>	<u>(8,703)</u>	<u>(12,045)</u>
Net loss	<u>\$ (28,954)</u>	<u>\$ (27,366)</u>	<u>\$ (61,167)</u>	<u>\$ (71,837)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

WHEELS UP PARTNERS HOLDINGS LLC
CONDENSED CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
(Unaudited, in thousands)

	Class A preferred interests	Class B preferred interests	Class C preferred interests	Class D preferred interests	Class E preferred interests	Common interests	Common restricted interests	Common profits interests	Common stock options	Accumulated deficit	Total
Balance as of December 31, 2020	\$ —	\$ —	\$ —	\$ —	\$ 401,567	\$ 8,959	\$ —	\$ 8,957	\$ 4,475	\$ (130,131)	\$ 293,827
Consideration issued for business combination	—	—	—	—	—	30,172	—	—	—	—	30,172
Equity-based compensation	—	—	—	—	—	—	—	254	1,160	—	1,414
Net loss	—	—	—	—	(32,213)	—	—	—	—	—	(32,213)
Balance as of March 31, 2021	—	—	—	—	369,354	39,131	—	9,211	5,635	(130,131)	293,200
Equity-based compensation	—	—	—	—	—	—	—	231	1,117	—	1,348
Net loss	—	—	—	—	(28,954)	—	—	—	—	—	(28,954)
Balance as of June 30, 2021	\$ —	\$ —	\$ —	\$ —	\$ 340,400	\$ 39,131	\$ —	\$ 9,442	\$ 6,752	\$ (130,131)	\$ 265,594

	Class A preferred interests	Class B preferred interests	Class C preferred interests	Class D preferred interests	Class E preferred interests	Common interests	Common restricted interests	Common profits interests	Common stock options	Accumulated deficit	Total
Balance as of December 31, 2019	\$ —	\$ —	\$ —	\$ 59,965	\$ —	\$ 3,822	\$ —	\$ 7,841	\$ 2,249	\$ (130,131)	\$ (56,254)
Consideration issued for business combinations	—	—	—	—	427,007	5,137	—	—	—	—	432,144
Equity-based compensation	—	—	—	—	—	—	—	149	435	—	584
Net loss	—	—	—	(44,474)	—	—	—	—	—	—	(44,474)
Balance as of March 31, 2020	—	—	—	15,491	427,007	8,959	—	7,990	2,684	(130,131)	332,000
Equity-based compensation	—	—	—	—	—	—	—	338	435	—	773
Net loss	—	—	—	(27,366)	—	—	—	—	—	—	(27,366)
Balance as of June 30, 2020	\$ —	\$ —	\$ —	\$ (11,875)	\$ 427,007	\$ 8,959	\$ —	\$ 8,328	\$ 3,119	\$ (130,131)	\$ 305,407

The accompanying notes are an integral part of these condensed consolidated financial statements.

WHEELS UP PARTNERS HOLDINGS LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2021	2020
OPERATING ACTIVITIES:		
Net loss	\$ (61,167)	\$ (71,837)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	27,313	29,467
Amortization of deferred financing costs and debt discount	618	856
Equity-based compensation	2,762	1,356
Provision for expected credit losses	498	17
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(1,461)	27,307
Other receivables	(2,091)	3,822
Parts and supplies inventories	(2,114)	595
Prepaid expenses and other	(265)	(276)
Other non-current assets	(49)	814
Operating lease liabilities, net	(504)	(378)
Accounts payable	14,158	(4,547)
Accrued expenses	(7,275)	(6,693)
Other current liabilities	(508)	(600)
Other non-current liabilities	132	882
Deferred revenue	(88,958)	9,852
Net cash used in operating activities	(118,911)	(9,363)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,780)	(3,174)
Acquisition of businesses, net of cash acquired	7,844	98,142
Capitalized software development costs	(5,732)	(3,045)
Net cash (used in) provided by investing activities	(2,668)	91,923
FINANCING ACTIVITIES:		
Proceeds from long-term debt	—	755
Repayments of long-term debt	(29,250)	(20,247)
Payments of deferred offering costs	(1,426)	—
Repayment (issuance) of loans to employees	102	(45)
Net cash used in financing activities	(30,574)	(19,537)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(152,153)	63,023
CASH, CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF PERIOD	324,876	96,440
CASH, CASH EQUIVALENTS AND RESTRICTED CASH END OF PERIOD	\$ 172,723	\$ 159,463
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Non-cash consideration issued for business acquisition of Delta Private Jets LLC	—	\$ 427,007
Non-cash consideration issued for business acquisition of Gama Aviation LLC	—	\$ 32,638
Non-cash consideration issued for business acquisition of Mountain Aviation, LLC	\$ 30,172	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

WHEELS UP PARTNERS HOLDINGS LLC
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND OPERATIONS

Wheels Up Partners Holdings LLC (together with its consolidated subsidiaries, "Wheels Up", "our", "we", and "us") is a limited liability company ("LLC") organized under the laws of the state of Delaware and was formed on July 1, 2013. Wheels Up is a leading brand in private aviation that strives to deliver a total private aviation solution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The unaudited interim condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and include the accounts of Wheels Up Partners Holdings LLC and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to instructions, rules and regulations prescribed by the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, the unaudited financial

information for the interim periods presented reflects all adjustments, which are normal and recurring, necessary for a fair presentation of the consolidated statement of operations, financial position, and cash flows. Interim results should not be regarded as indicative of results that may be expected for any other period or the entire year. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2020 included in our final prospectus and definitive proxy statement filed on June 23, 2021.

Use of Estimates

Preparing the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates due to risks and uncertainties, including uncertainty in the current economic environment due to COVID-19. The most significant estimates include, but are not limited to, the useful lives and residual values of purchased aircraft, the fair value of financial assets and liabilities, acquired intangible assets, goodwill, contingent consideration, and other assets and liabilities, sales and use tax, the estimated life of member relationships, the determination of the allowance for credit losses, the use of the effective interest method to amortize debt discounts and deferred financing costs, impairment assessments, and the incremental borrowing rate for leases.

Deferred Offering Costs

We capitalize certain legal, accounting and other direct third-party costs related to our merger with Aspirational Consumer Lifestyle Corp. ("Aspirational"). Deferred offering costs are included as an asset on the consolidated balance sheets and are deferred until the completion of the merger with Aspirational, at which time they are deducted from the combined companies' additional paid-in capital. The merger with Aspirational was completed on July 13, 2021 (see Note 15). As of June 30, 2021, \$6.4 million of deferred offering costs are capitalized and \$5.0 million are included in accrued expenses on the consolidated balance sheets.

Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued accounting standards update ("ASU") 2019-12, *Simplifying the Accounting for Income Taxes (ASC 740)*. This standard simplifies the accounting for income taxes by (i) eliminating certain exceptions within ASC 740 and (ii) clarifying and amending the existing guidance to enable consistent application of ASC 740. We adopted ASU 2019-12 on January 1, 2021. This adoption did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASC 848)*. The FASB issued a subsequent amendment to the initial guidance in January 2021 with ASU 2021-01. This standard provides temporary optional expedients and exceptions to accounting guidance on contract modifications and hedge accounting to ease financial reporting burdens as the market transitions from the London Interbank Offered Rate and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and generally can be applied through December 31, 2022. This adoption did not have a material impact on our consolidated financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	June 30, 2021	December 31, 2020
Aircraft	\$ 475,360	\$ 473,509
Software development costs	28,233	22,414
Leasehold improvements	10,799	9,560
Computer equipment	1,934	1,846
Buildings and improvements	1,424	1,424
Furniture and fixtures	1,892	1,321
Tooling	2,671	1,296
Vehicles	800	597
	<u>523,113</u>	<u>511,967</u>
Less: Accumulated depreciation and amortization	(206,451)	(188,877)
Total	<u>\$ 316,662</u>	<u>\$ 323,090</u>

Depreciation and amortization expense of property and equipment was \$8.6 million and \$17.6 million for the three and six months ended June 30, 2021, respectively, and \$10.5 million and \$21.0 million for the three and six months ended June 30, 2020, respectively.

Capitalized costs related to the internal development of software was \$3.1 million and \$5.7 million for the three and six months ended June 30, 2021, respectively, and \$1.5 million and \$3.0 million for the three and six months ended June 30, 2020, respectively.

Amortization expense related to software development costs, included as part of depreciation and amortization expense of property and equipment, was \$1.5 million and \$3.0 million for the three and six months ended June 30, 2021, respectively, and \$1.0 million and \$2.1 million for the three and six months ended June 30, 2020, respectively.

4. REVENUE

Disaggregation of Revenue

The following table disaggregates revenue by service type and the timing of when these services are provided to the member or customer (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Services transferred at a point in time:				
Flights, net of discounts and fees	\$ 212,660	\$ 83,655	\$ 403,134	\$ 203,291
Aircraft management	47,594	31,846	96,017	51,630
Other	5,450	2,642	9,739	4,296
Services transferred over time:				
Memberships	16,188	13,123	31,162	26,442
Aircraft management	2,361	2,380	4,818	3,384
Other	1,327	685	2,367	1,384
Total	<u>\$ 285,580</u>	<u>\$ 134,331</u>	<u>\$ 547,237</u>	<u>\$ 290,427</u>

Revenue in the consolidated statements of operations is presented net of discounts and incentives of \$4.3 million and \$7.5 million, for the three and six months ended June 30, 2021, respectively, and \$1.8 million and \$3.6 million for the three and six months ended June 30, 2020, respectively.

Contract Balances

Receivables from member and customer contracts are included within accounts receivable, net. As of June 30, 2021 and December 31, 2020, receivables from members and customers were \$49.0 million and \$36.3 million, respectively.

Deferred revenue consists of the following (in thousands):

	June 30, 2021	December 31, 2020
Flights - Prepaid Blocks and jet cards	\$ 523,513	\$ 609,490
Memberships - annual dues	32,790	32,016
Memberships - initiation fees	4,024	3,870
Flights - credits	6,847	7,291
Other	525	411
Deferred revenue, total	567,699	653,078
Less: Deferred revenue, current	(565,732)	(651,096)
Deferred revenue, non-current	<u>\$ 1,967</u>	<u>\$ 1,982</u>

Changes in deferred revenue for the six months ended June 30, 2021 were as follows (in thousands):

Deferred revenue - beginning balance	\$ 653,078
Amounts deferred during the period	353,052
Revenue recognized from amounts included in the deferred revenue beginning balance	(268,506)
Revenue from current period sales	(169,925)
Deferred revenue - ending balance	<u>\$ 567,699</u>

Revenue expected to be recognized in future periods for performance obligations that are unsatisfied, or partially unsatisfied, as of June 30, 2021 approximates \$283.3 million, \$283.0 million, \$1.0 million and \$0.4 million for 2021, 2022, 2023 and 2024, respectively.

Costs to Obtain a Contract

Capitalized costs related to sales commissions and referral fees was \$2.3 million and \$4.0 million for the three and six months ended June 30, 2021, respectively, and \$0.9 million and \$2.1 million for the three and six months ended June 30, 2020, respectively.

As of June 30, 2021 and December 31, 2020, capitalized sales commissions and referral fees of \$5.4 million and \$5.0 million, respectively, are in prepaid expenses and other current assets and \$0.8 million, respectively, is in other non-current assets on the consolidated balance sheets. Amortization expense related to capitalized sales commissions and referral fees included in sales and marketing expense in the consolidated statements of operations was \$1.9 million and \$3.5 million for the three and six months ended June 30, 2021, respectively, and \$1.5 million and \$3.7 million for the three and six months ended June 30, 2020, respectively.

5. ACQUISITIONS

Mountain Aviation, LLC Acquisition

On January 5, 2021, we acquired all the outstanding equity of Mountain Aviation, LLC ("Mountain Aviation") for a total purchase price of \$40.2 million, consisting of \$30.2 million in Wheels Up common interests and \$10.0 million in cash. In addition, there is a potential incremental cash earn-out of up to \$15.0 million based on achieving certain financial performance metrics related to certain special missions, which represents contingent consideration, and would be payable in the second quarter of 2023 to the extent achieved. The estimated fair value of the earn-out payment using a Monte Carlo simulation as of the acquisition date was \$0. As a result, we have not recorded a liability for the fair value of contingent consideration payable on the consolidated balance sheet as of June 30, 2021. The valuation of the earn-out is based on significant inputs that are not observable in the market; therefore, it is a Level 3 financial instrument. Mountain Aviation adds to our Super-Midsize jet fleet and operations, provides full-service in-house maintenance capabilities, expands our presence in the Western United States and enhances our on-demand transcontinental charter flight capabilities. Acquisition-related costs for Mountain Aviation of \$2.0 million were included in general and administrative expense in the consolidated statements of operations for the six months ended June 30, 2021. The acquisition of Mountain Aviation was determined to be a business combination.

As of the date of acquisition, the total preliminary purchase price allocated to the Mountain Aviation assets acquired and liabilities assumed according to their estimated fair values were as follows (in thousands):

Current assets	\$	32,728
Property and equipment		741
Intangible assets		2,340
Goodwill		37,216
Other assets		48,467
Total assets acquired		121,492
Total liabilities assumed		(81,320)
Net assets acquired	\$	<u>40,172</u>

Current assets of Mountain Aviation included \$17.8 million of cash and \$10.6 million of accounts receivable, including \$1.5 million owed from Wheels Up that was eliminated in consolidation upon acquisition.

The above initial fair value estimates of the assets acquired and liabilities assumed were provisional based on the information that was available as of the acquisition date.

Goodwill represents the excess of the purchase price over the fair values of the acquired net tangible and intangible assets. The allocated value of goodwill primarily relates to anticipated synergies and economies of scale by combining the use of Mountain Aviation's aircraft, maintenance capabilities and existing business processes with our other acquisitions. The acquired goodwill is partially deductible for tax purposes.

The amounts allocated to acquired intangible assets, and their associated weighted-average amortization periods, were determined based on the period the assets are expected to contribute directly or indirectly to our cash flows, consists of the following:

	Amount (In thousands)	Weighted-Average Amortization Period (Years)
Customer relationships	\$ 1,900	7.0
Trade name	330	1.0
Non-competition agreement	110	1.0
Total acquired intangible assets	<u>\$ 2,340</u>	5.9

The results of Mountain Aviation were included in the consolidated statement of operations from the date of acquisition. Revenue for Mountain Aviation was \$64.4 million, net of intercompany eliminations, and income from operations was \$4.8 million from the date of acquisition through June 30, 2021.

Unaudited Pro Forma Summary of Operations

The accompanying unaudited pro forma summary represents the consolidated results of operations as if the 2020 acquisitions of Wheels Up Private Jets LLC and Gama Aviation LLC ("Gama") had been completed as of January 1, 2020, and the 2021 acquisition of Mountain Aviation had been completed as of January 1, 2020. The unaudited pro forma financial results for 2021 reflect the results for the three and six months ended June 30, 2021, as well as the effects of pro forma adjustments for the transaction in 2021. The unaudited pro forma financial information includes the accounting effects of the business combination, including adjustments to the amortization of intangible assets, and professional fees associated with the transaction. The pro forma results were based on estimates and assumptions, which we believe are reasonable. The unaudited pro forma summary does not

necessarily reflect the actual results that would have been achieved had the companies been combined during the periods presented, nor is it necessarily indicative of future consolidated results.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Net revenue	\$ 285,580	\$ 162,968	\$ 549,351	\$ 390,558
Loss from operations	\$ (24,703)	\$ (25,109)	\$ (55,831)	\$ (62,665)

6. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The change in the carrying value of goodwill for the six months ended June 30, 2021, was as follows (in thousands):

Balance as of December 31, 2020	\$ 400,160
Acquisition of Mountain Aviation	37,216
Balance as of June 30, 2021	<u>\$ 437,376</u>

Intangible Assets

The gross carrying value, accumulated amortization and net carrying value of intangible assets consisted of the following (in thousands):

	June 30, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Status	\$ 80,000	\$ 11,644	\$ 68,356
Customer relationships	71,900	10,269	61,631
Non-competition agreement	210	153	57
Trade name	14,230	3,986	10,244
Developed technology	19,545	4,970	14,575
Leasehold interest - favorable	600	46	554
Total	<u>\$ 186,485</u>	<u>\$ 31,068</u>	<u>\$ 155,417</u>

	December 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Status	\$ 80,000	\$ 7,645	\$ 72,355
Customer relationships	70,000	6,609	63,391
Non-competition agreement	100	100	—
Trade name	13,900	2,487	11,413
Developed technology	19,545	3,559	15,986
Leasehold interest - favorable	600	35	565
Total	<u>\$ 184,145</u>	<u>\$ 20,435</u>	<u>\$ 163,710</u>

Amortization expense of intangible assets was \$5.3 million and \$10.6 million for the three and six months ended June 30, 2021, respectively, and \$5.1 million and \$9.2 million for the three and six months ended June 30, 2020, respectively.

Intangible Liabilities

The gross carrying value, accumulated amortization and net carrying value of intangible liabilities consisted of the following (in thousands):

	June 30, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible liabilities	\$ 20,000	\$ 2,917	\$ 17,083

	December 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible liabilities	\$ 20,000	\$ 1,917	\$ 18,083

Amortization of intangible liabilities, which reduces amortization expense was \$0.5 million and \$1.0 million for the three and six months ended June 30, 2021, respectively, and \$0.5 million and \$0.9 million for the three and six months ended June 30, 2020, respectively.

Future amortization expense of intangible assets and intangible liabilities held as of June 30, 2021 are as follows (in thousands):

Year ending December 31,	Intangible Assets	Intangible Liabilities
2021	\$ 10,646	\$ 1,000
2022	19,610	2,000
2023	19,350	2,000
2024	19,187	2,000
2025	19,070	2,000
Thereafter	67,554	8,083
	<u>\$ 155,417</u>	<u>\$ 17,083</u>

7. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash Equivalents

As of June 30, 2021 and December 31, 2020, investments in money market funds recorded as cash equivalents on the consolidated balance sheets were \$63.5 million and \$103.5 million, respectively.

Interest income from cash equivalents of \$6 thousand and \$18 thousand were recorded in interest income in the consolidated statements of operations for the three and six months ended June 30, 2021, respectively, and \$0.1 million and \$0.5 million for the three and six months ended June 30, 2020, respectively.

Restricted Cash

We have restricted cash of \$12.1 million and \$12.1 million as of June 30, 2021 and December 31, 2020, respectively, of which \$10.0 million relates to amounts held by third-party lenders to collateralize our Amended 1st Credit Facility. The remaining balance relates to amounts held by financial institutions to establish a standby letter of credit required by the lessor of certain corporate office space.

A reconciliation of cash and cash equivalents and restricted cash from the consolidated balance sheets to the consolidated statements of cash flows is shown below (in thousands):

	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 160,646	\$ 117,050
Restricted cash	12,077	42,413
Total	\$ 172,723	\$ 159,463

Air Carrier Payroll Support Program

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law. The CARES Act provides aid in the form of loans, grants, tax credits, and other forms of government assistance. Specifically, the CARES Act provided the airline industry with up to \$25.0 billion in grants with assurances the support was to be used exclusively for employee salaries, wages, and benefits.

During 2020, Wheels Up applied for government assistance under the Payroll Support Program from the U.S. Department of the Treasury as directed by the CARES Act. We were awarded a total grant of \$76.4 million to support ongoing operations through payroll funding. For the six months ended June 30, 2020 we received grant proceeds of \$37.1 million. We utilized \$13.3 million of the grant proceeds to offset payroll expenses incurred for the three and six months ended June 30, 2020, respectively, and the remaining balance was included as restricted cash to offset subsequent payroll expenses incurred during 2020.

The support payments were conditioned on our agreement to refrain from conducting involuntary employee layoffs or furloughs through September 30, 2020. Other conditions include continuing essential air service as directed by the Department of Transportation and certain limitations on executive compensation. Based on the amount received, we were not required to provide financial protection to the U.S. Department of the Treasury in conjunction with the payroll support obtained.

8. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, an exit price, in an orderly transaction between unaffiliated willing market participants on the measurement date under current market conditions. Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available and activity in the markets used to measure fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Level 1 -	Quoted prices, unadjusted, in active markets for identical assets or liabilities that can be accessed at the measurement date.
Level 2 -	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 -	Unobservable inputs developed using our own estimates and assumptions, which reflect those that market participants would use in pricing the asset or liability.

Financial instruments that are measured at fair value on a recurring basis and their corresponding placement in the fair value hierarchy consist of the following (in thousands):

	June 30, 2021			
	Level 1	Level 2	Level 3	Fair Value
Cash Equivalents:				
Money market funds	\$ 63,489	\$ —	\$ —	\$ 63,489

	December 31, 2020			
	Level 1	Level 2	Level 3	Fair Value
Cash Equivalents:				
Money market funds	\$ 103,472	\$ —	\$ —	\$ 103,472

The carrying amount of money market funds approximates fair value and is classified within Level 1 because we determined the fair value through quoted market prices.

9. LONG-TERM DEBT

The principal balances of all outstanding debt, unamortized debt discounts, and unamortized deferred financing costs are as follows (in thousands, except percentages):

	Maturity Dates	Interest Rate Per Annum as of June 30, 2021	June 30, 2021	December 31, 2020
Amended 1st Credit Facility:				
A-1	2020 to 2021	10.90%	\$ 5,683	\$ 11,811
A-2	2020 to 2021	10.90%	3,789	7,874
A-3	2021 to 2022	10.90%	24,468	28,104
B	2023 to 2024	12.85%	5,764	8,119
2nd Credit Facility:				
A	2023 to 2024	7.99%	51,335	55,450
B	2023 to 2024	11.46%	23,130	24,510
3rd Credit Facility:				
A	2024 to 2025	9.45%	49,475	53,334
Promissory Notes	2024	5.25%	21,188	24,879
CARES Act Paycheck Protection Program Loan	2022	1.00%	—	—
			184,832	214,081
Less: Unamortized debt discount			(477)	(615)
Less: Unamortized deferred financing costs			(1,898)	(2,377)
			182,457	211,089
Less: Current maturities of long-term debt			(59,566)	(62,678)
Total			\$ 122,891	\$ 148,411

Amortization expense for debt discounts and deferred financing costs of \$0.3 million and \$0.6 million were recorded in interest expense in the consolidated statements of operations for the three and six months ended June 30, 2021, respectively, and \$0.5 million and \$0.9 million for the three and six months ended June 30, 2020, respectively.

CARES Act Paycheck Protection Program Loan

Mountain Aviation applied for a loan (the "PPP Loan"), which was approved and received prior to our acquisition of the company (see Note 5). Mountain Aviation received the PPP Loan on April 14, 2020 from Zions Bancorporation N.A. dba Vectra Bank ("Vectra") under the U.S. Small Business Administration's ("SBA's") Paycheck Protection Program ("PPP") enacted as part of the CARES Act in the principal amount of \$3.2 million. In connection with the acquisition, a portion of the purchase price was placed in an escrow account at Vectra, to be paid to Vectra if and to the extent the PPP Loan were not to be forgiven by the SBA under the PPP. The seller of Mountain Aviation agreed to pay any amounts owed under the PPP Loan in excess of the amount in escrow and agreed to indemnify us for any obligations we incurred under the PPP Loan to the extent not satisfied from the escrow account. The PPP loan was forgiven by the SBA on June 9, 2021 and the amount of sales proceeds held in escrow were released to the seller.

Debt Covenants

Our credit facilities contain certain restrictive covenants. As of June 30, 2021, and for all periods presented, we have satisfied these covenants.

Fair Value of Debt

The carrying amount of our debt approximates fair value based on the interest rates currently available for debt with similar terms and remaining maturities. We utilized Level 2 inputs to determine the fair value.

As of June 30, 2021, scheduled principal payments of all outstanding debt, future amortization of debt discounts, and deferred financing costs are as follows (in thousands):

Year ending December 31,	Principal Payments	Amortization of	
		Debt Discounts	Deferred Financing Costs
2021	\$ 33,427	\$ 122	\$ 435
2022	46,718	185	703
2023	68,818	112	430
2024	23,190	48	170
2025	12,679	10	160
Thereafter	—	—	—
Total	\$ 184,832	\$ 477	\$ 1,898

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to various legal actions arising in the normal course of business. While we do not expect that the ultimate resolution of any of these pending actions will have a material effect on our consolidated results of operations, financial position, or cash flows, litigation is subject to inherent uncertainties. As such, there can be no assurance that any pending legal action, which we currently believe to be immaterial, does not become material in the future.

Agreements with Operators

We lease certain of our owned and leased aircraft to Gama, a Federal Aviation Administration licensed and Department of Transportation registered air carrier to operate our aircraft. Gama was a third-party independent operator through March 2, 2020, which is the date we executed a purchase agreement to acquire their business. The total amount of fees, net of lease payments from Gama, was \$25.7 million from January 1, 2020 through the acquisition date and are included in cost of revenue in the consolidated statements of operations for the six months ended June 30, 2020.

Brand Ambassador Program

From time to time, we enter into various barter arrangements with third-parties in which there is an agreement to provide a specified amount of flight time, valued in either hours or dollars, in exchange for media advertising, marketing credits or other activities that promote brand awareness. Revenue recognized as a result of nonmonetary transactions was \$0.6 million and \$1.2 million for the three and six months ended June 30, 2021, respectively, and \$0.5 million and \$1.3 million for the three and six months ended June 30, 2020, respectively, while expenses included in sales and marketing in the consolidated statement of operations as a result of the same barter arrangements were \$0.5 million and \$1.1 million, for the three and six months ended June 30, 2021, respectively, and \$0.8 million and \$1.5 million for the three and six months ended June 30, 2020, respectively. The balances for flight revenue and advertising or other marketing credits that have yet to be consumed are included in accrued

expenses and prepaid expenses and other current assets on the consolidated balance sheets. As of June 30, 2021 and December 31, 2020, the accrued expenses associated with these barter transactions was \$3.2 million and \$3.5 million, respectively, and the prepaid expenses and other current assets was \$0.

Sales and Use Tax Liability

We regularly provide services to members in various states within the continental United States, which may create sales and use tax nexus via temporary presence, potentially requiring the payment of these taxes. We determined that there is uncertainty as to what constitutes nexus in respective states for a state to levy taxes, fees, and surcharges relating to our activity. As of June 30, 2021 and December 31, 2020, respectively, we estimate the potential exposure to such tax liability to be \$7.4 million and \$6.6 million, the expense for which is included in accrued expenses on the consolidated balance sheets and cost of revenue in the consolidated statements of operations.

11. LEASES

Leases primarily pertain to certain controlled aircraft, corporate headquarters, and operational facilities, including aircraft hangars, which are all accounted for as operating leases.

Our leases do not contain residual value guarantees, covenants, or other associated restrictions. We have certain variable lease agreements with aircraft owners that contain payment terms based on an hourly lease rate multiplied by the number of flight hours during a month. Variable lease payments were \$4.3 million and \$8.9 million for the three and six months ended June 30, 2021, respectively, and \$2.3 million and \$5.2 million for the three and six months ended June 30, 2020, respectively.

The components of net lease cost are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease costs	\$ 9,703	\$ 5,331	\$ 17,257	\$ 9,392
Short-term lease costs	5,760	4,503	12,808	8,178
Total lease costs	\$ 15,463	\$ 9,834	\$ 30,065	\$ 17,570

Costs related to leased aircraft and operational facilities were \$13.7 million and \$26.8 million for the three and six months ended June 30, 2021, respectively, and \$7.7 million and \$14.3 million for the three and six months ended June 30, 2020, respectively, and are included in cost of revenue in the consolidated statements of operations. Costs related to leased corporate headquarters and other office space including expenses for non-lease components were \$1.6 million and \$3.2 million for the three and six months ended June 30, 2021, respectively, and \$2.1 million and \$3.2 million for the three and six months ended June 30, 2020, respectively, and are included in general and administrative expense in the consolidated statements of operations.

Supplemental cash flow information related to leases are as follows (in thousands):

	Six Months Ended June 30,	
	2021	2020
Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows paid for operating leases	\$ 17,711	\$ 10,058
Right-of-use assets obtained in exchange for operating lease obligations	\$ 64,518	\$ 49,631

Supplemental balance sheet information related to leases are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Weighted-average remaining lease term (in years):		
Operating leases	6.6	7.5
Weighted-average discount rate:		
Operating leases	9.5 %	9.5 %

Maturities of lease liabilities, as of June 30, 2021, are as follows (in thousands):

Year ending December 31,	Operating Leases
2021	\$ 19,741
2022	35,430
2023	29,719
2024	18,294
2025	13,813
Thereafter	51,223
Total lease payments	<u>168,220</u>
Less: Imputed interest	<u>(45,594)</u>
Total lease obligations	<u>\$ 122,626</u>

12. MEMBERS' EQUITY

Pursuant to the Wheels Up Sixth Amended and Restated Limited Liability Company Agreement, which was adopted in January 2020 and in effect as of June 30, 2021, we were authorized as of June 30, 2021 to issue common interests, Class A preferred interests, Class B preferred interests, Class C preferred interests, Class D preferred interests and Class E preferred interests.

Common interests, Class A preferred interests, Class B preferred interests, Class C preferred interests, Class D preferred interests and Class E preferred interests vote together as a single class, except as specifically provided for in such limited liability company agreement or as otherwise required by law. Common interests designated as profits interests, restricted interests and stock options do not vote.

In January 2021, 8,620,690 common interests were issued at a price of \$3.50 per interest as part of the acquisition of Mountain Aviation (see note 5). As of June 30, 2021 and December 31, 2020 respectively, there were 188,136,494 and 179,515,804 common interests authorized. As of June 30, 2021 and December 31, 2020, an entity in which the chief executive officer retains voting control held 59,500,000 common interests.

Preferred interests authorized, as of June 30, 2021 and December 31, 2020, are as follows:

Class A	73,723,250
Class B	34,023,527
Class C	37,642,050
Class D	36,909,359
Class E	112,949,305

13. EQUITY-BASED COMPENSATION

Currently, we have nine equity-based employee compensation plans, Wheels Up Partners Holdings LLC Equity Incentive Plan ("MIP Plan"), Wheels Up Partners Holdings LLC Equity Incentive Plan II ("MIP Plan II"), Wheels Up Partners Holdings LLC Equity Incentive Plan III ("MIP Plan III"), Wheels Up Partners Holdings LLC Equity Incentive Plan IV ("MIP Plan IV"), and Wheels Up Partners Holdings LLC Equity Incentive Plan V ("MIP Plan V"), Wheels Up Partners Holdings LLC Equity Incentive Plan VI ("MIP Plan VI"), Wheels Up Partners Holdings LLC Equity Incentive Plan VII ("MIP Plan VII") and Wheels Up Partners Holdings LLC Equity Incentive Plan VIII ("MIP Plan VIII"), which is the management incentive plan and Wheels Up Partners Holdings LLC Option Plan, which is the stock option plan. As of June 30, 2021, grants can only be made under MIP Plan VIII and the stock option plan.

Management Incentive Plan

As of June 30, 2021, the board of directors had authorized and issued an aggregate of 68.0 million profits interests in Wheels Up MIP PI LLC, under the management incentive plan.

The following table summarizes the profits interests activity under the management incentive plan as of June 30, 2021:

	Number of Profits Interests (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding profits interests as of January 1, 2021	63,022	\$ 0.19
Granted	—	—
Expired/forfeited	—	—
Outstanding profits interests as of June 30, 2021	63,022	\$ 0.19

The weighted-average remaining contractual term as of June 30, 2021 for profits interests outstanding was approximately 6.4 years.

The following table summarizes the status of non-vested profits interests as of June 30, 2021:

	Number of Profits Interests (in thousands)	Weighted-Average Grant Date Fair Value
Non-vested profits interests as of January 1, 2021	27,394	\$ 0.13
Granted	—	—
Vested	(6,002)	0.13
Forfeited	—	—
Non-vested profits interests as of June 30, 2021	21,392	\$ 0.13

The total unrecognized compensation cost related to non-vested profits interests was \$2.6 million as of June 30, 2021 and is expected to be recognized over a weighted-average period of 3.4 years. The total fair value of vested profits interests amounted to \$0.8 million for the six months ended June 30, 2021.

As of June 30, 2021, under MIP Plan VII, the board of directors authorized and issued to certain Wheels Up employees an aggregate of 10.1 million restricted interests in Wheels Up MIP RI LLC.

The following table summarizes the restricted interests activity under the management incentive plan as of June 30, 2021:

	Number of Restricted Interests (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding restricted interests as of January 1, 2021	10,127	\$ 1.83
Granted	—	—
Expired/forfeited	—	—
Outstanding restricted interests as of June 30, 2021	<u>10,127</u>	<u>\$ 1.83</u>

The weighted-average remaining contractual term as of June 30, 2021 for restricted interests outstanding was approximately 8.5 years.

The following table summarizes the status of non-vested restricted interests as of June 30, 2021:

	Number of Restricted Interests (in thousands)	Weighted-Average Grant Date Fair Value
Non-vested restricted interests as of January 1, 2021	10,127	\$ 1.83
Granted	—	—
Vested	—	—
Forfeited	—	—
Non-vested restricted interests as of June 30, 2021	<u>10,127</u>	<u>\$ 1.83</u>

The total unrecognized compensation cost related to non-vested restricted interests was \$18.3 million as of June 30, 2021. Restricted interests are time and performance-based awards that vest with a change in control or initial public offering. We determined the performance condition for these awards is not probable of being achieved until a change in control or initial public offering actually occurs. As a result, we have not recorded any compensation cost related to restricted interests as of June 30, 2021. We started recording compensation cost for restricted interests on July 13, 2021, which is the date the merger with Aspirational was completed (see Note 15).

Stock Option Plan

As of June 30, 2021, the number of stock options authorized and issued in aggregate by the board of directors under the stock option plan was 38.0 million.

The following table summarizes the activity under the stock option plan as of June 30, 2021:

	Number of Stock Options (in thousands)	Weighted- Average Exercise Price	Weighted-Average Grant Date Fair Value
Outstanding stock options as of January 1, 2021	35,324	\$ 3.46	\$ 0.54
Granted	—	—	—
Exercised	—	—	—
Expired/forfeited	(151)	3.24	0.27
Outstanding stock options as of June 30, 2021	<u>35,173</u>	<u>\$ 3.46</u>	<u>\$ 0.54</u>
Exercisable stock options as of June 30, 2021	<u>19,851</u>	<u>\$ 3.32</u>	<u>\$ 0.36</u>

The aggregate intrinsic value as of June 30, 2021 for stock options that were outstanding and exercisable was \$0.

The weighted-average remaining contractual term as of June 30, 2021 for stock options that were outstanding and exercisable was approximately 7.9 years and 8.0 years, respectively.

The following table summarizes the status of non-vested stock options as of June 30, 2021:

	Number of Stock Options	Weighted-Average Grant Date Fair Value
	(in thousands)	
Non-vested stock options as of January 1, 2021	23,840	\$ 0.64
Granted	—	—
Vested	(10,278)	0.38
Forfeited	(151)	0.27
Non-vested stock options as of June 30, 2021	13,411	\$ 0.84

The total unrecognized compensation cost related to non-vested stock options was \$12.3 million as of June 30, 2021 and is expected to be recognized over a weighted-average period of 3.1 years. The total fair value of stock options vested approximated \$3.9 million for the six months ended June 30, 2021.

Compensation expense for profits interests recognized in the consolidated statements of operations was \$0.2 million and \$0.5 million for the three and six months ended June 30, 2021, respectively, and \$0.3 million and \$0.5 million for the three and six months ended June 30, 2020, respectively.

Compensation expense for restricted interests recognized in the consolidated statements of operations was \$0 for the three and six months ended June 30, 2021 and \$0 for the three and six months ended June 30, 2020.

Compensation expense for stock options recognized in the consolidated statements of operations was \$1.1 million and \$2.3 million for the three and six months ended June 30, 2021, respectively, and \$0.4 million and \$0.9 million for the three and six months ended June 30, 2020, respectively.

The following table summarizes equity-based compensation expense recognized by consolidated statement of operations line item (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of revenue	\$ 49	\$ 58	\$ 100	\$ 117
Technology and development	93	106	187	213
Sales and marketing	216	277	452	553
General and administrative	990	331	2,023	473
Total equity-based compensation expense	\$ 1,348	\$ 772	\$ 2,762	\$ 1,356

14. RELATED PARTIES

We engage in transactions with certain equity investors who are also members, ambassadors or customers. Such transactions primarily relate to their membership in the Wheels Up program, flights, and flight-related services.

As of June 30, 2021 and December 31, 2020, a Class A preferred interest, Class B preferred interest and Class C preferred interest investor held a portion of the debt outstanding under our credit facilities.

Amounts included in the consolidated statements of operations with respect to these equity investor transactions are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue derived from equity investors	\$ 4,816	\$ 2,410	\$ 9,665	\$ 7,652

Amounts included on the consolidated balance sheets with respect to these equity investor transactions are as follows (in thousands):

	June 30, 2021	December 31, 2020
Deferred revenue from equity investors	\$ 10,091	\$ 14,132
Accounts receivable due from equity investors	\$ 3,386	\$ 3,881

We incurred expenses of \$1.0 million and \$1.8 million for the three and six months ended June 30, 2021, respectively, and \$1.0 million and \$2.2 million for the three and six months ended June 30, 2020, respectively, from transactions related to a commercial cooperation agreement with Delta, our Class E preferred interest investor of which \$4.2 million and \$3.0 million are included in accrued expenses on the consolidated balance sheets as of June 30, 2021 and December 31, 2020, respectively. In addition, we provided \$0.5 million and \$1.2 million of flights to certain persons currently and previously affiliated with Delta at a discount to our retail pricing for the three and six months ended June 30, 2021, respectively, and \$0.3 million and \$0.9 million for the three and six months ended June 30, 2020, respectively. Delta provided Wheels Up pilots airfare for business travel at no cost during the periods presented. We incurred expenses of \$0.2 million and \$0.3 million for the three and six months ended June 30, 2021, respectively, for an aircraft leased from the company of a common interest investor.

We incurred expenses of \$23 thousand and \$45 thousand for the three and six months ended June 30, 2021, respectively, and \$45 thousand for the three and six months ended June 30, 2020, respectively, with the company of a Class A preferred interest investor for consultation services on employee benefits. We incurred expenses of \$0 for the three and six months ended June 30, 2021 and \$8 thousand and \$21 thousand for the three and six months ended June 30, 2020, respectively, with a company in which a Wheels Up executive and a member of the board of directors holds an ownership interest. We incurred expenses of \$0.1 million for the three and six months ended June 30, 2021, respectively, and \$0.1 million for the three and six months ended June 30, 2020, respectively, for an immediate family member of a Wheels Up executive and a member of the board of directors who was a full-time employee.

Employee Loans Receivable

In January 2016, a senior executive of Wheels Up borrowed \$5.0 million from Wheels Up. The borrower executed an interest bearing secured promissory note with a maturity date of January 17, 2025. The interest rate on the loan is 1.81% per annum, which is payable upon the maturity date. Based on our anticipation that the board of directors was ultimately going to decide to forgive the senior executive loan, a full reserve was previously recorded on the amount outstanding. Prior to the effectiveness of the registration statement on Form S-4 filed by Aspirational, which the SEC declared effective on June 23, 2021, the board of directors forgave the senior executive loan. As of December 31, 2020, a Gama senior executive had borrowed \$0.1 million that was fully repaid in January 2021.

15. SUBSEQUENT EVENTS

We evaluated events occurring subsequent to June 30, 2021, through August 12, 2021, the date on which the consolidated financial statements were available to be issued, for potential recognition and disclosure in the consolidated financial statements. The following summarizes the subsequent events that require disclosure:

On July 13, 2021, as contemplated by Agreement and Plan of Merger, dated as of February 1, 2021, as amended by Amendment No. 1 to Agreement and Plan of Merger, dated as of May 6, 2021 (the "Merger Agreement") by and

among Aspirational, Wheels Up Partners Holdings LLC, KittyHawk Merger Sub LLC, a Delaware limited liability corporation and a direct wholly owned subsidiary of Aspirational (“Merger Sub”), Wheels Up Blocker Sub LLC, a Delaware limited liability company and a direct wholly owned subsidiary of Aspirational (“Blocker Sub”), the Blocker Merger Subs (as defined in the Merger Agreement) and the Blockers (as defined in the Merger Agreement) and described in the section titled “Domestication Proposal” of the final prospectus and definitive proxy statement, dated June 23, 2021 (the “proxy statement/prospectus”) and filed with the SEC on June 23, 2021, Aspirational filed a notice of deregistration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and filed a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, under which Aspirational was domesticated and continues as a Delaware corporation, changing its name to Wheels Up Experience Inc. (“WUEI”) (the “Domestication”).

As a result of and upon the effective time of the Domestication, among other things, (1) each of the then issued and outstanding Class A ordinary shares, par value \$0.0001 per share, of Aspirational (the “Aspirational Class A ordinary shares”), automatically converted, on a one-for-one basis, into a share of Class A common stock, par value \$0.0001 per share, of WUEI (the “WUEI Class A common stock”); (2) each of the then issued and outstanding Class B ordinary shares, par value \$0.0001 per share, of Aspirational (“Aspirational Class B ordinary shares”), automatically converted, on a one-for-one basis, into a share of WUEI Class A common stock; (3) each of the then issued and outstanding redeemable warrants of Aspirational (the “Aspirational warrants”) automatically converted into a redeemable warrant to acquire one share of WUEI Class A common stock (the “WUEI warrants”); and (4) each of the then issued and outstanding units of Aspirational that had not been previously separated into the underlying Aspirational Class A ordinary shares and underlying Aspirational warrants upon the request of the holder thereof, were cancelled and entitled the holder thereof to one share of Wheels Up Class A common stock and one-third of one WUEI warrant. No fractional shares will be issued upon exercise of the WUEI warrants.

On July 13, 2021, as contemplated by the Merger Agreement and described in the section titled “BCA Proposal” of the proxy statement/prospectus, the merger transactions contemplated by the Merger Agreement were consummated, whereby (i) the Blockers simultaneously merged with and into the respective Blocker Merger Subs, with the Blockers surviving each merger as wholly owned subsidiaries of WUEI (the “First Step Blocker Mergers”), (ii) thereafter, the surviving Blockers simultaneously merged with and into Blocker Sub, with Blocker Sub surviving each merger (the “Second Step Blocker Mergers”), and (iii) thereafter, Merger Sub merged with and into Wheels Up, with Wheels Up surviving the merger, with WUEI as its managing member (the “Company Merger” and collectively with the First Step Blocker Mergers and the Second Step Blocker Mergers, the “Mergers” and, together with the Domestication, the “Business Combination”).

As a result of and upon the closing of the Mergers (the “Closing”), among other things, (i) all issued and outstanding equity interests of each Blocker (other than any such interests held in treasury or owned by such Blocker) as of immediately prior to the effective time of the First Step Blocker Mergers (the “First Step Blocker Effective Time”) were cancelled and converted into the right to receive in the aggregate (A) a number of shares of WUEI Class A common stock that is equal to the Exchange Ratio (as defined in the proxy statement/prospectus) multiplied by the aggregate number of Wheels Up preferred interests held by such Blocker as of immediately prior to the First Step Blocker Effective Time and (B) any Earnout Shares (as defined below) that may be due and issuable pursuant to the Merger Agreement, and (ii) each outstanding Wheels Up common interest and preferred interest (other than any Wheels Up common interests subject to the Wheels Up awards discussed below and the Wheels Up preferred interests held by Blocker Sub) immediately prior to the First Step Blocker Effective Time was cancelled in exchange for the right to receive (A) a number of shares of WUEI Class A common stock that is equal to the Exchange Ratio and (B) any Earnout Shares that may be due and issuable pursuant to the Merger Agreement, which, in the case of all shares described in clauses (i) and (ii), together with the shares of WUEI Class A common stock reserved in respect of the awards described immediately below, in the aggregate equal an aggregate merger consideration of \$1,885,000,000, in addition to a number of shares of WUEI Class A common stock that may be issued post-Closing if Wheels Up Options (as defined below) were to be cash exercised and due to the conversion of any Wheels Up Profits Interests (as defined below) for shares of WUEI Class A common stock at a level above the intrinsic value of the profits interests immediately after Closing based on a reference price per share of WUEI Class A common stock of \$10.00, plus any Earnout Shares.

In addition, as a result of the Closing, (i) each option to purchase Wheels Up common interests (the “Wheels Up Options”) that was outstanding immediately prior to the effective time of the Company Merger was converted into the right to receive (as adjusted, including with respect to the applicable exercise price, based on the Exchange Ratio) an option related to the shares of WUEI Class A common stock, (ii) each award of Wheels Up profits interests (the “Wheels Up Profits Interests”) granted under any Wheels Up incentive plan or granted directly in Wheels Up that was outstanding immediately prior to the effective time of the Company Merger was converted into the right to receive (as adjusted based on the Exchange Ratio and to maintain the intrinsic value of such award) an award of profits interests of Wheels Up, which, upon vesting and, for members of senior management, subject to the expiration of the Lock-Up Period (as defined in the Registration Rights Agreement), were exchangeable for shares of WUEI Class A common stock, and (iii) each award of Wheels Up restricted interests (the “Wheels Up Restricted Interests”) granted under any Wheels Up incentive plan was converted into the right to receive (as adjusted based on the Exchange Ratio) an award of restricted shares of WUEI Class A common stock, with substantially the same vesting and termination-related provisions as such Wheels Up Restricted Interest.

Further, as a result of the Closing, existing Wheels Up equityholders have the right to receive, including profits interests holders and restricted interest holders, but excluding option holders, through the issuance of WUEI EO Units (as defined in the Merger Agreement) that upon vesting may become exchangeable for, up to an aggregate of 9,000,000 additional shares of WUEI Class A common stock in three equal tranches which are issuable upon the achievement of share price thresholds for WUEI Class A common stock of \$12.50, \$15.00 and \$17.50, respectively (such shares, the “Earnout Shares”).

We received approximately \$656.1 million in gross proceeds in connection with the Business Combination.

On July 21, 2021, we repaid all of the outstanding principal of our long-term debt, together with all accrued and unpaid interest, in connection with proceeds received from the Business Combination.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes and our audited consolidated financial statements. This discussion contains forward-looking statements which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons.

Overview of Our Business

Our mission is to democratize private aviation by delivering innovative, accessible, travel through cutting edge and simple-to-use proprietary technology and mobile applications. We have become a recognized market leader and are redefining private flying by leveraging our unique digital platform. We connect flyers to private aircraft, and to one another, creating memorable lifestyle experiences.

We have a diversified and evolving business model generating revenue through flights, membership fees, management of aircraft, and other services. We operate under one reportable segment, which is private aviation services.

Flight revenue includes both retail and wholesale charter. Wheels Up has one of the largest and most diverse mix of available aircraft in the industry. We have over 180 aircraft in our owned and leased fleet that includes Turboprops, Light, Midsize, Super-Midsize and Large-Cabin jets, more than half of which are Wheels Up branded aircraft. As of June 30, 2021, we also have a managed fleet across all cabin classes of approximately 165 aircraft and an extensive network of third-party operators available in our program fleet from whom we can access over 1,200 additional safety vetted and verified partner aircraft.

Members pay a fixed quoted amount for flights plus certain incidental or additional costs, if applicable. The quoted amount can be based on a contractual capped hourly rate or dynamically priced based on a number of variables at time of booking. Wholesale customers, such as charter flight brokers and third-party operators, primarily pay a fixed rate for flights. Members are also able to purchase Prepaid Blocks, which are dollar-denominated credits that can be applied to future costs incurred by members, including annual dues, flight services, and other incidental costs such as catering and ground transportation. Prepaid Block sales allow us to have a certain amount of revenue visibility into future flight and travel demand. Members who elect not to purchase a Prepaid Block “pay as they fly” by paying for their flights at the time of booking or after their flights.

Membership revenue is generated from initiation and annual renewal fees across three different annual subscription tiers — Connect, Core and Business — each of which is designed to provide the varying services required across a range of existing and potential private flyers. Core membership is ideal for the more frequent individual private flyer who wants guaranteed availability and pricing, high-touch account management, capped rates and values ultimate convenience and flexibility. The Business membership is best suited for companies of any size that want a broader group of individuals in their organization to be able to book and fly, while also requiring maximum flexibility to meet their business needs. Our Business customers include companies that fully-outsource their private travel solution to Wheels Up, including but not necessarily managing their privately- owned aircraft, and those that use Wheels Up to serve or supplement their in-house flight desks. We have offered Core and Business memberships with guaranteed aircraft availability and fixed rate pricing since our inception. During 2019, we launched Connect, our introductory membership tier. The Connect membership offers variable rate pricing on a per trip basis and is designed for the consumer with less frequent flight needs or who has more flexibility in their schedule or does not seek capped rate pricing. All membership options provide access through the Wheels Up App to on-demand charter flights, dynamic pricing, a variety of Shared Flights, empty-leg Hot Flights, Shuttles, and The Community, an online platform of members-only forums to facilitate flight sharing, enabling members to reduce their cost of flying private.

We have recently added a non-membership offering to tap into a larger addressable market and expand flyer participation in our marketplace. Non-member customers now have access to a full-scale marketplace of private aircraft through the Wheels Up App where they can view the real-time dynamic pricing for available aircraft classes,

making it possible to instantaneously search, book and fly. These flyers are not required to purchase a membership but may pay additional transaction fees not applicable to members and do not receive membership benefits. In addition, non-member flyers do not have aircraft availability guarantees as do members and flights are priced dynamically at rates that are not capped.

In our aircraft management business, we manage aircraft for owners in exchange for a recurring contractual fee. Under the terms of many of our management agreements, in addition to owners utilizing their own aircraft, the managed aircraft may be used by us to fulfill member and non-member flights on a revenue sharing arrangement with the owner. Revenue associated with the management of aircraft also includes the recovery of owner incurred expenses as well as recharging of certain incurred aircraft operating costs.

In addition, we earn other revenue from fixed-base operator ("FBO") and maintenance, repair and overhaul ("MRO") ground services, flight management software subscriptions, sponsorship and partnership fees, and aircraft sales.

Recent Developments

Completion of the Business Combination

On July 13, 2021, we completed the Business Combination. We received approximately \$656.1 million in gross proceeds in connection with the transaction.

Payoff of Credit Facilities and Promissory Notes

Shortly following the Closing, we repaid the entire outstanding principal of the Credit Facilities and Promissory Notes, together with all accrued and unpaid interest.

Acquisitions

Mountain Aviation, LLC

On January 5, 2021, we acquired all the outstanding equity of Mountain Aviation, LLC ("Mountain Aviation") for 8,620,690 common interests in Wheels Up and \$10.0 million in cash. In addition, there is a potential incremental cash earn-out of up to \$15.0 million based on achieving certain financial performance metrics related to certain special missions, which would be payable in the second quarter of 2023 to the extent achieved. Mountain Aviation adds to our Super-Midsize jet fleet and operations, provides full-service in-house maintenance capabilities, expands our presence in the Western U.S. and enhances our on-demand transcontinental charter flight capabilities.

Business Impact of COVID-19

On March 11, 2020, the World Health Organization officially declared COVID-19 a pandemic. The unprecedented and rapid spread of COVID-19 led to economic and business uncertainties resulting from governmental restrictions on air travel, cancellation of large public events, businesses suspending in-person meetings and the closure of popular tourist destinations. The future effects of COVID-19 on our business, financial condition and results of operations are still uncertain and will depend on a number of factors outside of our control.

For the foreseeable future, we plan to continue the Wheels Up Safe Passage™ program introduced in response to the outbreak of COVID-19. During the year ended December 31, 2020, we incurred \$1.2 million of costs for COVID-19 health and safety response initiatives and have forecasted a similar level of expense on a go-forward basis. We have not had and do not expect any material COVID-19 related contingencies, impairments, concessions, credit losses or other expenses in future periods.

Moving forward, we believe the COVID-19 global pandemic has led to a shift in consumer prioritization of wellness and safety, with private aviation viewed increasingly by those in the addressable market as a health-conscious decision rather than a discretionary luxury. We believe this will translate into an increase in flight demand over time. We have not experienced and do not currently anticipate any material resource constraints that would impact our ability to provide our services in the event of such an increase in demand.

Non-GAAP Financial Measures

In addition to our results of operations below, we report certain key financial measures that are not required by, or presented in accordance with, GAAP.

These non-GAAP financial measures are an addition, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP and should not be considered as an alternative to any performance measures derived in accordance with GAAP. We believe that these non-GAAP financial measures of financial results provide useful supplemental information to investors, about Wheels Up. However, there are a number of limitations related to the use of these non-GAAP financial measures and their nearest GAAP equivalents, including that they exclude significant expenses that are required by GAAP to be recorded in Wheels Up's financial measures. In addition, other companies may calculate non-GAAP financial measures differently or may use other measures to calculate their financial performance, and therefore, our non-GAAP financial measures may not be directly comparable to similarly titled measures of other companies.

Adjusted EBITDA

We calculate Adjusted EBITDA as net loss adjusted for (i) interest income (expense), (ii) depreciation and amortization, (iii) equity-based compensation expense, (iv) acquisition and integration related expenses, (v) public company readiness related expenses and (vi) other items not indicative of our ongoing operating performance, including the CARES Act grant and COVID-19 response initiatives for 2020. We include Adjusted EBITDA as a supplemental measure for assessing operating performance and for the following:

- Used in conjunction with bonus program target achievement determinations, strategic internal planning, annual budgeting, allocating resources and making operating decisions; and,
- Provides useful information for historical period-to-period comparisons of our business, as it removes the effect of certain non-cash expenses and variable amounts.

The following table reconciles Adjusted EBITDA to net loss, which is the most directly comparable GAAP measure (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (28,954)	\$ (27,366)	\$ (61,167)	\$ (71,837)
<i>Add back (deduct)</i>				
Interest expense	4,164	6,102	8,721	12,512
Interest income	(6)	(50)	(18)	(467)
Depreciation and amortization	13,482	15,273	27,313	29,467
Equity-based compensation expense	1,349	772	2,762	1,356
Public company readiness expense ⁽¹⁾	370	44	843	202
Acquisition and integration expense ⁽²⁾	1,116	1,127	4,374	7,318
CARES Act grant recognition	—	(13,277)	—	(13,277)
COVID-19 response initiatives ⁽³⁾	—	450	—	450
Corporate headquarters relocation expense ⁽⁴⁾	—	894	31	1,191
Adjusted EBITDA	\$ (8,479)	\$ (16,031)	\$ (17,141)	\$ (33,085)

(1) Includes costs primarily associated with compliance, updated systems and consulting in advance of transitioning to a public company.

(2) Consists mainly of system conversions, merging of operating certificates, re-branding costs and fees paid to external advisors in connection with strategic transactions.

(3) Includes expenses for the development of enhanced cleaning and operation protocols for our Safe Passage™ program due to COVID-19.

(4) Represents expenditures related to the build out and move to our new corporate headquarters in New York.

Contribution and Contribution Margin

We define Contribution as revenue less cost of revenue. Contribution Margin is calculated by dividing contribution by total revenue. We include Contribution and Contribution Margin as supplemental measures for assessing operating performance and for the following:

- Used to understand our ability to achieve profitability over time through scale and leveraging costs; and,
- Provides useful information for historical period-to-period comparisons of our business and to identify trends.

The following table reconciles Contribution to gross profit (loss), which is the most directly comparable GAAP measure (in thousands, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 285,580	\$ 134,331	\$ 547,237	\$ 290,427
Less: Cost of revenue	(255,188)	(127,336)	(489,695)	(275,294)
Less: Depreciation and amortization	(13,482)	(15,273)	(27,313)	(29,467)
Gross profit (loss)	16,910	(8,278)	30,229	(14,334)
Gross margin	5.9 %	(6.2)%	5.5%	(4.9)%
<i>Add back:</i>				
Depreciation and amortization	13,482	15,273	27,313	29,467
Contribution	\$ 30,392	\$ 6,995	57,542	\$ 15,133
Contribution margin	10.6 %	5.2 %	10.5%	5.2%

Key Operating Metrics

In addition to financial measures, we regularly review certain key operating metrics to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. We believe that these metrics can be useful for understanding the underlying trends in our business.

The following table summarizes our key operating metrics:

	As of June 30,		% Change
	2021	2020	
Active Members	10,515	7,172	47 %
	Three Months Ended June 30,		% Change
	2021	2020	
Active Users	11,281	8,890	27 %
Live Flight Legs	18,234	7,404	146 %

Active Members

We define Active Members as the number of Connect, Core and Business membership accounts that generated membership revenue in a given period and are active as of the end of the reporting period. We use Active Members to assess the adoption of our premium offerings which is a key factor in our penetration of the market in which we operate and a key driver of membership and flight revenue.

Active Users

We define Active Users as Active Members and legacy Wheels Up Private Jets LLC ("WUPJ") jet card holders as of the reporting date plus unique non-member consumers who completed a revenue generating flight at least once in a given period and excluding wholesale flight activity. While a unique consumer can complete multiple revenue generating flights on our platform in a given period, that unique user is counted as only one Active User. We use Active Users to assess the adoption of our platform and frequency of transactions, which are key factors in our penetration of the market in which we operate and our growth in revenue.

Live Flight Legs

We define Live Flight Legs as the number of completed one-way revenue generating flight legs in a given period. The metric excludes empty repositioning legs and owner legs related to aircraft under management. We believe Live Flight Legs are a useful metric to measure the scale and usage of our platform, and our growth in flight revenue.

Component of Results of Our Operations

The key components of our results of operations include:

Revenue

Revenue is derived from flight, membership, aircraft management, and other services.

Flight revenue consists of retail, wholesale and special mission flights. Members can either pay as they fly or prepay for flights when they purchase a Prepaid Block.

Membership revenue is comprised of a one-time initiation fee paid at the commencement of a membership and recurring annual dues. In the first year of membership, a portion of the initiation fee is applied to annual dues. The remainder of the initiation fee, less any flight credits, is deferred and recognized on a straight-line basis over the estimated duration of the customer relationship period, which is currently estimated to be three years. Members are charged recurring annual dues to maintain their membership. Revenue related to the annual dues are deferred and recognized on a straight-line basis over the related contractual period. If a member qualifies to earn Delta miles in the SkyMiles Program as part of their membership, then a portion of the membership fee is allocated at contract inception.

Aircraft management revenue consists of contractual monthly management fees charged to aircraft owners, recovery of owner incurred expenses including maintenance coordination, cabin crew and pilots, and recharging of certain incurred aircraft operating costs such as maintenance, fuel, landing fees and parking. We pass recovery and recharge amounts back to owners at either cost or at a predetermined margin.

Other revenue primarily consists of (i) ground services derived from aircraft customers that use our FBO and MRO facilities, and (ii) flight-related services. In addition, other revenue includes subscription fees from third-party operators for access to the Avianis flight software, fees we may receive from third-party sponsorships and partnerships, and whole aircraft sales.

Costs and Expenses

Costs and expenses, consist of the following components:

Cost of Revenue

Cost of revenue primarily consists of direct expenses incurred to provide flight services and facilitate operations, including aircraft lease costs, fuel, crew travel, maintenance and third-party flight costs. Cost of revenue also consists of compensation expenses, including equity-based compensation and related benefits for employees that directly facilitate flight operations. In addition, cost of revenue includes aircraft owner expenses incurred such

as maintenance coordination, cabin crew and pilots, and certain aircraft operating costs such as maintenance, fuel, landing fees and parking.

Other Operating Expenses

Technology and Development

Technology and development expense primarily consists of compensation expenses for engineering, product development and design employees, including equity-based compensation, expenses associated with ongoing improvements to, and maintenance of, our platform offerings and other technology. Technology and development expense also includes software expenses and technology consulting fees.

Sales and Marketing

Sales and marketing expense primarily consists of compensation expenses in support of sales and marketing such as commissions, salaries, equity-based compensation and related benefits. Sales and marketing expense also includes expenses associated with advertising, promotions of our services, member experience, account management and brand-building.

General and Administrative

General and administrative expense primarily consists of compensation expenses, including equity-based compensation and related benefits for our executive, finance, human resources, legal and other personnel performing administrative functions. General and administrative expense also includes corporate office rent expense, third-party professional fees, acquisition and integration related expenses, public company readiness expenses and any other cost or expense incurred not deemed to be related to cost of revenue, sales and marketing expense or technology and development expense.

Depreciation and Amortization

Depreciation and amortization expense primarily consists of depreciation of capitalized aircraft. Depreciation and amortization expense also includes amortization of capitalized software development costs and acquired finite-lived intangible assets. We allocate overhead such as facility costs and telecommunications charges, based on department headcount, as we believe this to be the most accurate measure. As a result, a portion of general overhead expenses are reflected in each operating expense category.

Interest Income

Interest income primarily consists of interest earned on cash equivalents in money market funds and investments in commercial paper.

Interest Expense

Interest expense primarily consists of interest paid or payable and the amortization of debt discounts and deferred financing costs on our credit facilities.

Results of Our Operations for the Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

The following table sets forth our results of operations for the three months ended June 30, 2021 and 2020 (in thousands, except percentages):

	Three Months Ended June 30,		Change in	
	2021	2020	\$	%
Revenue	\$ 285,580	\$ 134,331	\$ 151,249	113 %
Costs and expenses:				
Cost of revenue	255,188	127,336	127,852	100 %
Technology and development	8,025	4,449	3,576	80 %
Sales and marketing	17,895	11,587	6,308	54 %
General and administrative	15,786	10,277	5,509	54 %
Depreciation and amortization	13,482	15,273	(1,791)	(12)%
CARES Act grant	—	(13,277)	13,277	100 %
Total cost and expenses	310,376	155,645	154,731	99 %
Loss from operations	(24,796)	(21,314)	(3,482)	(16)%
Other income (expense):				
Interest income	6	50	(44)	(88)%
Interest expense	(4,164)	(6,102)	1,938	32 %
Net loss	\$ (28,954)	\$ (27,366)	\$ (1,588)	(6)%

Revenue

Revenue increased by \$151.2 million, or 113%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase in revenue was primarily attributable to the following changes in flight revenue, membership revenue, aircraft management revenue and other revenue (in thousands, except percentages):

	Three Months Ended June 30,		Change in	
	2021	2020	\$	%
Flight	\$ 212,660	\$ 83,655	\$ 129,005	154 %
Membership	16,188	13,123	3,065	23 %
Aircraft management	49,955	34,226	15,729	46 %
Other	6,777	3,327	3,450	104 %
Total	\$ 285,580	\$ 134,331	\$ 151,249	113 %

Flight revenue growth was primarily driven by a 146% increase in Live Flight Legs, which resulted in \$122.4 million of growth, and a 3% increase in revenue per Live Flight Leg, which drove \$6.6 million of year over year improvement. The increase in Live Flight Legs was primarily attributable to an increase in flying by Active Members, the impact of COVID-19 on 2020 results and the acquisition of Mountain Aviation.

Growth in membership revenue was driven entirely by a 47% increase in Active Members but was impacted by an increased mix of Connect members, which are at a lower price point, and the conversion of legacy WUPJ Jet Cards to Core members at promotional rates.

The increase in aircraft management revenue was primarily attributable to an increase in our recovery of owner and rechargeable costs related to operating aircraft under management, both of which stem from increased flight activity. The increase in other revenue was primarily attributable to an increase in ground and catering services, both of which increased due to an increase in Live Flight Legs.

Cost of Revenue

Cost of revenue increased by \$127.9 million, or 100%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase in cost of revenue is primarily attributable to increased Live Flight Legs and cost of revenue associated with aircraft management, which is in line with the increase in revenue.

Contribution Margin increased 540 basis points for the three months ended June 30, 2021 compared to the three months ended June 30, 2020, largely due to improvement in Live Flight Legs as COVID-19 significantly impacted our operations for the three months ended June 30, 2020. See “— Non-GAAP Financial Measures” above for a definition of Contribution Margin, information regarding our use of Contribution Margin and a reconciliation of gross margin to Contribution Margin.

Other Operating Expenses

Technology and Development

Technology and development expenses increased by \$3.6 million, or 80%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase in technology and development expenses was primarily attributable to an increase of \$2.8 million in employee compensation costs, which was partially offset by an increase in capitalized costs related to the development of internal use software of \$0.7 million. Third-party consultant fees also increased \$1.2 million, which was offset by a \$0.9 million increase in capitalized costs related to internal use software. Additionally, equipment and enterprise software expense increased by \$0.5 million and \$0.7 million, respectively.

Sales and Marketing

Sales and marketing expenses increased by \$6.3 million, or 54%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase in sales and marketing was primarily attributable to a \$0.5 million increase in sales commissions from growth in memberships and flight revenue. In addition, headcount and related compensation costs increased \$3.3 million. For the three months ended June 30, 2020, we took certain cost saving measures to reduce headcount and related compensation costs, consistent with applicable CARES Act limitations, which returned to normal levels for the three months ended June 30, 2021. Additionally, expenses related to in-person Wheels Down events increased \$0.8 million as we resumed holding events for our members after COVID-19 restrictions were lifted. Lastly, advertising expense increased \$1.7 million as we had reduced advertising spending during the three months ended June 30, 2020 as part of cost cutting measures to offset the impact of COVID-19.

General and Administrative

General and administrative expenses increased by \$5.5 million, or 54%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase in general and administrative expenses was primarily attributable to a \$5.5 million increase in personnel expenses, including equity-based compensation. For the three months ended June 30, 2020, we took certain cost saving measures to reduce headcount and related compensation costs, consistent with applicable CARES Act limitations, which returned to normal levels for the three months ended June 30, 2021.

Depreciation and Amortization

Depreciation and amortization expenses decreased by \$1.8 million, or 12%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The decrease in depreciation and amortization expense was primarily attributable to a \$2.3 million decrease in depreciation expense for our owned aircraft as certain aircraft

became fully depreciable subsequent to June 30, 2020. The decrease was partially offset by a \$0.5 million increase in amortization of software development costs.

CARES Act grant

Reflects government assistance received under the Payroll Support Program as directed by the CARES Act. During 2020, as a result of the negative impact of COVID-19, we were awarded a total grant of \$76.4 million from the Treasury to support ongoing operations through payroll funding.

Interest Income

Interest income decreased by \$44 thousand, or 88%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. This decrease in interest income was primarily attributable to our depositing cash into money market funds during the period and not to investments in commercial paper that have a higher rate of interest.

Interest Expense

Interest expense decreased by \$1.9 million, or 32%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The decrease in interest expense was primarily attributable to a reduction in principal outstanding on our credit facilities due to scheduled payments of \$16.8 million, which resulted in a \$1.5 million decrease, and a reduction in the comparative average LIBOR rate on our variable rate credit facilities that resulted in an additional \$0.4 million decrease.

Results of Our Operations for the Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

The following table sets forth our results of operations for the six months ended June 30, 2021 and 2020 (in thousands, except percentages):

	Six Months Ended June 30,		Change in	
	2021	2020	\$	%
Revenue	\$ 547,237	\$ 290,427	\$ 256,810	88%
Costs and expenses:				
Cost of revenue	489,695	275,294	214,401	78%
Technology and development	15,049	9,301	5,748	62%
Sales and marketing	33,689	25,238	8,451	33%
General and administrative	33,955	24,196	9,759	40%
Depreciation and amortization	27,313	29,467	(2,154)	(7)%
CARES Act grant	—	(13,277)	13,277	100%
Total cost and expenses	599,701	350,219	249,482	71%
Loss from operations	(52,464)	(59,792)	7,328	12%
Other income (expense):				
Interest income	18	467	(449)	(96)%
Interest expense	(8,721)	(12,512)	3,791	30%
Net loss	\$ (61,167)	\$ (71,837)	\$ 10,670	15%

Revenue

Revenue increased by \$256.8 million, or 88%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The increase in revenue was primarily attributable to the following changes in flight revenue, membership revenue, aircraft management revenue and other revenue (in thousands, except percentages):

	Six Months Ended June 30,		Change in	
	2021	2020	\$	%
Flight	\$ 403,134	\$ 203,291	\$ 199,843	98%
Membership	31,162	26,442	4,720	18%
Aircraft management	100,835	55,014	45,821	83%
Other	12,106	5,680	6,426	113%
Total	\$ 547,237	\$ 290,427	\$ 256,810	88%

Flight revenue growth was primarily driven by a 75% increase in Live Flight Legs, which resulted in \$152.0 million of growth, and a 13% increase in revenue per Live Flight Leg, which drove \$47.8 million of year over year improvement. The increase in Live Flight Legs was primarily attributable to an increase in flying by Active Members, the impact of COVID-19 on 2020 results and the acquisition of Mountain Aviation.

Growth in membership revenue was driven entirely by a 47% increase in Active Members but was impacted by an increased mix of Connect members, which are at a lower price point, and the conversion of legacy WUPJ Jet Cards to Core members at promotional rates.

The increase in aircraft management revenue was primarily attributable to our acquisitions of WUPJ on January 17, 2020 and Gama on March 2, 2020. As such, the results of WUPJ and Gama were only included for a portion of the six months ended June 30, 2020. The increase in other revenue was primarily attributable to an increase in ground and catering services, both of which increased due to an increase in Live Flight Legs

Cost of Revenue

Cost of revenue increased by \$214.4 million, or 78%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The increase in cost of revenue is primarily attributable to an increase in Live Flight Legs and cost of revenue associated with aircraft management, which is in line with the increase in revenue.

Contribution Margin increased 530 basis points for the six months ended June 30, 2021 compared to the six months ended June 30, 2020, largely due to improvement in controlled fleet fulfillment. Contribution margin was also impacted by the integration of the Travel Management Company, LLC and WUPJ operating certificates, which resulted in a \$3.0 million reduction in Contribution due to lower aircraft availability. See “— Non-GAAP Financial Measures” above for a definition of Contribution Margin, information regarding our use of Contribution Margin and a reconciliation of gross margin to Contribution Margin.

Other Operating Expenses

Technology and Development

Technology and development expenses increased by \$5.7 million, or 62%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The increase in technology and development expenses was primarily attributable to an increase of \$4.4 million in employee compensation costs, which was partially offset by an increase in capitalized costs related to the development of internal use software of \$1.4 million. Third-party consultant fees also increased \$2.2 million, which was offset by a \$1.3 million increase in capitalized costs related to internal use software. Additionally, equipment and enterprise software expense increased by \$0.7 million and \$1.1 million, respectively, related to an increase in headcount stemming from our acquisitions.

Sales and Marketing

Sales and marketing expenses increased by \$8.5 million, or 33%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The increase in sales and marketing was primarily attributable to a \$2.0 million increase in sales commissions from growth in memberships and flight revenue. In addition, headcount and related compensation and allocable costs increased \$6.4 million as a result of our acquisition of Mountain Aviation on January 5, 2021, as well as WUPJ and Gama that were included in our consolidated results for the full six months ended June 30, 2021 as opposed to only a portion of the six months ended June 30, 2020. Additionally, advertising expense increased \$1.6 million. These costs were partially offset by a \$1.5 million decrease in Wheels Down event spending due to COVID-19 restrictions.

General and Administrative

General and administrative expenses increased by \$9.8 million, or 40%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The increase in general and administrative expenses was primarily attributable to a \$10.8 million increase in personnel expenses, including equity-based compensation, due to headcount growth as a result of our acquisitions. Additionally, office related costs increased \$0.2 million. The increase was partially offset by a \$1.2 million decrease in third-party professional fees, including services associated with acquisitions.

Depreciation and Amortization

Depreciation and amortization expenses decreased by \$2.2 million, or 7%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This decrease in depreciation and amortization expenses was primarily attributable to a \$4.3 million decrease in depreciation expense for our owned aircraft as certain aircraft became fully depreciable subsequent to June 30, 2020. The decrease was partially offset by increases in amortization of software development costs, intangible assets and other fixed assets of \$0.9 million, \$1.1 million and \$0.1 million, respectively.

Interest Income

Interest income decreased by \$0.4 million, or 96%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This decrease in interest income was primarily attributable to our depositing cash into money market funds during the period and not to investments in commercial paper that have a higher rate of interest.

Interest Expense

Interest expense decreased by \$3.8 million, or 30%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This decrease in interest expense was primarily attributable to a reduction in principal outstanding on our credit facilities due to scheduled payments of \$29.3 million, which resulted in a \$2.9 million decrease, and a reduction in the comparative average LIBOR rate on our variable rate credit facilities that resulted in an additional \$0.9 million decrease.

Liquidity and Capital Resources

Overview

Our principal sources of liquidity have historically consisted of financing activities, including proceeds from the issuance of preferred interests and borrowings under our credit facilities, and operating activities, primarily from the increase in deferred revenue associated with Prepaid Blocks. As of June 30, 2021, we had \$160.6 million of cash and cash equivalents, which were primarily invested in money market funds, \$12.1 million of restricted cash and no amounts available for future borrowings under our credit facilities. We believe our cash and cash equivalents on hand, plus proceeds received from the Business Combination, will be sufficient to meet our projected working capital and capital expenditure requirements for at least the next 12 months.

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2021, and 2020 (in thousands):

	Six Months Ended June 30,	
	2021	2020
Net cash used in operating activities	\$ (118,911)	\$ (9,363)
Net cash (used in) provided by investing activities	\$ (2,668)	\$ 91,923
Net cash used in financing activities	\$ (30,574)	\$ (19,537)
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (152,153)	\$ 63,023

Cash Flow from Operating Activities

Net cash used in operating activities for the six months ended June 30, 2021 was \$118.9 million. In 2021, the cash outflow from operating activities consisted of our net loss, net of non-cash items of \$30.0 million and a decrease in net operating assets and liabilities, primarily as a result of a \$89.0 million decrease in deferred revenue attributable to a significant increase in Live Flight Legs. In addition, during the six months ended June 30, 2021, we sold \$184.9 million of Prepaid Blocks compared to \$154.3 million for the six months ended June 30, 2020. The increase in Prepaid Block purchases was primarily attributable to the growth of Active Members.

Net cash used in operating activities for the six months ended June 30, 2020 was \$9.4 million. In 2020, the cash outflow from operating activities consisted of our net loss, net of non-cash items of \$40.1 million and an increase in net operating assets and liabilities, primarily as a result of a \$30.5 million decrease in accrued expenses. The decrease was partially offset by a \$27.3 million decrease in accounts receivable.

Cash Flow from Investing Activities

Net cash used in investing activities for the six months ended June 30, 2021 was \$2.7 million. In 2021, the cash outflow from investing activities was primarily attributable to \$10.5 million for capital expenditures, including \$5.7 million of software development costs.

Net cash provided by investing activities for the six months ended June 30, 2020 was \$91.9 million. In 2020, the cash inflow from investing activities was primarily attributable to \$98.1 million from the acquisitions of WUPJ and Gama, including cash acquired. In addition, we used \$6.2 million for capital expenditures, including \$3.0 million of software development costs.

Cash Flow from Financing Activities

Net cash used in financing activities for six months ended June 30, 2021 was \$30.6 million. In 2021, the cash outflow from financing activities was primarily attributable to \$29.3 million for repayments of our credit facilities and \$1.4 million of payments made towards deferred offering costs.

Net cash used in financing activities for the six months ended June 30, 2020 was \$19.5 million. In 2020, the cash outflow from financing activities was primarily attributable to \$20.2 million for repayments of our credit facilities offset by proceeds of \$0.8 million.

Contractual Obligations and Commitments

Our principal commitments consist of contractual cash obligations under our credit facilities, promissory notes and operating leases for certain controlled aircraft, corporate headquarters, and operational facilities, including aircraft hangars. Our obligations under our credit facilities and the promissory notes are described in Note 9 "Long-Term Debt" and for further information on our leases see Note 11 "Leases" of the accompanying condensed consolidated financial statements.

Critical Accounting Policies and Estimates

For further information on our critical accounting policies and estimates, see the disclosures related to the audited consolidated financial statements included in the proxy statement/prospectus for the year ended December 31, 2020.

Recent Accounting Pronouncements

For further information on recent accounting pronouncements, see Note 2 “Summary of Significant Accounting Policies” of the accompanying condensed consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of operating our business, we are exposed to market risks. Market risk represents the risk of loss that may impact our financial position or results of operations due to adverse changes in financial market prices and rates. Our principal market risks are related to interest rates and aircraft fuel.

Interest Rates

We are subject to market risk associated with changing interest rates on certain of our credit facilities, which are variable rate debt. Interest rates applicable to our variable rate debt could potentially rise and increase the amount of interest expense incurred. We do not purchase or hold any derivative instruments to protect against the effects of changes in interest rates.

As of June 30, 2021, we had \$157.9 million of variable rate debt including current maturities. A hypothetical 100-basis points increase in market interest rates would have resulted in approximately \$0.1 million and \$0.2 million of additional interest expense in our consolidated results of operations for the three and six months ended June 30, 2021, respectively.

On July 21, 2021, we repaid all of the outstanding principal of our long-term debt, together with all accrued and unpaid interest, in connection with proceeds received from the Business Combination.

Aircraft Fuel

We are subject to market risk associated with changes in the price and availability of aircraft fuel. Aircraft fuel expense for the three and six months ended June 30, 2021 represented 16% and 15%, respectively, of our total cost of revenue and includes the recharge of fuel costs to our aircraft management customers. Based on our 2021 fuel consumption, a hypothetical 10% increase in the average price per gallon of aircraft fuel would have increased fuel expense by approximately \$4.1 million and \$7.6 million for the three and six months ended June 30, 2021, respectively. We do not purchase or hold any derivative instruments to protect against the effects of changes in fuel but due to our dynamic pricing we do have the ability to raise our prices on those flights priced that way. In addition, our agreements allow us to potentially bill customers a fuel price surcharge.