

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 000-52593

**SAKER AVIATION SERVICES, INC.**

(Exact name of Registrant as Specified in Its Charter)

Nevada  
(State or Other Jurisdiction of  
Incorporation or Organization)

87-0617649  
(I.R.S. Employer  
Identification No.)

101 Hangar Road  
Avoca, PA 18641  
(Address of Principal Executive Offices)

(570) 457-3400  
(Issuer's telephone number)

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

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$.001 par value.

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

Yes  No

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

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter: \$764,145.

As of April \_\_, 2009, the Registrant had 33,164,453 shares of its Common Stock, \$.001 par value, issued and outstanding.

Documents incorporated by reference: None

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
**FORM 10-K**  
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THIS FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. CERTAIN FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE ARE DISCUSSED IN ITEM 7, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION – FORWARD-LOOKING STATEMENTS" WITHIN THIS REPORT.

## PART I

### ITEM 1. BUSINESS

#### General

Saker Aviation Services, Inc. (“Saker”), through its subsidiaries (Saker and its subsidiaries collectively the “Company”, “we”, “us” and “our”), operates in the fixed base operation (“FBO”) segment of the general aviation industry. An FBO provides ground-based services such as fueling and hangaring for general aviation, commercial, and military aircraft; aircraft maintenance, and other miscellaneous services. We also provide consulting services for a non-owned FBO facility and serve as the operator of a heliport.

We were formed on January 17, 2003 (date of inception) as a proprietorship and were incorporated in Arizona on January 2, 2004. We became a public company as a result of a reverse merger transaction on August 20, 2004 with Shadows Bend Development, Inc., an inactive public Nevada corporation which changed its name to FBO Air, Inc. On December 12, 2006, we changed our name to FirstFlight, Inc. On September 2, 2009, we changed our name to Saker Aviation Services, Inc.

Our business activities are carried out at the Wilkes-Barre/Scranton (Pennsylvania) International Airport where we operate an FBO, Garden City (Kansas) Regional Airport where we operate an FBO, the Downtown Manhattan (New York) Heliport, and at the Niagara Falls (New York) International Airport where we provide consulting services to the operator.

The Wilkes-Barre facility became part of our company as a result of our acquisition of Tech Aviation Service, Inc. (“Tech”) in March 2005 and the Garden City facility became part of our company as a result of our acquisition of the FBO assets of Central Plains Aviation, Inc. (“CPA”) in March 2005.

The New York heliport facility became part of our company through the award of a concession agreement by the City of New York to operate the Downtown Manhattan Heliport, which we assigned to our subsidiary, FirstFlight Heliports, LLC d/b/a Saker Aviation Services (“FFH”).

#### Discontinued Operations

In March 2009, we completed the sale of our charter operations located in Elmira, New York. This segment originally became part of our company through our acquisition of Airborne, Inc. (“Airborne”). Accordingly, the accompanying financial statements for all periods have been presented to reflect the accounting of discontinued operations for the divestiture of this subsidiary.

On March 2, 2009, we entered into a Share Exchange Agreement with Airborne, John H. Dow, our former President and Chief Executive Officer, and Daphne Dow, pursuant to which we divested our ownership interest in Airborne. Mr. Dow resigned from our company immediately preceding this agreement. Prior to the consummation of the Share Exchange Agreement, Airborne was a wholly-owned subsidiary of ours. Pursuant to the terms and conditions of the Share Exchange Agreement, Mr. and Mrs. Dow exchanged all of their 3,418,534 individually and jointly owned shares of our Common Stock, valued at \$239,297 on the date of the agreement, and all of their options and warrants to purchase 1,100,000 shares of our Common Stock owned by them in exchange for all of the issued and outstanding shares of Common Stock in Airborne owned by us. As a result of the consummation of the Share Exchange Agreement, Mr. and Mrs. Dow became the sole owners of Airborne. Concurrent with the consummation of the Share Exchange Agreement, Airborne also assumed all pre- and post-closing rights and obligations under lease agreements for our IST Center and 236 Sing Sing Road, Horseheads, New York locations.

Immediately prior to entering into the Airborne Loan Agreement, EuroAmerican Investment Corp. (“EuroAmerican”) loaned us an aggregate of up to \$750,000 for the purpose of funding the Airborne Loan Agreement discussed below. The EuroAmerican loan is evidenced by a Promissory Note delivered by us to EuroAmerican with a maturity date of February 27, 2011. The unpaid principal amount under the Promissory Note accrues interest at the annual rate of 12% and is payable in monthly interest only payments until maturity, at which time the entire principal balance and any accrued but unpaid interest is payable in full. Two members of our Board of Directors, William B. Wachtel and Alvin S. Trenk, issued personal guarantees in connection with the EuroAmerican Loan. Mr. Wachtel is a principal of EuroAmerican.

Simultaneous with the consummation of the Share Exchange Agreement, we made a non-interest bearing loan to Airborne of \$750,000 pursuant to a Loan Agreement dated March 2, 2009 (the “Airborne Loan Agreement”). Under the Airborne Loan Agreement, we made a commitment to loan Airborne an aggregate up to \$750,000; \$500,000 of such amount was loaned by us to Airborne on March 2, 2009, and the balance of which was loaned by us to Airborne on March 12, 2009 upon the satisfactory achievement by Airborne of certain agreed upon targets. Beginning on September 1, 2009 and continuing the first day of each month

thereafter until July 31, 2015 Airborne shall pay equal payments of \$10,500 to us under the Airborne Loan Agreement. Beginning on August 1, 2015 and continuing the first day of each month thereafter the monthly payment by Airborne to us under the Airborne Loan Agreement shall be \$8,000. The Airborne Loan Agreement is secured by the assets of Airborne, subordinate to a first lien in favor of Birch Hill Capital, LLC (“Birch Hill”). The Airborne Loan Agreement did not contain any personal guarantees from the shareholders of Airborne. Balances due under the Airborne Loan Agreement are to be repaid from the cash flow of Airborne. Due to uncertainties in the charter business, management is in the process of evaluating the collectability of this loan. The Airborne Loan Agreement provides that in the event of a subsequent sale of Airborne or its assets, the proceeds of such sale shall be used first to repay the existing credit facility with Birch Hill and next to repay any outstanding principal under the Airborne Loan Agreement. In addition, the Airborne Loan Agreement provides that we will share a percentage of any remaining available sale proceeds, the amount of which will vary depending on the timing of a sale transaction. The Airborne Loan Agreement has been recorded at its present value as of December 31, 2009 of \$619,720.

Also on March 2, 2009, we, Airborne and Five Star entered into a Loan Agreement, which was subsequently assigned to Birch Hill Capital LLC (the “Birch Hill Loan Agreement”). Effective December 29, 2009, Five Star executed an Allonge and an Assignment of Note and Note Documents (together, the “Assignment Documents”) pursuant to which a revolving line of credit agreement (the “Credit Facility”) and related documents and agreements dated March 3, 2009 made jointly and severally by Airborne and us in favor of Five Star (collectively, the “Loan Agreements”) were sold, assigned and transferred to Birch Hill Capital, LLC (“Birch Hill”). Under the Birch Hill Loan Agreement, among other things, Birch Hill made a commitment to loan the Company and Airborne an aggregate of up to \$1,000,000 on a demand line of credit basis. The Birch Hill Loan Agreement contains customary representations, warranties and financial covenants. Borrowings under the Loan Agreement are secured by (i) a blanket security interest in all of the assets of the Company and Airborne, and (ii) an unlimited guaranty from the subsidiaries of the Company and Airborne. As of April \_\_, 2010, the approximate principal amount due under the agreement is \$1,000,000.

The divestiture of Airborne eliminates our charter segment, one of three previously reported segments (together with FBO and maintenance). The divestiture also had a significant impact on the maintenance segment by eliminating a substantial portion of maintenance services provided by the discontinued operations. There remains a relatively minor maintenance business performed in conjunction with our FBO operation in Pennsylvania. We believe that the previous reporting of our business in multiple segments was appropriate and provided a greater understanding of our disparate businesses at that time. Given this divestiture and the resulting commonality in our continuing business, we no longer believe that reporting multiple segments is necessary. Our discussion below describes the various components that make up and contribute to the performance of our FBO business.

The FBO segment of the industry is highly fragmented - populated by, according to the National Air Transportation Association (“NATA”), over 3,000 operators who serve customers at one or more of the over 3,000 airport facilities across the country that have at least one paved 3,000-foot runway. The vast majority of these companies are single location operators. NATA characterizes companies with operations at three or more airports as “chains.” An operation with FBOs in at least two distinctive regions of the country is considered a “national” chain while multiple locations within a single region are considered “regional” chains. The results of operations from FFH will be reported in our FBO segment as a heliport is essentially an FBO for helicopters.

We believe the general aviation market has been historically cyclical, with revenue correlated to general U.S. economic conditions. Although not truly seasonal in nature, historically the spring and summer months tend to generate higher levels of revenue and our operations follows that trend.

## **Suppliers and Raw Materials**

We obtain aviation fuel, component parts and other supplies from a variety of sources, generally from more than one supplier. Our suppliers and sources are based in the U.S. and other countries and we believe that our sources of materials are adequate for our needs for the foreseeable future. We do not believe the loss of any one supplier would have a material adverse effect on our business or results of operations. Our principal materials are aviation fuel and component parts. We generally purchase our materials on the open market, where certain commodities have fluctuated in price significantly in recent years. We have not experienced any significant shortage of our key materials.

## **Marketing and Sales**

The main goal of our marketing and sales efforts is to increase traffic at our facilities, which is intended to drive revenue through the incremental sale of products and services. Our primary marketing tactic in this regard is to focus advertising efforts in the environments (web, periodical, industry publications) where the pilot and aviation-user community might be introduced to our brand name. From a sales standpoint, personnel seek out local corporations which either have aircraft or use general aviation as part of their business model, with the intent to secure additional traffic and/or aircraft based at our facilities. We have also made enhancements to our website that reinforce these marketing and sales efforts. We intend to continue to invest in modest improvements to our sales and marketing strategies to drive revenue growth.

## **Government Approvals**

The aviation services that we provide are generally performed on municipal or other government owned real estate properties. Accordingly, at times we will need to obtain certain consents or approvals from those government entities in conjunction with our operations. These consents is typically in the form of a lease agreement, as is the case at our Pennsylvania and Kansas facility, or a concession agreement, as is the case with our New York facility. There can be no assurance that we shall obtain further consents on favorable terms.

## **Government Regulation**

We are subject to a variety of governmental laws and regulations that apply to companies in the general aviation industry. These include compliance with the Federal Aviation Administration ("FAA") rules and regulations and local, regional and national rules and regulations as they relate to environmental matters. We intend to comply with all government regulations. The adoption of new regulations could result in increased costs and have an adverse impact on our results of operations. In the event we are unable to remain compliant with applicable rules and regulations, our business may be adversely affected.

## **Competition**

The FBO segment of the aviation services industry, the vast majority of which are independent, single location operators, is competitive in both pricing and service due to the amount of flexibility for aircraft in transit to choose from a number of FBO options within a 200-300 mile radius. We are the sole FBO at each of our current facilities. As such, we face no direct on-airport competition but do realize competitive pressure on pricing and services from FBO facilities at other airports depending on inbound passenger's travel flexibility.

We plan to grow our business. We anticipate that our larger size will provide us with greater buying power from suppliers, and therefore provide us with lower costs. Lower costs would allow for a more aggressive pricing policy against some competition. More importantly, we believe that the higher level of customer service offered in our facilities will allow us to draw additional aircraft and thus compete successfully against other FBOs of any size.

There can be no assurance that we will compete successfully in the highly competitive aviation industry.

## **Costs and Effects of Complying With Environmental Laws**

We are subject to a variety of federal, state, and local environmental laws and regulations, including those governing health and safety requirements, the discharge of pollutants into the air or water, the management and disposal of hazardous substances and wastes and the responsibility to investigate and cleanup contaminated sites that are or were owned, leased, operated or used by us or our predecessors. Some of these laws and regulations require us to obtain permits, which contain terms and conditions that impose limitations on our ability to emit and discharge hazardous materials into the environment and periodically may be subject to modification, renewal and revocation by issuing authorities. Fines and penalties may be imposed for non-compliance with applicable environmental laws and regulations and the failure to have or to comply with the terms and conditions of required permits. We intend to comply with these laws and regulations, however, from time to time, our operations may not be in full compliance with the terms and conditions of our permits or licenses. We periodically review our procedures and policies for compliance with environmental laws and requirements. We believe that our operations generally are in material compliance with applicable environmental laws and requirements and that any non-compliance would not be expected to result in us incurring material liability or cost to achieve compliance. Historically, the costs of achieving and maintaining compliance with environmental laws and requirements have not been material. The cost of compliance with environmental laws is considered a normal cost of operations.

## **Employees**

As of December 31, 2009, we employed 60 persons, of whom 37 were employed on a full-time basis, one of whom was an executive officer of ours. Substantially all of our personnel are employed at our operations in Pennsylvania, New York and Kansas.

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

**The following risk factors relate to our operations:**

***We may not be able to generate sufficient funds to sustain our operations through the next twelve months. While we have been profitable from our operations the past two quarters there is no assurance that this level of performance will continue for the foreseeable future despite our expectations to the contrary.***

We generated revenue from continuing operations of approximately \$8,700,000 and net losses from continuing operations of approximately \$332,000 for the year ended December 31, 2009.

As discussed later in this report, in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we have taken several steps to reduce the level of expenditures for corporate and functional operations by severing ties with several employees and instituting a salary reduction program for management. These actions have enabled us to generate positive operating income for the past two quarters. Despite these steps, we may be unable to retain profitability on an ongoing basis despite our expectation that we will.

We may need additional capital to fund our operations, capital expenditures, existing commitments and scheduled payments on outstanding indebtedness for the next twelve month period. If we, in conjunction with Airborne, were unable to repay the amounts due under the Birch Hill Loan Agreement, Birch Hill could proceed against the security granted to them to secure that indebtedness. In addition, our assets may not be sufficient to repay in full the indebtedness under the Birch Hill Loan Agreement. If Birch Hill were to demand payment of our indebtedness under the Birch Hill Loan Agreement, we may be unable to pay all of our liabilities and obligations when due.

An additional risk in this regard is the eventuality that Airborne may become insolvent. While Airborne is current in their note payments to us and it is our expectation that Airborne will continue to make their payments, should Airborne become insolvent it would likely default on the Airborne Loan Agreement and we would become solely liable for principal payments under the Birch Hill Loan Agreement.

***We may have a need for additional financing to expand our business.***

Certain of the potential sellers with respect to the FBOs we may seek to acquire in the future may accept shares of our common stock or other securities as payment by us for the acquisition. However, we believe that it is likely that some may seek cash payments, whether paid at the closing or in post-closing installment payments. There can be no assurance that our operations will generate sufficient cash flow to meet these acquisition obligations. Accordingly, we anticipate the need to seek additional equity or debt financing to meet any cash requirements for acquisitions. Any such financing will be dependent on general market conditions and the stock market’s evaluation of our performance and potential. Accordingly, we can give no assurance that we will obtain such equity or debt financing and, even if we do, that the terms would be satisfactory to us.

***We could be adversely affected by increases in fuel prices.***

Our operations could be significantly affected by the availability and price of jet fuel. A significant increase in jet fuel prices would most likely have a material impact on our achieving profitability unless we are able to pass on such costs to our customers. Due to the competitive nature of the industry, our ability to pass on increased fuel prices by increasing our rates is uncertain. Likewise, any potential benefit of lower fuel prices may be offset by increased competition and lower revenue in general. While we do not currently anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. If there are new outbreaks of hostility or other conflicts in oil producing areas or elsewhere, there could be a reduction in the availability of jet fuel or significant increases in costs to our business, as well as to the entire aviation industry.

***The continued threat of terrorist actions may result in less demand for private aviation and, as a result, our revenue may be adversely affected and we may not be able to continue successful operations.***

Terrorist actions involving public and private aircraft may have a significant adverse impact on us. As a result of these actions, individuals and corporate customers may cease using private aircraft as a means of transportation or reduce their use of such aircraft. In this event, we would be unable to maintain sales and may be unable to continue our operations on a successful basis.

***The FBO segment of the aviation services industry in which we operate is fiercely competitive.***

We compete with national, regional, and local FBO operators. Many of our competitors have been in business longer than we have and may have greater financial resources available to them. Having greater financial resources will make it easier for these competitors to absorb higher fuel prices and other increases in expenses. In addition, these competitors might seek acquisitions in regions and markets competitive to us. Accordingly, we can give no assurance that we will be able to successfully compete in our industry.

***Our business as an aviation services company is subject to extensive governmental regulation.***

Aviation services companies are subject to extensive regulatory requirements that could result in significant costs. For example, the Federal Aviation Administration, from time to time, issues directives and other regulations relating to the management, maintenance and operation of aircraft and facilities. Compliance with those requirements may cause us to incur significant expenditures.

Additional laws, regulations and charges have been proposed, from time to time, that could significantly increase the cost of our operations or reduce overall revenue. We cannot provide assurance that laws or regulations enacted in the future will not adversely affect our revenue and future profitability.

***We must maintain and add key management and other personnel.***

Our future success will be heavily dependent on the performance of our executive officers and managers. We have entered into an employment agreement with our President and Chief Executive Officer, Ronald J. Ricciardi. Our growth and future success will depend, in large part, on the continued contributions of Mr. Ricciardi and other key individuals, as well as our ability to motivate and retain these personnel or hire other persons. Our recent cost-cutting measures, including salary and benefits reductions, could make it more difficult for us to retain key employees. Although we believe we will be able to hire and retain qualified personnel, we can give no assurance that we will be successful in obtaining, recruiting and retaining such personnel in sufficient numbers to increase revenue, attain profitability, or successfully implement our growth strategy.

***We are subject to environmental laws that could impose significant costs on us and the failure to comply with such laws could subject us to sanctions and material fines and expenses.***

We are subject to a variety of federal, state and local environmental laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances and wastes and the responsibility to investigate and clean-up contaminated sites that are or were owned, leased, operated or used by us or our predecessors. Some of these laws and regulations require us to obtain permits, which contain terms and conditions that impose limitations on our ability to emit and discharge hazardous materials into the environment and periodically may be subject to modification, renewal and revocation by issuing authorities. Fines and penalties may be imposed for non-compliance with applicable environmental laws and regulations and the failure to have or to comply with the terms and conditions of required permits. We intend to comply with these laws and regulations, however, from time to time, our operations may not be in full compliance with the terms and conditions of our permits. We periodically review our procedures and policies for compliance with environmental laws and requirements. We believe that our operations generally are in material compliance with applicable environmental laws, requirements and permits and that any lapses in compliance would not be expected to result in us incurring material liability or cost to achieve compliance. Historically, the costs of achieving and maintaining compliance with environmental laws, and requirements and permits have not been material; however, the operation our business entails risks in these areas, and a failure by us to comply with applicable environmental laws, regulations, or permits could result in civil or criminal fines, penalties, enforcement actions, third party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup, or regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures. Moreover, if applicable environmental laws and regulations, or the interpretation or enforcement thereof, become more stringent in the future, we could incur capital or operating costs beyond those currently anticipated.

***Volatility and disruption in global financial markets could significantly impact our customers, weaken the markets we serve and harm our operations and financial performance.***

Our financial performance depends, in large part, on conditions in the markets that we serve and on the U.S. and global economies in general. U.S. and global financial markets have experienced extreme disruption recently, including, among other things, concerns regarding the global recession, high historical levels of unemployment, the decline in the housing market, a severe tightening in the credit markets, a low level of liquidity in many financial markets, and extreme volatility in credit and equity markets. Given the significance and widespread nature of these nearly unprecedented circumstances, the U.S. and global economies could remain in a recessionary state for an indeterminate period of time. There can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies. In addition, the current tightening of credit in financial markets may adversely affect our customers' spending habits and could result in a decrease in or cancellation of orders for our services as well as impact the ability of our customers to make payments. Similarly, this tightening of credit may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. These conditions would harm our business by adversely affecting our sales, results of operations, profitability, cash flows, financial condition and long-term anticipated growth rate.

**The following risk factors relate to our common stock:**

***We do not currently have an active market for our common stock.***

To date, trading of our common stock has been sporadic and limited. In addition, there are only a limited number of broker-dealers trading our common stock. As a result the number of shares of our common stock being offered in the market may not increase. Working with our investment banking and investor relations firms we are trying to increase this number. However, we can give no assurance that we will achieve this objective. Accordingly, we can give no assurance that an active trading market will ever develop.

***Our common stock is subject to the penny stock rules.***

The Securities and Exchange Commission (the "Commission") has adopted a set of rules called the penny stock rules that regulate broker-dealers with respect to trading in securities with a bid price of less than \$5.00. These rules do not apply to securities registered on certain national securities exchanges (including the Nasdaq Stock Market) or authorized for quotation on an automated quotation system sponsored by a registered pre-1990 securities association, provided that current price and volume information regarding transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer to deliver to the customer a standardized risk disclosure document prepared by the Commission that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with other information. The "penny stock" rules require that, prior to a transaction in a penny stock, the broker-dealer must determine in writing that the penny stock is a suitable investment for the purchaser. The broker-dealer must also receive the purchaser's written agreement to the transaction. These disclosure requirements may reduce the level of trading activity in the secondary market for a stock that is subject to the penny stock rules. If a market ever does develop for our common stock, as to which we can give no assurance, and it should remain subject to the penny stock rules, holders of our common stock may find it more difficult to sell their shares of our common stock.

***Potential additional financings, the granting of additional stock options and possibly anti-dilution provisions in our warrants could further dilute our existing stockholders.***

As of April \_\_, 2009, there were 33,164,453 shares outstanding. If all of our outstanding common stock purchase warrants and options were exercised, there would be 42,668,040 shares outstanding, an increase of almost 29%. Any further issuances due to additional equity financings or the granting of additional options or possibly the anti-dilution provisions in our warrants will further dilute our existing stockholders.

***We do not anticipate paying dividends on our common stock in the foreseeable future.***

We intend to retain future earnings, if any, to fund our operations and to expand our business. Accordingly, we do not anticipate paying cash dividends on shares of our common stock in the foreseeable future.

***Our Board of Directors' right to authorize additional shares of preferred stock could adversely impact the rights of holders of our common stock.***

Our board of directors currently has the right, with respect to the 9,999,154 authorized shares of our preferred stock, to authorize the issuance of one or more series of our preferred stock with such voting, dividend and other rights as our directors determine. Such action can be taken by our board without the approval of the holders of our common stock. However, a majority of the independent directors must approve such issuance under a policy adopted by the Saker board of directors on March 19, 2006. Accordingly, the holders of any new series of preferred stock could be granted voting rights that reduce the voting power of the holders of our common stock. For example, the preferred holders could be granted the right to vote on a merger as a separate class even if the merger would not have an adverse effect on their rights. This right, if granted, would give such preferred holders a veto with respect to any merger proposal. Or such preferred holders could be granted 20 votes per share while voting as a single class with the holders of our common stock, thereby diluting the voting power of the holders of our common stock. In addition, the holders of any new series of preferred stock could be given the option to be redeemed in cash in the event of a merger. This would make an acquisition of our Company less attractive to a potential acquirer. Thus, our board could authorize the issuance of shares of the new series of preferred stock in order to defeat a proposal for the acquisition of our company which a majority of the holders of our common stock otherwise favor.

***Our common stock may not continue to be traded on the OTC Bulletin Board.***

We cannot provide any assurance that our common stock will continue to be eligible to trade on the OTC Bulletin Board. Should our common stock cease to trade on the OTC Bulletin Board and fail to qualify for listing on a stock exchange (including Nasdaq), our common stock would be trading only in the "pink sheets." Such trading market generally provides an even less liquid

market than the OTC Bulletin Board. In such event, stockholders may find it more difficult to trade their shares of our common stock or to obtain accurate, current information concerning market prices for our common stock.

***Our management team currently has influential voting power.***

As of April \_\_, 2009, the executive officers and directors of ours and their family members and associates collectively could vote 7,465,419 shares, or 22.5%, of the 33,164,453 shares of the outstanding voting shares. Accordingly, and, because there is no cumulative voting for directors, our executive officers and directors are currently in a position to influence the election of all of the directors of Saker. The management of our company is controlled by our board of directors, currently comprised of three independent directors, a director who is a managing partner of a law firm which provides legal services to us, and one executive officer/director.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not Applicable.

**ITEM 2. PROPERTIES**

As of April \_\_, 2009, we lease office space at the following locations:

Location	Purpose	Space	Annual Rental	Expiration
101 Hangar Road Avoca, Pennsylvania	Pennsylvania FBO location	24,000 square feet	\$ 75,000	August 21, 2013
2117 S. Air Service Road Garden City, Kansas	Kansas FBO location	17,640 square feet	\$ 12,420	December 31, 2030

As discussed in Note 2 to the consolidated financial statements, space occupied by the discontinued operations was under a lease with a related party. The obligation under this lease was assumed by Airborne in connection with the divestiture.

We believe that our space is adequate and suitable for our immediate needs. Additional hangar space may be required in the future. No such definitive plans have been developed at the time of this report.

**ITEM 3. LEGAL PROCEEDINGS**

On November 20, 2008, an Article 78 proceeding in the Supreme Court of the State of New York County of New York was initiated against New York City Economic Development Corporation; the City of New York Department of Small Business Services; Robert Walsh, in his capacity as Commissioner of the Department of Small Business Services; William C. Thompson, Jr., Comptroller of the City of New York, Office of the New York City Comptroller; The Honorable Mayor Bloomberg in his capacity as Mayor of the City of New York, by Petitioners Linden Airport Management Corporation and Paul P. Dudley, individually, objecting to the award of a concession for the Fixed-Base Operator for the Downtown Manhattan Heliport to us. Shortly thereafter, we were joined as a necessary party to the Article 78 proceeding. The Petitioners alleged that the selection process for awarding Saker the concession, was arbitrary, capricious and an abuse of permitted discretion and made in violation of lawful procedure. In relation to this allegation, Petitioners sought an annulment of the previous award of the concession and a new "Request for Proposals" process in order to award the concession to an entity other than us. Petitioners also alleged a breach of public trust against the City of New York and damages of at least \$1,000,000. On April 21, 2009, this proceeding was dismissed by the Supreme Court of the State of New York County of New York. On October 9, 2009, Petitioners filed a Notice of Appeal in the New York Supreme Court, Appellate Division, First Department, currently calendared to be heard for the January 2010 Term, seeking to overturn the lower court's dismissal of the Article 78 proceeding. On January 6, 2010, we filed our brief in connection with the appeal. On March 16, 2010, the Appellate Division unanimously dismissed the Petitioners appeal.

On April 7, 2009, Terrance P. Kelley ("Kelley") and Gold Jets, LLC commenced an action against us, New World Jet Corporation, New World Jet Acquisition Corporation, and Doe Corporation, being a fictitious name of a known entity, in the Supreme Court of the State of New York, County of Monroe. The plaintiffs alleged, among other things, breaches of the Stock Purchase Agreement and the Consulting Agreement, which were entered into in connection with the purchase of New World Jet Corporation by New World Jet Acquisition Corporation, our wholly-owned subsidiary, and Saker. The plaintiffs sought declaratory relief and damages in an amount not less than \$200,000. On June 8, 2009, we served our answer denying liability and asserting defenses and counterclaims, including claims that plaintiffs breached their contractual obligations to us. On July 6, 2009, Kelley amended his complaint to add certain individuals as defendants. On August 7, 2009, we filed an answer to the amended complaint reasserting its

defenses and counterclaims. On December 28, 2009, the parties settled the lawsuit and issued mutual releases to that end. The terms of the settlement were not material to us.

In addition to the matters noted above, from time to time, we may be a party to one or more claims or disputes which may result in litigation. Our management does not, however, presently expect that any such matters will have a material adverse effect on our business, financial condition or results of operations.

**ITEM 4.           RESERVED**

## PART II

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

#### Market for Common Equity

Our common stock is traded on the OTC Bulletin Board ("OTCBB") under the symbol SKAS. The OTCBB is a regulated quotation service that displays real-time quotes, last-sale prices and volume information in over-the-counter ("OTC") equity securities. Our common stock is only traded on a limited or sporadic basis and should not be deemed to constitute an established public trading market.

The following table sets forth the high and low closing sale prices for the common stock as reported on the OTCBB for the past two most recent fiscal years.

Quarterly Period Ended	Common Stock	
	High	Low
March 31, 2008	\$ 0.480	\$ 0.320
June 30, 2008	\$ 0.500	\$ 0.330
September 30, 2008	\$ 0.420	\$ 0.200
December 31, 2008	\$ 0.280	\$ 0.060
March 31, 2009	\$ 0.120	\$ 0.035
June 30, 2009	\$ 0.055	\$ 0.035
September 30, 2009	\$ 0.035	\$ 0.010
December 31, 2009	\$ 0.120	\$ 0.015

#### Holders

As of April \_\_, 2009, there were approximately 620 holders of record of our common stock. This number does not include beneficial owners of the common stock whose shares are held in the names of various broker-dealers, clearing agencies, banks, and other fiduciaries.

#### Dividends

Since our inception we have never declared or paid any cash dividends on our common stock. We intend to retain future earnings to finance the growth and development of our business and future operations. Therefore, we do not anticipate paying any cash dividends on shares of our common stock in the foreseeable future.

#### Repurchases

We did not repurchase shares of our common stock during the years ended December 31, 2009 and 2008.

#### Recent Sales of Unregistered Securities

Information with respect to all equity securities sold by us during the fiscal year ended December 31, 2009 which were not registered under the Securities Act of 1933, as amended (the "Securities Act"), was previously reported on our Form 8-K filed on January 26, 2010 and is incorporated by reference herein.

**ITEM 6. SELECTED FINANCIAL DATA**

Not applicable.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

**Forward-looking Statements**

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods. These statements may include projections of revenue, provisions for doubtful accounts, income or loss, capital expenditures, repayment of debt, other financial items, statements regarding our plans and objectives for future operations, acquisitions, divestitures and other transactions, statements of future economic performance, statements of the assumptions underlying or relating to any of the foregoing statements, and statements that are other than statements of historical fact.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include our services and pricing, general economic conditions, our ability to raise additional capital, our ability to obtain the various approvals and permits for the acquisition and operation of FBOs and the other risk factors contained under Item 1A of this report.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

**Overview**

Our long-term strategy is to increase our sales through growth within our FBO operations. To do so, we may expand our geographic reach and product offering through strategic acquisitions and improved market penetration within the markets we serve. We expect that any future acquisitions or product offerings would be a direct complement to our current FBO operations.

If we are able to grow our business as planned, we anticipate that our larger size will provide us with greater buying power from suppliers, and therefore provide us with lower costs. Lower costs would allow for a more aggressive pricing policy against some competition. More importantly, we believe that the higher level of customer service offered in our facilities will allow us to draw additional aircraft and thus compete successfully against other FBOs of any size.

**Discontinued Operations**

As discussed in Item 1 of this report above and Note 2 of our consolidated financial statements, we completed the sale of our Airborne subsidiary on March 2, 2009 under a plan commenced in 2008. We believe the discontinuation of the charter segment will allow us to focus our efforts on our FBO operations. Pursuant to the Share Exchange Agreement between us and John and Daphne Dow, and the Loan Agreement between us and Airborne, we will benefit from any principal payments that may be made by Airborne and continuing payments after the retirement of principal that may be made by Airborne. In addition, we will participate in any future sale of Airborne. While it was a subsidiary of ours, Airborne generated revenue of approximately \$3,900,000 and \$38,300,000 for the years ended December 31, 2009 and 2008, respectively. While it was a subsidiary of ours, Airborne recognized operating losses of approximately \$525,000 and \$3,880,000, including a write-off of goodwill and intangibles of approximately \$2,635,000, for the years ended December 31, 2009 and 2008, respectively.

The performance of the charter segment had declined significantly in the quarters leading up to the divestiture from a revenue and profitability standpoint and it was unclear if an improvement in performance could be implemented in any foreseeable timeframe.

The current and anticipated decline in charter segment performance created considerable cash flow pressure. We believed that Airborne would require ongoing cash infusions in the near term in order to maintain operations and, in the absence of additional cash, would imperil our company. We also believed that such an infusion could be less if Airborne were operated independently than were it to remain part of Saker. Additionally, we believed that significant savings in corporate overhead could be implemented in the event that Airborne was divested.

Equally important in our decision to divest Airborne was a relative confidence in our ongoing FBO operations, which have resulted in higher gross margins than our charter operations. The FBO business was our original focus and the performance of that business had proven stable. Taken in conjunction with the introduction of our heliport operations in November 2008, we believed that the makings of a solid platform for growth were present. In the final analysis, we believed that the continuing operations of our company would provide us the best possible route to resumed profitability and growth.

Under the Birch Hill Loan Agreement, Birch Hill retains a first lien against all of Airborne's and Saker's assets. Further, Airborne and Saker are joint and several guarantors of borrowings against the credit facility. In the event of a sale of Airborne, Birch Hill shall receive the first distribution of any related proceeds in the full amount of any outstanding amount under the credit facility.

### Summary Financial Information

The summary financial data set forth below is derived from and should be read in conjunction with the consolidated financial statements, including the notes thereto, filed as part of this report.

<b>Consolidated Statement of Operations Data:</b>	<b>Year Ended December 31, 2009</b>	<b>Year Ended December 31, 2008</b>
<i>(in thousands, except for share and per share data)</i>		
Revenue – continuing operations	\$ 8,700	\$ 8,597
Net income (loss) – continuing operations	\$ (332)	\$ (1,024)
Net income (loss) – discontinued operations	\$ (78)	\$ (3,881)
Net income (loss) per share – basic and diluted – continued operations	\$ (0.01)	\$ (0.03)
Net income (loss) per share – basic and diluted – discontinued operations	\$ (0.00)	\$ (0.11)
Net income (loss) per share – basic and diluted	\$ (0.01)	\$ (0.14)
Weighted average number of shares – basic and diluted	34,314,400	36,582,987
<b>Balance Sheet Data: (in thousands)</b>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Working capital (deficit)	\$ (463)	\$ (756)
Total assets – continuing operations	\$ 6,547	\$ 4,962
Total assets – held for sale	\$ —	\$ 5,363
Total assets	\$ 6,547	\$ 10,325
Total liabilities – continuing operations	\$ 3,461	\$ 1,970
Total liabilities – associated with assets held for sale	\$ —	\$ 5,101
Stockholders' equity	\$ 3,086	\$ 2,504
Total liabilities and Stockholders' equity	\$ 6,547	\$ 10,325

### Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Results of Operations gives effect only to our continuing operations.

*Comparison of the Years Ended December 31, 2009 and December 31, 2008.*

#### REVENUE

Revenue increased by 1.3 percent to approximately \$8,700,000 for the year ended December 31, 2009 as compared with corresponding prior-year period revenue of approximately \$8,600,000.

For the year ended December 31, 2009, revenue associated with the sale of jet fuel, aviation gasoline and related items decreased by 37.0 percent to approximately \$4,200,000 as compared to the same period in the prior year. Revenue of approximately \$3,700,000 associated with the operation of the Downtown Manhattan Heliport (“Heliport”) increased by 577.2% as compared to approximately \$550,000 in the prior year period – the Heliport having initiated operations on November 1, 2008. Revenue associated with maintenance activities decreased by 43.4 percent to approximately \$720,000 as compared to the same period in the prior year. Revenue associated with the leasing of aircraft and office space along with the management of non-owned FBO facilities decreased by 13.8 percent to approximately \$96,000 in the year ended December 31, 2009 as compared to the same period in the prior year.

The decreases in revenue associated with the sale of jet fuel, aviation gasoline and related items was related to a combination of lower volume along with lower average fuel prices as compared with the prior year. We generally price our fuel products on a fixed dollar margin basis. As the cost of fuel decreases, the corresponding customer price decreases as well. If volume is constant, this methodology yields lower revenue but at comparable gross margins.

The decreases in maintenance revenue were due to decreases in both charges for labor services and for parts. The primary reason for the decreases in both categories was a generally lower level of activity associated with jet aircraft domiciled at the Pennsylvania facility.

The decreases in revenue associated with the leasing of aircraft and office space along with the management on non-owned FBO facilities was directly related to a planned reduction in fees associated with the management of non-owned FBO facilities.

### *GROSS PROFIT*

Total gross profit increased 69.2 percent to approximately \$3,800,000 in the year ended December 31, 2009 as compared with the year ended December 31, 2008. Gross profit as a percent of revenue increased to 44.0 percent in the year ended December 31, 2009 as compared to 26.3 percent in the same period in the prior year. The impact of the Heliport operation was a major factor in the increase in gross profit, contributing approximately \$2,500,000 in 2009 as compared to approximately \$345,000 in 2008. In the absence of the Heliport, gross profit in the year ended December 31, 2009 would have been 26.8 as a percent of revenue as compared to 23.8 in the same period in prior year. The increase in gross profit on this adjusted percent of revenue basis is attributable to generally lower average fuel cost as described above.

### *OPERATING EXPENSE*

#### Selling, General and Administrative – Operations

Selling, general and administrative (“SG&A”) expenses associated with our operations were approximately \$3,420,000 in the year ended December 31, 2009, an increase of approximately \$1,600,000 or 88.4 percent as compared to the year ended December 31, 2008. Without the introduction of the Heliport, SG&A associated with our operations would have decreased by approximately \$198,000 or 13.5 percent.

SG&A associated with our operations, as a percentage of revenue, was 39.3 percent for the year ended December 31, 2009 as compared with 21.1 percent in the corresponding prior year period. Once again, the introduction of the Heliport was a major factor. In the absence of the Heliport, SG&A associated with our operations, as a percent of revenue, would have been 25.4 percent of revenue; a more meaningful comparison to the 21.1 percent in the year ended December 31, 2008.

#### Selling, General and Administrative – Corporate

Corporate expense was approximately \$790,000 in the year ended December 31, 2009, representing a decrease of approximately \$650,000 as compared to the year ended December 31, 2008. The decrease in the year ended December 31, 2009 were largely driven by a combination of lower head-count in connection with the elimination of costs associated with our former President & Chief Executive Officer as a result of the divestiture of Airborne, the departure of our Senior VP & Chief Financial Officer at December 31, 2008, stock-based compensation expenses of approximately \$185,000 less in the year ended December 31, 2009 than they were in the same period in the prior year, and by the costs associated with our investor relations efforts, which represented approximately \$110,000 for the year ended December 31, 2008 as compared to zero expenses in the corresponding current year period.

### *OPERATING LOSS*

Operating loss for the year ended December 31, 2009 was approximately \$390,000, a decrease of approximately \$610,000 or 61.0 percent as compared to the year ended December 31, 2008. Improvements on a year-over-year basis were driven by a combination of lower levels of corporate and operating expenses and increased gross margin, all of which are described above.

#### Interest Income/Expense

Interest income for the year ended December 31, 2009 was \$14,292, as compared to \$7,200 in year ended December 31, 2008. Interest expense for the year ended December 31, 2009 was \$135,510, as compared to \$20,075 in the same period in 2008 with the increase largely attributable to interest payments on the EuroAmerican Note.

#### Net Loss Per Share

Net loss for continuing operations for the year ended December 31, 2009 was approximately \$332,000 as compared to approximately \$1,000,000 for the year ended December 31, 2008.

Basic and diluted net loss per share for the year ended December 31, 2009 was \$0.01. Basic and diluted net loss per share for the year ended December 31, 2008 was \$0.03 and \$0.11 for continuing and discontinued operations, respectively, for a total net loss of \$0.14 per share.

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

The following discussion gives effect only to continuing operations.

As of December 31, 2009, we had cash and cash equivalents of \$574,847 and had a working capital deficit of \$472,515. From continuing operations, we generated revenue of approximately \$8,700,000 and net loss of approximately \$332,000 for the year ended December 31, 2009.

We initiated operations at the Heliport on November 1, 2008 pursuant to an agreement with the City of New York through the New York City Economic Development Corporation (the "Agreement"). Under the Agreement, we are responsible for minimum annual guaranteed payments of \$1,200,000 in the first year of our operation of the Heliport. We also agreed to make certain capital improvements and safety code compliance upgrades to the Heliport in the amount of \$1,000,000 over the first two years following the receipt of building permits for the capital improvements and another \$1,000,000 by the end of the fifth year of the Agreement. We believe that earnings from the operation of the Heliport will be sufficient to satisfy the minimum annual guarantee and we have secured a verbal commitment to fund the capital improvements as required. During the year ended December 31, 2008, we received aggregate cash of approximately \$725,000 in exchange for a one percent membership interest in FFH.

As discussed in Item 1 and Note 2 of this report, on December 29, 2009 Five Star assigned all of its interests in a revolving line of credit agreement (the "Credit Facility") to Birch Hill. The Credit Facility provides us with a \$1,000,000 revolving line of credit, which we have completely drawn down and is payable on demand. Amounts outstanding under the Credit Facility will bear interest at a rate equal to the prime rate published in the Wall Street Journal from time to time plus 350 basis points. The Credit Facility is secured by all of our assets as well as the assets of Airborne, which is also a co-borrower of the Credit Facility. As of April \_\_, 2009, no additional amounts are available for borrowing under the Credit Facility.

On April 10, 2009, we entered into an Amendment to Secured Promissory Note with two individual note holders (collectively, the "Holders") under which the Holders agreed to reduce the collective remaining principal of their Notes to \$180,000 from \$200,000. The Holders further agreed that the principal, which would otherwise have been paid in equal payments of \$100,000 on April 1, 2009 and April 1, 2010 with zero interest, will now be paid over a twenty-four month period with each payment including principal and interest at the rate of 5% per year.

On March 2, 2009, in conjunction with the divestiture of Airborne, EuroAmerican Investment Corp. ("EuroAmerican") loaned us \$750,000, the proceeds of which were used to fund our loan commitment obligations to Airborne. The EuroAmerican loan is evidenced by a Promissory Note delivered by us to EuroAmerican with a maturity date of February 27, 2011. The unpaid principal amount under the Promissory Note accrues interest at the annual rate of 12% and is payable in monthly interest only payments until maturity, at which time the entire principal balance and any accrued but unpaid interest is payable in full. Two members of our board of directors, William B. Wachtel and Alvin S. Trenk, issued personal guarantees in connection with the EuroAmerican loan. Mr. Wachtel is a principal of EuroAmerican.

During the year ended December 31, 2009, we had a net decrease in cash and cash equivalents of \$897,688. Our sources and uses of funds from continuing and discontinued operations during this period were as follows:

## **Cash from Operating Activities**

For the year ended December 31, 2009, net cash used in operating activities was \$588,237. This amount included a decrease in operating cash related to a net loss of \$411,042 and additions for the following items: (i) depreciation and amortization, \$147,506; (ii) stock-based compensation expense, \$268,435; (iii) accrued expenses, \$482,051; and (iv) customer deposits, \$54,244. The increase in cash used in operating activities in 2009 was offset by the following decreases: (i) accounts payable, \$487,772; (ii) deposits, \$110,881; (iii) prepaid expenses, \$67,610; (iv) inventories, \$47,381; (v) accounts receivable, \$28,322; and (vi) gain on sale of property and equipment, \$18,229. For the year ended December 31, 2008, net cash used in operating activities was \$2,121,727. This amount included a decrease in operating cash related to net loss of \$4,905,415 and additions for the following items: (i) depreciation and amortization, \$345,131; (ii) impairment of goodwill and intangible assets, \$2,634,663; (iii) issuance of restricted stock under a consulting agreement, \$222,000; (iv) warrant issued in connection with the acquisition of New World Jet Corporation, \$137,390; and (v) stock-based compensation expense, \$414,555. The increase in cash used in operating activities in 2008 was offset by a decrease of approximately \$992,000 in operating assets and liabilities for the following items: (i) customer deposits decreased cash approximately \$433,000 related to advance payments made in 2007 for charter flights that occurred in 2008; (ii) cash payments for prepaid expenses increased by approximately \$137,000; and (iii) changes in accounts payable, accounts receivable, inventories and accrued expenses all resulted in a net decrease in cash of approximately \$414,000.

## **Cash from Investing Activities**

For the year ended December 31, 2009, net cash used in investing activities was \$1,377,405 and was attributable to the purchase of property and equipment (\$472,347), issuance of notes receivable (\$711,032), offset by proceeds from notes receivable (\$42,000), net cash of discontinued operations (\$229,188), and proceeds from the sale of property and equipment (\$35,162). For the year ended December 31, 2008, net cash used in investing activities was \$438,673 and was attributable to the purchase of property and equipment of \$221,976 offset by sale proceeds of \$8,000 and approximately \$225,000 of cash payments in connection with the acquisition of New World Jet Corporation.

## **Cash from Financing Activities**

For the year ended December 31, 2009, net cash provided by financing activities was \$1,067,954, consisting of proceeds from notes payable (\$961,904), plus proceeds from the sale of minority interest in subsidiary (\$212,961), offset by repayment of notes payable (\$106,911). For the year ended December 31, 2008, net cash provided by financing activities was \$1,632,783, consisting of the proceeds from a line of credit of \$1,000,000 and capital contribution to the Heliport of \$749,847, offset by repayment of notes payable of \$117,064.

## **Off-Balance Sheet Arrangements**

We have not entered into any transactions with unconsolidated entities in which we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities or any other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market risk or credit risk support.

## **Critical Accounting Estimates**

Discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the amounts reported in the consolidated financial statements and the accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to product returns, product and content development expenses, bad debts, inventories, intangible assets, income taxes, contingencies and litigation. We base our estimates on experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The critical accounting policies which we believe affect our more significant judgments and estimates used in the preparation of our consolidated financial statements are provided as follows:

### Accounts Receivable

We extend credit to large and mid-size companies for flight related services. We have concentrations of credit risk in our continuing operations in that 59.5% of the balance of accounts receivable at December 31, 2009 is made up of only three customers.

At December 31, 2009, accounts receivable in our continuing operations from our three largest accounts amounted to approximately \$231,400 (28.6%), \$131,900 (16.3%), and \$118,800 (14.7%), respectively. We have in place a security deposit in connection with each of these three receivables. Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability and the allowance for doubtful accounts is adjusted accordingly. We determine collectability based on our management experience and knowledge of the customers.

#### Goodwill and Intangible Assets

We account for Goodwill and Intangible Assets in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations” (“SFAS 141”) and SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). Under SFAS No. 142, goodwill and intangibles that are deemed to have indefinite lives are no longer amortized but, instead, are to be reviewed at least annually for impairment. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit. We have recorded goodwill in connection with our acquisitions amounting to \$2,368,284 related to continuing operations. We have determined that there is no impairment of goodwill for continuing operations at December 31, 2009 and 2008. Intangible assets continue to be amortized over their estimated useful lives. We performed an analysis of its goodwill and intangible assets with SFAS No. 142 as of December 31, 2008, and determined that an impairment charge of \$2,634,663 was necessary and has recorded this charge to discontinued operations.

In accordance with the requirements of SFAS 141, the Company recognized certain intangible assets acquired, primarily goodwill, trade names, non-compete agreements and customer relationships. In accordance with the provisions of SFAS 142, on a regular basis, the Company performs impairment analysis of the carrying value of goodwill and certain other intangible assets.

#### Income Taxes

We account for income taxes under SFAS No. 109, “Accounting for Income Taxes” (“SFAS 109”). Under SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between their financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Our ability to utilize our net operating loss (“NOL”) carryforwards may be subject to an annual limitation in future periods pursuant to Section 382 of the Internal Revenue Code of 1986, as amended.

Although we have federal and state net operating losses available for income tax purposes that may be carried forward to offset future taxable income, the deferred tax assets are subject to a 100% valuation allowance because it is more likely than not that the deferred tax assets will not be realized in future periods. Our ability to use our net operating loss carryforwards may be subject to an annual limitation in future periods pursuant to Section 382 of the Internal Revenue Code (the “Code”).

Effective January 1, 2007, we adopted Financial Accounting Standards Board (“FASB”) Interpretation Number 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109,” (“FIN No. 48”), which prescribes a single, comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on its tax returns. Upon adoption of FIN No. 48, we recognized no changes in the liability for unrecognized tax benefits.

We record interest and penalties related to unrecognized tax benefits in income tax expense.

We file income tax returns in the United States (federal) and in various state and local jurisdictions. In most instances, we are no longer subject to federal, state and local income tax examinations by tax authorities for years prior to 2004.

#### Stock Based Compensation

We account for stock-based compensation in accordance with the fair value recognition provisions of ASC 718 (prior authoritative literature: FAS 123R, “Share-Based Payment”). Stock-based compensation expense for all share-based payment awards are based on the grant-date fair value estimated in accordance with the provisions of ASC 718. We recognize these compensation costs over the requisite service period of the award, which is generally the option vesting term.

Option valuation models require the input of highly subjective assumptions, including the expected life of the option. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The fair value of each share-based payment awards granted during the period was estimated using the Black-Scholes option pricing model with certain assumptions in estimating fair value.

We account for the expected life of share options in accordance with the “simplified” method provisions of Securities and Exchange Commission Staff Accounting Bulletin (“SAB”) No. 110 (December 2007), which enables the use of the simplified method for “plain vanilla” share options, as defined in SAB No. 107.

### **Recent Accounting Pronouncements**

On September 30, 2009, we adopted changes issued by the Financial Accounting Standards Board (FASB) to the authoritative hierarchy of GAAP. These changes establish the FASB Accounting Standards Codification (“Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right as they will only serve to update the Codification. These changes and the Codification itself do not change GAAP. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on our Financial Statements.

In June 2009 the FASB issued SFAS 167, “Amendments to FASB Interpretation No. 46(R)” (SFAS 167). SFAS 167 eliminates Interpretation 46(R)’s exceptions to consolidating qualifying special-purpose entities, contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also contains a new requirement that any term, transaction, or arrangement that does not have a substantive effect on an entity’s status as a variable interest entity, a company’s power over a variable interest entity, or a company’s obligation to absorb losses or its right to receive benefits of an entity must be disregarded in applying Interpretation 46(R)’s provisions. The elimination of the qualifying special-purpose entity concept and its consolidation exceptions means more entities will be subject to consolidation assessments and reassessments. SFAS 167 will be effective January 1, 2010. We are in the process of evaluating the impact of this pronouncement on its consolidated financial position and results of operations. This standard has not yet been integrated into the ASC.

In June 2009 the FASB issued SFAS 166, “Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140” (SFAS 166). SFAS 166 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor’s interest in transferred financial assets. SFAS 166 will be effective January 1, 2010. We are in the process of evaluating the impact of this pronouncement on our consolidated financial position and results of operations. This standard has not yet been integrated into the ASC.

In May 2009, the FASB issued ASC 855 (prior authoritative literature: SFAS No. 165, “Subsequent Events”). This Statement sets forth: 1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; 2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and 3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This Statement is effective for interim and annual periods ending after June 15, 2009. We adopted this Statement in the quarter ended September 30, 2009. Subsequent events were evaluated through April \_\_, 2010, the date on which the financial statements were issued. This Statement did not impact our consolidated financial position or results of operations.

In April 2009, the FASB issued ASC 820 (prior authoritative literature: “Staff Position (“FSP”) No. 107-1 and APB 28-1, “*Interim Disclosures about Fair Value of Financial Instruments*”). This standard requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies that were previously only required in annual financial statements. This standard is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of this provision did not have a material impact on our financial position or results of operations.

In June 2008, the FASB issued updates to ASC 815-40 (prior authoritative literature: EITF Issue No. 07-5, “Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity’s Own Stock” (“ASC 815-40”). This Issue addresses the determination of whether an instrument (or an embedded feature) is indexed to an entity’s own stock, which is the first part of the scope exception in paragraph 11(a) of ASC 815. ASC 815-40 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early application was not permitted. The adoption of ASC 815-40 did not have a material impact on our results of operations or financial condition.

In December 2007, the FASB issued ASC 805 (prior authoritative literature: SFAS No. 141R, "Business Combinations"). ASC 805 establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including noncontrolling interests, contingent consideration, and certain acquired contingencies. ASC 805 also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. ASC 805 will be applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. ASC 805 would have an impact on accounting for any businesses acquired after the effective date of this pronouncement.

In December 2007, the FASB issued ASC 810 (prior authoritative literature: SFAS No. 160, "Non-Controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51). ASC 810 established accounting and reporting standards for the non-controlling interest in a subsidiary (previously referred to as minority interests). ASC 810 also requires that a retained non-controlling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. Upon adoption of ASC 810, the Company was required to report any non-controlling interests as a separate component of consolidated stockholders' equity. The Company was also required to present any net income allocable to non-controlling interests and net income attributable to the stockholders of the Company separately in its consolidated statements of operations. ASC 810 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after January 1, 2009. ASC 810 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of ASC 810 are applied prospectively. The Company adopted ASC 810 and reclassified the non-controlling interest in FFH as a separate component of consolidated stockholders' equity. The adoption of ASC 810 did not have a material impact on our results of operation or financial condition.

In September 2006, the FASB issued ASC 820, which established a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurements, and requires new disclosures of assets and liabilities measured at fair value based on their level in the hierarchy. This statement applies under other accounting pronouncements that require or permit fair value measurements. In February 2008, the FASB issued Staff Positions ("FSPs") No. 157-1 and No. 157-2, which, respectively, removed leasing transactions from the scope of ASC 820 and deferred its effective date for one year relative to certain nonfinancial assets and liabilities. As a result, the application of the definition of fair value and related disclosures of ASC 820 (as impacted by these two FSPs) was effective for the Company beginning January 1, 2008 on a prospective basis with respect to fair value measurements of (a) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the Company's financial statements on a recurring basis (at least annually) and (b) all financial assets and liabilities. Areas impacted by the deferral relate to nonfinancial assets and liabilities that are measured at fair value, but are recognized or disclosed at fair value on a nonrecurring basis. This deferral applies to such items as nonfinancial assets and liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods) or nonfinancial long-lived asset groups measured at fair value for an impairment assessment. The effects of these remaining aspects of ASC 820 were applied to fair value measurements prospectively beginning January 1, 2009. The adoption of these pronouncements did not have a material impact on our consolidated results of operations or financial condition.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 8. FINANCIAL STATEMENTS**

Our consolidated financial statements and the related notes to the consolidated financial statements called for by this item appear under the caption “Table of Contents to Consolidated Financial Statements” beginning on page 18 attached hereto of this Annual Report on Form 10-K.

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
**Table of Contents to Consolidated Financial Statements**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Audit Committee of the Board of Directors and Stockholders of  
Saker Aviation Services, Inc.

We have audited the accompanying consolidated balance sheet of Saker Aviation Services, Inc. and Subsidiaries (the "Company") as of December 31, 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Saker Aviation Services, Inc. and Subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5, the Company changed its accounting for a non-controlling interest.

/s/ Kronick Kalada Berdy & Co.

Kingston, PA  
April \_\_, 2009

SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2009	December 31, 2008
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 574,847	\$ 322,098
Accounts receivable	809,870	605,356
Inventories	277,941	229,699
Note receivable – current portion, less discount	110,289	—
Prepaid expenses and other current assets	166,156	156,898
Assets held for sale	—	4,861,941
Total current assets	1,939,103	6,175,992
<u>PROPERTY AND EQUIPMENT, net</u>		
of accumulated depreciation and amortization of \$518,751 and \$382,592 respectively	1,088,386	751,730
<u>OTHER ASSETS</u>		
Deposits	541,961	427,780
Assets held for sale	—	501,532
Note receivable, less current portion and discount	509,431	—
Intangible assets – trade names	100,000	100,000
Goodwill	2,368,284	2,368,284
Total other assets	3,519,676	3,397,596
<b>TOTAL ASSETS</b>	<b>\$ 6,547,165</b>	<b>\$ 10,325,318</b>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 431,899	\$ 274,869
Customer deposits	67,312	143,054
Line of credit	1,000,000	1,000,000
Accrued expenses	741,485	286,720
Notes payable – current portion	170,922	125,529
Liabilities associated with assets held for sale	—	5,100,964
Total current liabilities	2,411,618	6,931,136

LONG-TERM LIABILITIES

Notes payable - less current portion	949,817	139,535
Security deposits	100,026	—
Total liabilities	3,461,461	7,070,671

STOCKHOLDERS' EQUITY

Controlling interest		
Preferred stock - \$.001 par value; authorized 9,999,154; none issued and outstanding	—	—
Common stock - \$.001 par value; authorized 100,000,000; 33,164,453 shares issued and outstanding as of December 31, 2009; 37,182,987 shares issued and 36,582,987 shares outstanding as of December 31, 2008	33,164	37,183
Additional paid-in capital	19,632,661	19,599,504
Accumulated deficit	(17,542,930)	(17,131,888)
Total controlling interest	2,122,895	2,504,799
Non-controlling interest	962,809	749,848
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>3,085,704</b>	<b>3,254,647</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 6,547,165</b>	<b>\$ 10,325,318</b>

*See accompanying notes to consolidated financial statements.*

SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2009	2008
<u>REVENUE</u>	\$ 8,707,392	\$ 8,596,750
<u>COST OF REVENUES</u>	4,878,413	6,133,280
<u>GROSS PROFIT</u>	3,828,979	2,463,470
 <u>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</u>	 4,217,193	 3,457,224
 <u>OPERATING LOSS FROM CONTINUING OPERATIONS</u>	 (388,214)	 (993,754)
 <u>OTHER INCOME (EXPENSE)</u>		
OTHER	176,596	(17,742)
INTEREST INCOME	14,292	7,151
INTEREST EXPENSE	(135,510)	(20,075)
 TOTAL OTHER INCOME (EXPENSE)	 55,378	 (30,666)
 <u>NET LOSS FROM CONTINUING OPERATIONS</u>	 (332,836)	 (1,024,420)
 DISCONTINUED OPERATIONS:		
NET LOSS FROM DISCONTINUED OPERATIONS	(547,468)	(3,880,995)
GAIN FROM DISPOSAL OF SUBSIDIARY	469,262	—
 NET LOSS FROM DISCONTINUED OPERATIONS	 (78,206)	 (3,880,995)
 <u>NET LOSS</u>	 <u>\$ (411,042)</u>	 <u>\$ (4,905,415)</u>
 Net loss per Common Share		
Continuing operations	\$ (0.01)	\$ (0.03)
Discontinued operations	(0.00)	(0.11)
 Total Basic and Diluted Net Loss Per Common Share	 <u>\$ (0.01)</u>	 <u>\$ (0.14)</u>
 Weighted Average Number of Common Shares		
Outstanding – Basic and Diluted	34,314,400	36,582,987

*See accompanying notes to consolidated financial statements.*

SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
For the Years Ended December 31, 2009 and 2008

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount				
<b>BALANCE</b> – January 1, 2008	36,582,987	\$ 36,583	\$ 18,825,759	\$ (12,226,473)	—	\$ 6,635,869
Amortization of stock based compensation	—	—	414,555	—	—	414,555
Issuance of restricted stock under consulting Agreement	600,000	600	221,400	—	—	222,000
Warrant issued in connection with acquisition of New World Jet Corporation	—	—	137,390	—	—	137,390
Issuance of non-controlling interest	—	—	—	—	\$ 749,848	749,848
Net loss	—	—	—	(4,905,415)	—	(4,905,415)
<b>BALANCE</b> – December 31, 2008	37,182,987	37,183	19,599,504	(17,131,888)	749,848	3,254,647
Amortization of stock based compensation	—	—	268,435	—	—	268,435
Return of stock via divestiture	(3,418,534)	(3,419)	(235,278)	—	—	(238,697)
Return of stock via settlement	(600,000)	(600)	—	—	—	(600)
Increase in non-controlling interest	—	—	—	—	212,961	212,961
Net loss	—	—	—	(411,042)	—	(411,042)
<b>BALANCE</b> – December 31, 2009	33,164,453	\$ 33,164	\$ 19,632,661	\$ (17,542,930)	\$ 962,809	\$ 3,085,704

*See accompanying notes to consolidated financial statements.*

SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2009	2008
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net loss	\$ (411,042)	\$ (4,905,415)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	147,506	345,131
Impairment of goodwill and intangible assets	—	2,634,663
(Gain) loss on sale of property and equipment	(18,229)	14,500
Gain from disposal of subsidiary	(469,262)	—
Stock based compensation	268,435	414,555
Issuance of restricted stock under consulting agreement	—	222,000
Warrant issued in connection with acquisition of New World Jet Corporation	—	137,390
Provision for doubtful accounts	—	7,279
Changes in operating assets and liabilities:		
Accounts receivable	(28,322)	1,408,805
Inventories	(47,381)	(77,566)
Prepaid expenses and other current assets	(67,610)	136,824
Deposits	(110,881)	(432,605)
Accounts payable	(487,772)	(1,533,525)
Customer deposits	54,244	(282,539)
Accrued expenses	482,051	(211,224)
Security deposits	100,026	—
TOTAL ADJUSTMENTS	(177,195)	2,783,688
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(588,237)</b>	<b>(2,121,727)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from sale of property and equipment	35,162	8,000
Issuance of notes receivable	(711,032)	—
Net cash of sold subsidiary	(229,188)	—
Purchase of New World Jet Corporation	—	(228,943)
Purchase of property and equipment	(472,347)	(217,730)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,377,405)</b>	<b>(438,673)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Repayment of notes payable	(106,911)	(117,064)
Proceeds from line of credit	—	1,000,000
Increase in non-controlling interest in subsidiary	212,961	749,847
Proceeds from notes payable	961,904	—
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>1,067,954</b>	<b>1,632,783</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(897,688)</b>	<b>(927,617)</b>
<b><u>CASH AND CASH EQUIVALENTS</u> – Beginning</b>	<b>1,472,535</b>	<b>2,400,152</b>
<b><u>CASH AND CASH EQUIVALENTS</u> – Ending</b>	<b>\$ 574,847</b>	<b>\$ 1,472,535</b>
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u></b>		
Cash paid during the periods for:		
Interest	\$ 135,510	\$ 27,551
Income taxes	\$ 22,043	\$ 13,829
<b><u>NONCASH INVESTING AND FINANCING ACTIVITIES</u></b>		
Redemption of common stock of the Company in exchange for common stock of Airborne, Inc.	<b>\$ 238,697</b>	<b>\$ —</b>

*See accompanying notes to consolidated financial statements.*

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
**Notes To Consolidated Financial Statements**

NOTE 1 - Nature of Operations

Saker Aviation Services, Inc. (“Saker”), through its subsidiaries (collectively the “Company”), operates in the fixed base operation (“FBO”) segment of the general aviation industry. An FBO provides ground-based services such as fueling and hangaring for general aviation, commercial, and military aircraft; aircraft maintenance, and other miscellaneous services. The Company also provides consulting services for a non-owned FBO facility and serves as the operator of a heliport.

FBO Air Wilkes-Barre, Inc. d/b/a Saker Aviation Services (“FBOWB”), a wholly-owned subsidiary, provides FBO services in Avoca, Pennsylvania. FBO Air Garden City, Inc. d/b/a Saker Aviation Services (“FBOGC”), a wholly-owned subsidiary provides FBO services in Garden City, Kansas.

On July 9, 2008, the Company formed FirstFlight Heliports, LLC d/b/a Saker Aviation Services (“FFH”) as a subsidiary to operate the Downtown Manhattan Heliport via a concession agreement awarded to the Company by the City of New York.

NOTE 2 – Discontinued Operations – Related Party Transaction and Note Receivable

A wholly-owned subsidiary of the Company located in Elmira, New York, Airborne, Inc. (“Airborne”), was sold on March 2, 2009. Also included in discontinued operations for 2009 are Margeson & Associates (“M&A”) and substantially all of the assets of New World Jet Corporation (“NWJC”), which were previously part of the Company’s charter operation. Discontinued operations had revenue of approximately \$3,900,000 for the year ended December 31, 2008. Discontinued operations had operating losses of approximately \$525,000 and \$3,880,000 for 2009 and 2008, respectively, including the write-off of goodwill and intangibles of approximately \$2,635,000, for the year ended December 31, 2008.

The performance of the charter segment had declined significantly in recent quarters from a revenue and profitability standpoint and the Company believed it was unclear if an improvement in performance could be implemented in the near term. Management believed that the decline in charter segment performance created considerable pressure on the cash flow of the Company as whole and that Airborne would require ongoing cash infusions in the near term in order to maintain operations. In the absence of such cash infusions, management believed that Airborne’s operations would imperil the Company as a whole. Management also believed that such an infusion could be less if Airborne were operated independently than were it to remain part of Saker. Additionally, the Company believed that significant savings in corporate overhead could be implemented in the event that Airborne was divested.

For these reasons, on March 2, 2009, the Company entered into a Share Exchange Agreement with Airborne, John H. Dow, the former President and Chief Executive Officer of the Company, and Daphne Dow, pursuant to which the Company divested its ownership interest in Airborne. Mr. Dow resigned from the Company immediately preceding the execution of this agreement. Prior to the consummation of the Share Purchase Agreement, Airborne was a wholly-owned subsidiary of the Company. Airborne owns and operates an aircraft management and charter business. Pursuant to the terms and conditions of the Share Exchange Agreement, Mr. and Mrs. Dow exchanged all of their 3,418,534 individually and jointly owned shares of Company Common Stock, valued at \$238,697 on the date of the agreement, and all of their options and warrants having minimal value to purchase 1,100,000 shares of Company Common Stock owned by them in exchange for all of the issued and outstanding shares of Common Stock in Airborne owned by the Company. All shares owned by Mr. and Mrs. Dow were returned to the treasury of the Company and retired. As a result of the consummation of the Share Exchange Agreement, Mr. and Mrs. Dow became the sole owners of Airborne. Concurrent with the consummation of the Share Exchange Agreement, Airborne also assumed all pre- and post-closing rights and obligations of the Company under lease agreements for the Company’s IST Center and the Company’s 236 Sing Sing Road, Horseheads, New York location. The Company did not obtain a third party valuation with respect to this transaction.

Immediately prior to entering into the Airborne Loan Agreement, EuroAmerican Investment Corp. (“EuroAmerican”) loaned the Company an aggregate of up to \$750,000 for the purpose of funding the Airborne Loan Agreement discussed below. The EuroAmerican loan is evidenced by a Promissory Note delivered by the Company to EuroAmerican with a maturity date of February 27, 2011. The unpaid principal amount under the Promissory Note accrues interest at the annual rate of 12% and is payable in monthly interest only payments until maturity, at which time the entire principal balance and any accrued but unpaid interest is payable in full. Two members of the Company’s Board of Directors, William B. Wachtel and Alvin S. Trenk, issued personal guarantees in connection with the EuroAmerican Loan. Mr. Wachtel is a principal of EuroAmerican.

Simultaneous with the consummation of the Share Exchange, the Company made a non-interest bearing loan to Airborne of \$750,000 pursuant to a Loan Agreement dated March 2, 2009 (the “Airborne Loan Agreement”). Under the Airborne Loan Agreement, the Company made a commitment to loan Airborne an aggregate up to \$750,000; \$500,000 of such amount was loaned by the Company to Airborne on March 2, 2009, and the balance of which was loaned by the Company to Airborne on March 12, 2009 upon the satisfactory achievement by Airborne of certain agreed upon targets. Beginning on September 1, 2009 and continuing the first day of

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
**Notes To Consolidated Financial Statements**

each month thereafter until July 31, 2015 Airborne shall pay equal payments of \$10,500 to the Company under the Airborne Loan Agreement. Beginning on August 1, 2015 and continuing the first day of each month thereafter the monthly payment by Airborne to the Company under the Airborne Loan Agreement shall be \$8,000. The Airborne Loan Agreement is secured by the assets of Airborne, subordinate to a first lien in favor of Five Star Bank (“Five Star”). The Airborne Loan Agreement did not contain any personal guarantees from the shareholders of Airborne. The Airborne Loan Agreement provides that in the event of a subsequent sale of Airborne or its assets, the proceeds of such sale shall be used first to repay the existing credit facility with Five Star Bank and next to repay any outstanding principal under the Airborne Loan Agreement. In addition, the Airborne Loan Agreement provides that the Company will share a percentage of any remaining available sale proceeds, the amount of which will vary depending on the timing of a sale transaction. The Airborne Loan Agreement has been recorded at its present value of as of December 31, 2009 of \$619,720 based on a discount rate of 7%.

Also on March 2, 2009, the Company, Airborne and Five Star Bank (“Five Star”) entered into a Loan Agreement, which was subsequently assigned to Birch Hill Capital, LLC (the “Birch Hill Loan Agreement”). Effective December 29, 2009, Five Star executed an Allonge and an Assignment of Note and Note Documents (together, the “Assignment Documents”) pursuant to which a revolving line of credit agreement (the “Credit Facility”) and related documents and agreements dated March 3, 2009 made jointly and severally by Airborne and the Company in favor of Five Star (collectively, the “Loan Agreements”) were sold, assigned and transferred to Birch Hill Capital, LLC (“Birch Hill”). Under the Birch Hill Loan Agreement, among other things, Five Star made a commitment to loan the Company and Airborne an aggregate of up to \$1,000,000 on a demand line of credit basis. The Birch Hill Capital Loan Agreement replaced the Company’s existing credit facility with Five Star (See Note 3). The Birch Hill Loan Agreement contains customary representations, warranties and financial covenants. Borrowings under the Loan Agreement are secured by (i) a blanket security interest in all of the assets of the Company and Airborne, and (ii) an unlimited guaranty from the subsidiaries of the Company and Airborne.

The divestiture eliminated the Company’s charter segment, one of three previously reported segments (together with FBO and maintenance). The divestiture also had a significant impact on the maintenance segment. There remains a relatively minor maintenance business performed in conjunction with the Company’s FBO operation in Pennsylvania. The Company believes that the previous reporting of its business in multiple segments was appropriate and provided a greater understanding of its disparate businesses at that time. Given the divestiture of Airborne and the resulting commonality in the Company’s continuing business, management believes that reporting multiple segments is no longer appropriate.

A summary of the assets sold, liabilities assumed, costs incurred and calculated gain/loss as part of the transaction are as follows:

Cash and cash equivalents	\$	229,188
Accounts receivable, net		3,113,400
Inventories		171,320
Prepaid expenses and other current assets		308,082
Property and equipment, net		431,159
Deposits		38,325
Total assets sold	\$	<u>4,291,474</u>

Accounts payable	\$	4,148,742
Customer deposits		236,790
Accrued expenses		186,579
Notes payable – current portion		40,641
Total liabilities assumed	\$	<u>4,612,752</u>

Summary of gain on sale of subsidiary:

Net liabilities assumed	\$	321,277
Value of common shares surrendered		239,297
Less present value discount of Airborne Loan Agreement		(91,312)
Gain on sale of subsidiary	\$	<u>469,262</u>

The Company has reported Airborne’s results for the years ended December 31, 2009 and 2008 as discontinued operations because the operations and cash flows have been eliminated from the Company’s continuing operations.

Components of discontinued operations are as follows:

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
**Notes To Consolidated Financial Statements**

	For the Years Ended December 31,	
	2009	2008
Revenue	\$ 3,911,447	\$ 38,273,031
Cost of revenue	3,381,030	32,195,550
Gross Profit	530,417	6,077,481
Operating expenses	1,056,988	9,958,484
Operating loss from discontinued operations	(526,571)	(3,881,003)
Interest income (expense), net	(2,670)	8
Other income (expense), net	(18,227)	—
Net loss from discontinued operations	\$ (547,468)	\$ (3,880,995)

**NOTE 3 – Management’s Liquidity Plans**

As of December 31, 2009, the Company had cash and cash equivalents of \$574,847 and a working capital deficit of \$472,515. The Company generated revenue of approximately \$8,700,000 and net loss of approximately \$332,000 for the year ended December 31, 2009. For the year ended December 31, 2009, cash flows of continuing and discontinued operations included net cash used in operating activities of \$588,237, net cash used in investing activities of \$1,377,405, and net cash provided by financing activities of \$1,067,954.

As discussed in Note 2 herein, effective December 29, 2009, Five Star executed an Allonge and an Assignment of Note and Note Documents (together, the “Assignment Documents”) pursuant to which a revolving line of credit agreement (the “Credit Facility”) and related documents and agreements dated March 3, 2009 made jointly and severally by Airborne and the Company in favor of Five Star (collectively, the “Loan Agreements”) were sold, assigned and transferred to Birch Hill. The Credit Facility provides the Company with a \$1,000,000 revolving line of credit with the Bank. Amounts outstanding under the Credit Facility will bear interest at a rate equal to the prime rate published in the Wall Street Journal from time to time plus 350 basis points. The Credit Facility is secured by all of the Company’s assets as well as the assets of Airborne and Airborne is an additional guarantor of the Credit Facility, as discussed above. The Credit Facility is payable upon demand by the Bank and requires interest payments based on outstanding balances at an interest rate of prime plus 350 basis points (6.75% as of December 31, 2009). As described in Note 2, in connection with the Airborne divestiture, Birch Hill retains a first lien against all of Airborne’s and Saker’s assets. Further, Airborne joins Saker as joint and several guarantors of borrowings against the Credit Facility. In the event of a sale of Airborne, Birch Hill shall receive the first distribution of any related proceeds in the full amount of any outstanding against the Credit Facility.

The Company believes the exit of the Company’s former President and Chief Executive via the Airborne divestiture discussed in Note 2 above combined with the prior departure of the Company’s Senior Vice President and Chief Financial Officer yielded annual compensation savings of over \$500,000. No additional personnel were required to assume those duties. Along with savings from other areas, corporate operating expenses were approximately \$650,000 lower in the year ended December 31, 2009 as compared with the same period in 2008. The Company further believes that various expenses incurred in 2009 were of a one-time nature and, consequently, will not recur in 2010.

The Company believes that it has sufficient liquidity to sustain its existing business for at least the next twelve months.

**NOTE 4 – Sale of Subsidiary**

On June 26, 2009, the Company sold NWJC. NWJC was sold for approximately \$279,000. A portion of the proceeds were escrowed in connection with the Terrance P. Kelley and Gold Jets, LLC litigation, which was subsequently settled as described in Note 16 below. During the fourth quarter, net proceeds of the transaction were recorded in other income for the year ended December 31, 2009. See Note 6.

**NOTE 5 - Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the accounts of Saker Aviation Services, Inc. and its wholly-owned subsidiaries, FBOWB, FBOGC, FBO Air WB Leasing (“WB Leasing”), and FFH. All significant inter-company accounts and transactions have been eliminated in consolidation. Results associated with Airborne, M&A and NWJC are reported as discontinued operations as of December 31, 2009 and 2008.

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Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant estimates include depreciation, impairment of goodwill and intangibles, stock-based compensation, allowance for doubtful accounts, and deferred tax assets.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less when purchased to be cash equivalents. Due to their short-term nature, cash equivalents are carried at cost, which approximate fair value.

Cash Concentrations

The Company maintains its cash and cash equivalents with various financial institutions, which exceeded federally insured limits throughout the period. At December 31, 2009 and 2008, the Company had cash and cash equivalents in excess of federally insured limits. As part of its cash management process, the Company periodically reviews the relative credit standing of these financial institutions.

Accounts Receivable

The Company extends credit to large and mid-size companies for flight related services. The Company has concentrations of credit risk in its continuing operations in that 59.5% of the balance of accounts receivable at December 31, 2009 is made up of only three customers. At December 31, 2009, accounts receivable in the Company's continuing operations from its three largest accounts amounted to approximately \$231,400 (28.5%), \$131,900 (16.3%), and \$118,800 (14.7%), respectively. The Company has in place a security deposit in connection with each of these three receivables. Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability and the allowance for doubtful accounts is adjusted accordingly. Management determines collectability based on their experience and knowledge of the customers. As of December 31, 2009 and 2008, the Company has recorded an allowance for doubtful accounts of \$0.

Inventories

Inventories consist primarily of maintenance parts and aviation fuel and are stated at the lower of cost or market determined by the first-in, first out method.

Property and Equipment

Property and equipment is stated at cost. Maintenance and repairs are charged to expense as incurred; costs of major additions and betterments are capitalized. When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income.

Business Combinations

In accordance with business combination accounting, the Company allocates the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values based on significant estimates and assumptions, especially with respect to intangible assets. Management makes estimates of fair values based upon assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies. Critical estimates in valuing certain of the intangible assets include but are not limited to: future expected cash flows from customer relationships and market position, as well as assumptions about the period of time the acquired trade names will continue to be used in the combined company's product portfolio; and discount rates. These estimates are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

Goodwill and Intangible Assets

Goodwill and intangibles that are deemed to have indefinite lives are no longer amortized but, instead, are to be reviewed at least annually for impairment. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit. The Company has determined that there is no impairment of goodwill for continuing operations at December 31, 2009 and 2008. Intangible assets continue to be amortized over their estimated useful lives. The Company performed an analysis of its goodwill and intangible assets at December 31, 2009 and 2008

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and determined that an impairment charge of \$2,634,663 was necessary at December 31, 2008 and has recorded this charge to discontinued operations.

Revenue Recognition

Revenue for the sales of products is recognized at the time products are delivered to customers. Revenue for services is recognized at the time the services are performed and provided to customers. The sources of revenue are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable and collectability is probable.

Customer Deposits

Customer deposits consist of amounts that customers are required to remit in advance to the Company in order to secure payment for future purchases and services.

Advertising

The Company expenses all advertising costs as incurred. Advertising expense for the years ended December 31, 2009 and 2008 was approximately \$9,300 and \$20,100, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between their financial statement carrying amounts and their respective tax bases and for net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income or loss in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company's ability to utilize its net operating loss ("NOL") carryforwards may be subject to an annual limitation in future periods pursuant to Section 382 of the Internal Revenue Code of 1986, as amended (the "Code").

Although the Company has federal and state net operating losses available for income tax purposes that may be carried forward to offset future taxable income, the deferred tax assets are subject to a 100% valuation allowance because it is more likely than not that the deferred tax assets will not be realized in future periods. The Company's ability to use its net operating loss carryforwards may be subject to an annual limitation in future periods pursuant to Section 382 of the Code. The Company files income tax returns in the United States (federal) and in various state and local jurisdictions. In most instances, the Company is no longer subject to federal, state and local income tax examinations by tax authorities for years prior to 2006.

Fair Value of Financial Instruments

The reported amounts of the Company's financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their fair value due to their short maturities. The carrying amounts of debt approximate fair value because the debt agreements provide for interest rates that approximate market. The carrying value of the Note Receivable approximates fair value because it was discounted at a current market rate (Note 2).

Net Income (Loss) Per Common Share

Basic net income (loss) per share applicable to common stockholders is computed based on the weighted average number of shares of common stock outstanding during the periods presented. Diluted net income (loss) per share reflects the potential dilution that could occur if securities or other instruments to issue Common Stock were exercised or converted into common stock. Potentially dilutive securities, consisting of options and warrants, are excluded from the calculation of the diluted losses per share when their inclusion would be anti-dilutive or if their exercise prices were greater than the average market price of the Common Stock during the period.

The following table sets forth the components used in the computation of basic and diluted income (loss) per share:

	For the Year Ended December 31,	
	2009*	2008*
Weighted average common shares outstanding, basic	34,314,400	36,582,987
Common shares upon exercise of options	—	—
Common shares upon exercise of warrants	—	—

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
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Weighted average common shares outstanding, diluted	34,314,400	36,582,987
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\* Potential common shares of 14,667,121 and 16,427,121 underlying options and warrants outstanding as of December 31, 2009 and 2008, respectively, were excluded from the computation of diluted earnings per share, as their inclusion would be anti-dilutive.

Stock Based Compensation

Stock-based compensation expense for all share-based payment awards are based on the estimated grant-date fair value. The Company recognizes these compensation costs over the requisite service period of the award, which is generally the option vesting term. For the years ended December 31, 2009 and 2008, the Company incurred stock based compensation of \$268,435 and \$414,555, respectively. Such amounts have been recorded as part of the Company's selling, general and administrative expenses in the accompanying consolidated statements of operations. As of December 31, 2009, the unamortized fair value of the options totaled \$3,219 and the weighted average remaining amortization period of the options is approximately 0.67 years.

Option valuation models require the input of highly subjective assumptions, including the expected life of the option. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The fair value of each share-based payment award granted during the years ended December 31, 2009 and 2008 were estimated using the Black-Scholes option pricing model with the following weighted average fair values:

	For the Year Ended December 31,	
	2009	2008
Dividend yield	0%	0%
Expected volatility	491%	291%
Risk-free interest rate	2.09%	3.51%
Expected lives	5.0 years	5.83 years

The weighted average fair value of the options on the date of grant, using the fair value based methodology during the years ended December 31, 2009 and 2008, was \$0.36 and \$0.38, respectively.

Recently Issued Accounting Pronouncements

During 2009, FASB launched the FASB ASC as the single source of authoritative nongovernmental GAAP. The ASC was effective for interim and annual periods ending September 15, 2009. The ASC does not change GAAP. Instead, it takes all individual pronouncements that currently comprise GAAP and reorganizes them into approximately 90 accounting Topics, and displays all Topics using a consistent structure. Changes to the ASC subsequent to June 30, 2009, are referred to as Accounting Standards Updates ("ASU").

On June 30, 2009, the FASB issued ASI 2009-01, "Topic 105 – Generally Accepted Accounting Principles, amendments based on Statement of Financial Accounting Standards No. 168 – The FASB Accounting Standard Codification and the Hierarchy of Generally Accepted Accounting Principles." This ASU amends the FASB ASC for the issuance of FASB Statement of Financial Accounting Standards (SFAS) No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." This ASU includes FASB SFAS No. 168 in its entirety. ASU 2009-01 was effective for interim and annual periods ending after September 15, 2009. The adoption of ASU 2009-01 had no effect on the operating results or financial condition of the Company.

In December 2007, the FASB issued ASC 810, "Non-Controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51). ASC 810 established accounting and reporting standards for the non-controlling interest in a subsidiary (previously referred to as minority interests). ASC 810 also requires that a retained non-controlling interest upon the deconsolidation of a subsidiary be initially measured at its fair value. Upon adoption of ASC 810, the Company was required to report any non-controlling interests as a separate component of consolidated stockholders' equity. The Company was also required to present any net income or loss allocable to non-controlling interests and net income or loss attributable to the stockholders of the Company separately in its consolidated statements of operations, if significant. ASC 810 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after January 1, 2009. ASC 810 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of ASC 810 are applied prospectively. The Company adopted ASC 810 and

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reclassified the non-controlling interest in FFH as a separate component of consolidated stockholders' equity on January 1, 2009. The adoption of ASC 810 did not have a material impact on the Company's results of operation or financial condition.

**NOTE 6 – Acquisition of New World Jet Corporation**

On July 22, 2008, the Company and a newly-formed wholly-owned subsidiary, New World Jet Acquisition Corporation ("NWJAC"), executed a Stock Purchase Agreement with Gold Jets LLC whereby NWJAC agreed to purchase all of the issued and outstanding capital stock of New World Jet Corporation ("NWJC") from Gold Jets LLC. The acquisition occurred on August 5, 2008. As part of the transaction, the Company made a cash payment of \$120,000, incurred approximately \$108,000 in transaction costs, assumed a working capital deficit as recorded on closing of up to \$250,000, and agreed to future contingent post-closing payments tied to the performance of acquired aircraft. Future contingent cash payments include 25 percent of net charter commissions, management fees, and maintenance coordination fees; 50 percent of the net proceeds on the sale of NWJC's air carrier certificate; 33 percent of the initial year's block charter commissions; and 25 percent of any aircraft transaction fees. The Company also issued Gold Jets LLC a warrant to purchase up to 2,000,000 shares of Saker's common stock at an exercise price of \$0.50 per share. The vesting of the warrants were contingent on having eight aircraft on the Company's air carrier certificate at each measurement date. Subject to the Company's legal remedies and rights under the Stock Purchase Agreement, the vesting of these warrants were accelerated by the Airborne divestiture and resulted in a charge of \$191,167 in 2008 to discontinued operations relating to the fair value of the vested warrants. For the period August 6, 2008 through March 2, 2009, the Company incurred losses related to the acquisition of approximately \$848,000.

All assets and liabilities of NWJC have been recorded in the Company's consolidated balance sheet at their fair values at the date of acquisition. Identifiable intangible assets and goodwill related to the original purchase approximated \$448,638. Identifiable intangible assets included customer relationships, which are being amortized over an estimated useful life of three years. The amounts of these intangibles have been estimated based upon information available to management and are subject to change in the near term.

The following table details the allocation of the purchase price and cash payments made for the acquisition:

	Fair Value
Cash	\$ 4,245
Accounts receivable	85,027
Prepaid expenses	70,701
Equipment	30,305
Intangible assets – customer relationships	50,000
Goodwill	398,638
Accounts payable and accrued expenses	(409,973)
Total cash paid for acquisition	\$ 228,943

As discussed in Note 2, the results of NWJC from August 6, 2008 through December 31, 2009 are reflected in the Company's results from discontinued operations for the period ended December 31, 2009. As discussed in Note 2, the Company decided to divest its Airborne subsidiary in fourth quarter 2008. Accordingly, pro-forma presentation is not presented since the business of NWJC was part of the charter segment and, as such, became part of discontinued operations in connection with the divestiture of Airborne.

Pursuant to the Stock Purchase Agreement, the Company is required to make contingent payments based on future results. Those payments are required for a period of three years following the transaction consummation. At December 31, 2009, contingent cash payments were accrued totaling \$11,828 for the period October 1, 2008 through December 31, 2009. These payments are charged to goodwill when incurred, therefore the cumulative goodwill from the NWJC acquisition at December 31, 2009 totaled \$805,053, and were included in the impairment charge. The Company was not required to make any contingent payments related to warrants through December 31, 2009.

On June 26, 2009, the Company sold NWJC. See Note 4.

**NOTE 7 - Inventories**

Inventory consists primarily of maintenance parts and aviation fuel, which the Company dispenses to its customers. The Company also maintains fuel inventories for commercial airlines, to which it charges into-plane fees when servicing commercial aircraft.

Inventories consist of the following:

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	December 31,	
	2009	2008
Parts inventory	\$ 95,793	\$ 101,006
Fuel inventory	172,049	116,532
Other inventory	10,099	12,161
Total inventory	\$ <u>277,941</u>	\$ <u>229,699</u>

Included in fuel inventory are amounts held for third parties of \$84,685 and \$45,484 as of December 31, 2009 and 2008, respectively, with an offsetting liability included as part of accrued expenses.

**NOTE 8 - Property and Equipment**

Property and equipment consist of the following:

	December 31,		Estimated Useful Life
	2009	2008	
Aircraft	\$ 254,784	\$ 254,784	7 – 12 years
Vehicles	251,897	251,897	5 – 10 years
Office furniture and equipment	109,821	94,613	3 – 7 years
Tools and shop equipment	319,452	319,452	3 – 10 years
Leasehold improvements	471,183	214,043	7 – 17 years
Building/fuel farm	200,000	—	7 – 17 years
Total	1,607,137	1,134,789	
Less: accumulated depreciation and amortization	(518,751)	(383,059)	
Property and equipment, net	\$ <u>1,088,386</u>	\$ <u>751,730</u>	

Depreciation and amortization expense from continuing operations for the years ended December 31, 2009 and 2008 was approximately \$136,000 and \$132,000, respectively. Depreciation and amortization from discontinued operations for the years ended December 31, 2009 and 2008 was approximately \$12,000 and \$247,000, respectively.

**NOTE 9 – Goodwill and Intangible Assets**

As of December 31, 2009, intangible assets not subject to amortization consist exclusively of trade names related to the acquisitions of Tech Aviation Services, Inc. in Wilkes-Barre, Pennsylvania and Central Plains Aviation, Inc. in Garden City, Kansas.

During the years ended December 31, 2009 and 2008, the Company recorded amortization expense related to the acquired amortizable intangibles of approximately \$0 and \$157,000, respectively.

**NOTE 10 - Notes Payable and Line of Credit**

Notes payable consist of:

	December 31,	
	2009	2008
EuroAmerican Note – secured by the assets of Saker, 12% interest only, matures February 2011	\$ 750,000	—
Avfuel Note – secured by a fuel farm of FBOGC, interest at Prime plus 350 basis points, matures December 2015	200,000	
Sellers – Tech, secured by assets of Tech and guaranteed by Saker, 5% interest, matures March 2011	114,596	\$ 192,914
	<u>56,143</u>	<u>72,550</u>

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Other		
Subtotal	1,120,739	265,464
Less: current portion	(170,922)	(125,929)
Total – long term	\$ 949,817	\$ 139,535

Aggregate annual maturities of long-term debt are as follows:

For the years ended December 31,	Total
2010	\$ 170,922
2011	828,150
2012	40,000
2013	40,000
2014	40,000
Thereafter	1,667
<b>TOTAL</b>	<b>\$ 1,120,739</b>

The line of credit is discussed in Notes 2 and 3.

**NOTE 11 - Income Taxes**

As of December 31, 2009, the Company had federal and state net operating loss carryforwards of approximately \$2,400,000 expiring in various years through 2029, portions of which may be used to offset future taxable income, if any. The Company has deferred tax assets arising from such operating losses for which a full valuation allowance has been established because it is more likely than not that the deferred tax assets will not be realized in future periods.

The Company's deferred tax assets and deferred tax liabilities consisted of the following:

	December 31,	
	2009	2008
Deferred tax assets:		
Operating loss carryforwards	\$ 936,158	\$ 1,913,694
Stock based compensation	750,019	636,554
Allowance for doubtful accounts	0	26,586
Deferred start up costs	64,227	(19,462)
Intangible assets	0	443,114
Accrued expenses	18,879	(467,113)
Goodwill	0	887,835
Total deferred tax assets	1,769,283	3,421,208
Deferred tax liabilities:		
Goodwill	(41,601)	—
Property and Equipment	(91,732)	(108,206)
Total deferred tax liabilities	(133,333)	(108,206)
Deferred tax assets – net of deferred tax liabilities	1,635,950	3,313,002
Valuation Allowance	(1,635,950)	(3,313,002)

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Deferred tax assets – net of valuation allowance	\$	—	\$	—
Change in valuation allowance	\$	1,677,052	\$	1,739,442

The Company has recorded a full valuation allowance against its deferred tax assets since management believes that based upon currently available objective evidence it is more likely than not that the deferred tax asset will not be realized. The provision for income taxes using the statutory federal tax rate as compared to the Company's effective tax rate is summarized as follows:

	December 31,	
	2009	2008
Tax expense (benefit) at statutory rate	(34.0)%	(34.0)%
State and local income taxes, net of federal	(5.0)%	(5.0)%
Non-deductible expenses	—%	1.0%
Change in valuation allowance	39%	38%
Effective income tax rate	—	—

NOTE 12 – Stockholders' Equity

Stock Options

During December 2005, the Board of Directors approved the Stock Option Plan of 2005 (the "Plan") and, during December 2006, the stockholders of Saker approved the Plan. The Plan is administered by Saker's compensation committee and provides for 7,500,000 shares of the Common Stock to be reserved for issuance under the Plan. Directors, officers, employees, and consultants of the Company are eligible to participate. The Plan provides for the awards of incentive and non-statutory stock options. The committee determined the vesting schedule to be up to five years at the time of grant of any options under the Plan, and unexercised options will expire in up to ten years. The exercise price is to be equal to at least 100% of the fair market value of a share of the Common Stock, as determined by the Committee, on the grant date. As of December 31, 2009 and 2008, there were 6,575,000 and 4,540,000 shares, respectively, available for grant as options under the Plan.

Details of all options outstanding are presented in the table below:

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2008	2,360,000	\$ 0.57
Granted	925,000	0.17
Exercised	—	—
Forfeited	—	—
Balance, January 1, 2009	3,285,000	\$ 0.50
Granted	375,000	0.09
Exercised	—	—
Forfeited	(2,410,000)	0.35
Balance, December 31, 2009	1,250,000	\$ 0.64

On December 1, 2009, the Company granted a stock option to each of the four non-employee directors to purchase 25,000 shares of common stock at \$0.12 per share, the closing price of the Company's common stock on December 1, 2009. Each option vests on December 1, 2010 and expires on December 1, 2014. These options are collectively valued at \$12,000 and are being amortized over the vesting period.

On June 18, 2009, the Company granted a stock option to an employee to purchase 25,000 shares of common stock at \$0.035 per share, the closing price of the Company's common stock on June 17, 2009. The option vests on June 18, 2010 and expires on June 18, 2014. This option is valued at \$875 and is being amortized over the vesting period.

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On January 19, 2009, under the terms of an employment agreement, the Company granted an employee a stock option to purchase 250,000 shares of common stock at \$0.08 per share, the closing price of the Company's common stock on January 16, 2009. This option vests on January 19, 2010 and expires on January 18, 2015. This option is valued at \$20,000 and is being amortized over the two-year term of the employment agreement.

On March 1, 2009, a series of options for a former director expired. In total, 75,000 shares underlying those options were forfeited as of that date.

On March 2, 2009, a series of options for a former employee were forfeited in connection with the divestiture discussed in Note 2. In total 500,000 shares underlying those options were forfeited as of that date.

On March 31, 2009, a series of options for a former employee expired. In total, 750,000 shares underlying those options were forfeited as of that date.

On May 1, 2009, options for a series of employees expired. In total, 160,000 shares underlying those options were forfeited as of that date.

On June 2, 2009, options for two former directors expired. In total, 150,000 shares underlying those options were forfeited as of that date.

On June 2, 2009, options for three former employees expired. In total, 775,000 shares underlying those options were forfeited as of that date.

On December 1, 2008, the Company granted a stock option to each of the seven non-employee directors to purchase 25,000 of common stock at \$0.08 per share, the closing price of the Company's common stock on December 1, 2008. Each option vested on December 1, 2009 and expires on December 1, 2013. These options were collectively valued at \$14,000.

On September 15, 2008, under the terms of an employment agreement, the Company granted an employee a stock option to purchase 250,000 shares of common stock at \$0.29 per share, the closing price of the Company's common stock on September 14, 2008. The option vested on September 15, 2009 and expires on September 14, 2014. This option was valued at \$72,491 and is being amortized over the remaining one-year term of the employment agreement.

On July 1, 2008, under the terms of an employment agreement, the Company granted an employee a stock option to purchase 250,000 shares of common stock at \$0.40 per share, the closing price of the Company's common stock on June 30, 2008. The option vested on July 1, 2009 and expires on June 30, 2014. This option was valued at \$99,982 and is being amortized over the two-year term of the employment agreement.

On January 19, 2008, under the terms of an employment agreement, the Company granted an employee a stock option to purchase 250,000 shares of common stock at \$0.40 per share, the closing price of the Company's common stock on January 18, 2008. This option vested on January 19, 2009 and expires on January 18, 2014. This option was valued at \$99,970 and is being amortized over the two-year term of the employment agreement.

A summary of the Company's stock options outstanding and exercisable at December 31, 2009 is presented in the table below:

<u>Exercise Price</u>	<u>Outstanding</u>	<u>Weighted average remaining contractual life of options (in years)</u>	<u>Exercisable</u>	<u>Intrinsic Value</u>
\$0.035	25,000	4.46	—	\$ —
\$0.08	100,000	3.92	100,000	\$ —
\$0.12	100,000	4.92	—	\$ —
\$0.36	200,000	2.61	200,000	\$ —
\$0.39	250,000	2.25	250,000	\$ —
\$0.50	250,000	1.25	250,000	\$ —
\$0.64	75,000	0.92	75,000	\$ —
\$1.60	250,000	0.25	250,000	\$ —
<b>TOTALS</b>	<b>1,250,000</b>		<b>1,125,000</b>	<b>\$ —</b>

Warrants

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Details of all warrants outstanding are presented in the table below:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2008	11,117,121	\$ 0.78
Granted	2,000,000	0.50
Exercised	—	—
Forfeited	—	—
Balance, January 1, 2009	13,117,121	\$ 0.74
Granted	2,900,000	0.05
Exercised	—	—
Forfeited	2,600,000	0.62
Balance, December 31, 2009	13,417,121	\$ 0.71

On December 29, 2009, the Company issued a warrant to purchase up to 2,900,000 shares of the Company's common stock at an exercise price of 0.05 per share. The warrants were issued in connection with a financing event.

On March 2, 2009, a warrant for the former president and CEO of the Company was forfeited in connection with the divestiture discussed in Note 2. In total 600,000 shares underlying this warrant were forfeited as of that date.

On December 28, 2009, under the terms of a settlement agreement, a warrant to purchase up to 2,000,000 shares of the Company's common stock was forfeited.

On July 22, 2008, the Company issued a warrant to purchase up to 2,000,000 shares of the Company's common stock at an exercise price of \$0.50 per share. See Note 6 herein.

A summary of the Company's warrants outstanding and exercisable at December 31, 2009 is presented in the table below:

Exercise Price	Outstanding	Weighted average remaining contractual life of warrants (in years)	Exercisable	Intrinsic Value
\$0.05	2,900,000	5.00	2,900,000	\$ —
\$0.60	6,092,121	0.33	6,092,121	\$ —
\$1.00	4,425,000	1.67	4,425,000	\$ —
<b>TOTALS</b>	<b>13,417,121</b>		<b>13,417,121</b>	<b>\$ —</b>

Restricted Stock

On December 28, 2009, under the terms of a settlement agreement, 600,000 shares of restricted stock were forfeited.

Preferred Stock

As of December 31, 2009 and 2008, the Company has 9,999,154 shares of preferred stock authorized and none issued and outstanding. The Company's Board of Directors currently has the right, with respect to the authorized shares of our preferred stock, to authorize the issuance of one or more series of preferred stock with such voting, dividend and other rights as the directors determine.

NOTE 13 - Employee Benefit Plan

Saker maintains a 401(k) Plan (the "Plan"), which covers all employees of the Company. The Plan contains an option for the Company to match each participant's contribution. Any Company contribution vests over a five-year period on a twenty percent per year basis. During 2008, the Company matched participant contributions at a rate of 50% of the first 6% of participant deferrals. In June 2009, the Company suspended its match of participant contributions. Company contributions to the Plan totaled approximately \$16,000 and \$26,000 for the years ended December 31, 2009 and 2008, respectively.

NOTE 14 - Commitments and Contingencies

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
**Notes To Consolidated Financial Statements**

Operating Leases under Continuing Operations

The Company leases facilities from the City of Garden City, Kansas, which provides for: (a) a twenty one-year lease term expiring December 31, 2030, with one five-year renewal period; (b) a base rent of \$1,035 and \$2,187 per month for years one and two and years three through twenty one of the lease, respectively. In addition a fuel flowage fee of \$.05 and \$0.06 per gallon of fuel received by the Company will be due monthly. The fuel flowage fee is to be reviewed annually by the Garden City Regional Airport, the City of Garden City, and the Company.

The Company leases a facility under the terms of a Fixed Base Operator's Lease and Operating Agreement with the Wilkes-Barre/Scranton International Airport. The agreement is for an initial term of ten years, expiring August 21, 2013, with two five-year renewal periods. The agreement requires payment of monthly rents of \$6,250 plus additional payments based on certain of the Company's revenues. These include per-gallon fees for certain fuel sales and commissions on landing, parking, tie-down and other types of fees charged by the Company to its aviation customers.

The Company leases refueling trucks. As of December 31, 2009 and 2008, the refueling truck leases require aggregate monthly rental payments of approximately \$6,000 per annum. In addition, the Company leases vehicles and equipment with payments ranging from \$180 to \$477 per month.

Rent expense from continuing operations aggregated approximately \$93,600 for the years ended December 31, 2009 and 2008.

Future minimum rental payments under the Company's operating leases are as follows:

For the year ended December 31,	Total
2010	\$ 89,976
2011	87,420
2012	87,420
2013	76,244
2014	26,244
Thereafter	419,904
<b>TOTAL</b>	<b>\$ 787,208</b>

Employment Agreements

On September 29, 2008, the Company appointed Gary Hart as its Chief Operating Officer and Senior Vice President. The Company and Mr. Hart also entered into a two year employment agreement (the "Hart Employment Agreement"). Such employment agreement provided that Mr. Hart would receive an annual base salary of \$200,000 and receive stock options to purchase an aggregate of 500,000 shares of the Company's common stock, as follows: (i) 250,000 shares on the first anniversary date of the Hart Employment Agreement; and (ii) 250,000 shares on the second anniversary date of the Hart Employment Agreement. The price of each tranche of such stock option award shall be equal to the greater of: (i) the fair market value of the Company's common stock as of the close of business on the day immediately preceding the grant date; or (ii) \$0.60 per share. Each tranche of such stock option award shall vest one year following the date of grant and be exercisable for five years following vesting. As a result of the termination of Mr. Hart's employment agreement, no such options were issued or have vested. Effective November 10, 2008, the Hart Employment Agreement was terminated.

On September 1, 2006, Saker entered into an employment agreement effective as of September 15, 2006 with Keith P. Bleier (the "Bleier Employment Agreement"). Mr. Bleier served Saker as a Senior Vice President and its Chief Financial Officer. The term of the agreement was for three years, which commenced on September 15, 2006, and thereafter would have automatically renewed for additional one-year periods. Mr. Bleier's base annual salary was \$185,000 with annual increases of 5%. In addition, he was eligible to receive an annual performance bonus at the discretion of the Board of Directors. Mr. Bleier was to be granted an option each September 15 during the initial term to purchase 250,000 shares of the common stock, commencing September 15, 2006. He has received his first option effective September 15, 2006, his second option effective September 15, 2007 and his third option effective September 15, 2008. Mr. Bleier resigned from his positions with the Company effective December 31, 2009 and the Bleier Employment Agreement was terminated. Mr. Bleier's third option (related to the September 15, 2008 issuance) was forgone in connection with his resignation on December 31, 2009 and the other options expired on March 31, 2009.

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
**Notes To Consolidated Financial Statements**

On September 22, 2005, Saker entered into an employment agreement with John H. Dow (the "Dow Employment Agreement"). Mr. Dow served Saker as President and its Chief Executive Officer. The term of the Dow Employment Agreement was for three years and thereafter would have automatically renewed for additional one-year periods. Mr. Dow's base annual salary was \$150,000 with a guaranteed annual bonus of \$100,000. In addition, he was eligible to receive an annual performance bonus at the discretion of the Board of Directors. Mr. Dow was to be granted an option each September 22 during the initial term to purchase 250,000 shares of the Common Stock. He has received his first option effective September 22, 2005, his second option effective September 22, 2006 and his third option effective September 22, 2007. As a condition of the Airborne divestiture, Mr. Dow resigned from his positions with the Company effective March 2, 2009, and the Dow Employment Agreement was terminated and all options were forfeited.

On March 31, 2005, the Board of Directors authorized execution of the First Amendment effective April 1, 2005 (the "First Amendment") to the employment agreement (the "Ricciardi Employment Agreement") for Ronald J. Ricciardi, the Company's President and CEO. The First Amendment provided that Mr. Ricciardi's employment under the Ricciardi Employment Agreement was effective April 1, 2005, would continue for an initial term of three years, and thereafter be subject to automatic one-year renewals. The First Amendment increased his base salary to \$175,000. Mr. Ricciardi was granted an option each April 1 during the initial term to purchase 250,000 shares of Common Stock. The first option was granted effective April 1, 2005, the second option was granted effective April 1, 2006 and the third option was granted effective April 1, 2007. On December 12, 2006, the Board of Directors authorized execution of the Second Amendment effective as of that date (the "Second Amendment") reflecting that Mr. Ricciardi was elected as Vice Chairman of the Board by the Board of Directors and, effective January 1, 2007 Mr. Ricciardi's base salary was adjusted to \$125,000. The initial term was also extended and expired March 31, 2009 and remains subject to automatic one-year renewals. On November 1, 2008, Mr. Ricciardi's salary was adjusted to \$175,000. On March 2, 2009, Mr. Ricciardi was re-appointed as the Company's President and Chief Executive Officer. On April 8, 2009, Mr. Ricciardi was elected Chairman of the Board and shall serve in such capacity until the first meeting of the Board of Directors of the Corporation immediately following the next Annual Meeting of Stockholders of the Corporation or until the Board otherwise directs.

As of December 31, 2009, future severance commitments under the Company's employment agreements aggregate approximately \$175,000.

**NOTE 15 - Related Parties**

The firm of Wachtel & Masyr, LLP provides certain legal services to the Company. William B. Wachtel, a member of the Company's Board of Directors, is a managing partner of the firm. During the years ended December 31, 2009 and 2008, the Company was billed approximately \$195,000 and \$90,000, respectively, for legal services. At December 31, 2009 and 2008, the Company recorded in accounts payable an obligation for legal fees to such firm of approximately \$14,250 and \$0, respectively, related to legal services provided by such firm.

**NOTE 16 - Litigation**

On November 20, 2008, an Article 78 proceeding in the Supreme Court of the State of New York County of New York was initiated against New York City Economic Development Corporation; the City of New York Department of Small Business Services; Robert Walsh, in his capacity as Commissioner of the Department of Small Business Services; William C. Thompson, Jr., Comptroller of the City of New York, Office of the New York City Comptroller; The Honorable Mayor Bloomberg in his capacity as Mayor of the City of New York, by Petitioners Linden Airport Management Corporation and Paul P. Dudley, individually, objecting to the award of a concession for the Fixed-Base Operator for the Downtown Manhattan Heliport to the Company. Shortly thereafter, the Company was joined as a necessary party to the Article 78 proceeding. The Petitioners alleged that the selection process for awarding Saker the concession, was arbitrary, capricious and an abuse of permitted discretion and made in violation of lawful procedure. In relation to this allegation, Petitioners sought an annulment of the previous award of the concession and a new "Request for Proposals" process in order to award the concession to an entity other than the Company. Petitioners also alleged a breach of public trust against the City of New York and damages of at least \$1,000,000. On April 21, 2009, this proceeding was dismissed by the Supreme Court of the State of New York County of New York. On October 9, 2009, Petitioners filed a Notice of Appeal in the New York Supreme Court, Appellate Division, First Department, currently calendared to be heard for the January 2010 Term, seeking to overturn the lower court's dismissal of the Article 78 proceeding. On January 6, 2010, the Company filed its brief in connection with the Appeal. On March 16, 2010, the Appellate Division unanimously dismissed the Petitioners appeal.

On April 7, 2009, Terrance P. Kelley ("Kelley") and Gold Jets, LLC commenced an action against the Company, New World Jet Corporation, New World Jet Acquisition Corporation, and Doe Corporation, being a fictitious name of a known entity, in the Supreme Court of the State of New York, County of Monroe. The plaintiffs allege, among other things, breaches of the Stock Purchase Agreement and the Consulting Agreement, which were entered into in connection with the purchase of New World Jet Corporation by

**SAKER AVIATION SERVICES, INC. AND SUBSIDIARIES**  
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New World Jet Acquisition Corporation, a wholly-owned subsidiary of Saker, and Saker. The plaintiffs seek declaratory relief and damages in an amount not less than \$200,000. On June 8, 2009, the Company served its answer denying liability and asserting defenses and counterclaims, including claims that plaintiffs breached their contractual obligations to the Company. On July 6, 2009, Kelley amended his complaint to add certain individuals as defendants. On August 7, 2009, the Company filed an answer to the amended complaint reasserting its defenses and counterclaims. On December 28, 2009, the parties settled the lawsuit and issued mutual releases to that end. The Company does not believe that the terms of the settlement are material to the Company.

In addition to the matters noted above, from time to time, the Company may be a party to one or more claims or disputes which may result in litigation. The Company's management does not, however, presently expect that any such matters will have a material adverse effect on the Company's business, financial condition or results of operations.

NOTE 17 - Subsequent Events

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None.

**ITEM 9A(T). CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our President and Chief Executive Officer (principal executive and financial officer) evaluated our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10-K. Based on this evaluation, our President and Chief Executive Officer concluded that our disclosure controls were effective as of such date.

Based upon its evaluation, our management, with the participation of our President and Chief Executive Officer, has concluded there is a significant deficiency with respect to the Company's internal control over financial reporting as defined in Rule 13a-15(e). Those rules define internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The weakness identified by management relates to the lack of sufficient accounting resources to apply certain U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

Our Senior Vice President and Chief Financial Officer resigned effective December 31, 2008. We currently lack adequately trained accounting personnel with appropriate US GAAP expertise for certain complex transactions. Management believes this weakness is considered a significant deficiency but does not rise to the level of a material weakness due to the compensating supervisory controls as discussed below.

As of the end of the period covered by this report and to address the identified weakness, we engage consultants or other resources to assist with the accounting and disclosure for complex transactions. Our President and Chief Executive Officer operates in a supervisory capacity to help compensate for the limited accounting personnel. This added level of supervision helps ensure the financial statements and disclosures are accurate and complete. This additional assistance was considered in concluding that our weakness in internal control is a significant deficiency. This added level of supervision helps ensure the financial statements and disclosures are accurate and complete.

In order to correct this deficiency, we plan to hire additional employees or consultants, as needed, to ensure that management will have adequate resources in order to attain complete reporting of financial information on a timely manner and provide a further level of segregation of financial responsibilities.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Such limitations include the fact that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures, such as simple errors or mistakes or intentional circumvention of the established process.

**Management's Report on Internal Control Over Financial Reporting; Changes in Internal Controls Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide a reasonable assurance of achieving their objectives. Under the supervision and with the participation of our management, including our President and Chief Executive Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as set forth in Internal Control - Integrated Framework. Based on our evaluation under the framework in Internal Control — Integrated Framework, our management concluded that our internal control over financial reporting was effective at the reasonable assurance level as of December 31, 2009.

During the year ended December 31, 2009, no changes were made to our internal controls over financial reporting that materially affected or were reasonably likely to materially affect these controls subsequent to the date of their evaluation. As discussed above, our Senior Vice President and Chief Financial Officer resigned effective December 31, 2009. As also discussed

elsewhere in this report, our charter segment was divested on March 2, 2009. Management believes that the requirements for internal controls will be absorbed by other personnel in the continuing operations and will not have a material effect on our internal controls over financial reporting.

This report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the Commission that permit the Company to provide only management's report in this annual report.

**ITEM 9B. OTHER INFORMATION**

None.

### Part III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, AND CORPORATE GOVERNANCE

The following table contains certain information related to the directors and executive officers of Saker as of April \_\_, 2009:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Ronald J. Ricciardi	48	Director, Chairman of the Board, President & Chief Executive Officer
William B. Wachtel	55	Director
Donald Hecht	76	Director
Jeffrey B. Mendell	56	Director
Alvin S. Trenk	80	Director

Each of our directors is re-elected at the Annual Meeting of Stockholders to serve until the next Annual Meeting of Stockholders or until his successor is duly elected and shall have qualified. Our officers are elected annually by the Board of Directors to serve at the discretion of the Board.

#### **Business History**

##### ***Ronald J. Ricciardi – Director, Chairman of the Board, President & Chief Executive Officer***

Mr. Ricciardi had served as the President and a director of Arizona FBO Air, Inc. since its inception and was designated as its Chief Executive Officer on January 2, 2004. He was appointed President and director ours and designated as our Chief Executive Officer effective with the reverse merger transaction on August 20, 2004. On December 12, 2006, he was elected as our Vice Chairman of the Board. On March 2, 2009, he was re-appointed our President and designated as our Chief Executive Officer. On April 8, 2009, Mr. Ricciardi was elected as our Chairman of the Board.

Mr. Ricciardi is a senior executive with extensive general management experience in entrepreneurial and large companies. Before joining the Arizona FBO Air, Mr. Ricciardi was President and CEO of P&A Capital Partners, Inc., an entertainment finance company established to fund the distribution of independent films. Mr. Ricciardi was also co-founder, Chairman and CEO of eTurn, Inc., a high technology service provider, for which he developed a consolidation strategy, negotiated potential merger/acquisition candidates, prepared private placement materials and executed numerous private, institutional and venture capital presentations. After a management career at Pepsi-Cola Company and the Perrier Group of America, Mr. Ricciardi was President and CEO of Clearidge, Inc., a leading regional consumer products company, where he provided strategic and organizational development, and led a consolidation effort that included 14 transactions, which more than tripled their revenue over four years.

##### ***William B. Wachtel – Director***

Mr. Wachtel was elected as a director and our Chairman of the Board on March 31, 2005. Mr. Wachtel served as our Chairman until April 8, 2009, when he resigned from such capacity but remained a member of the Board.

Mr. Wachtel has been a managing partner of Wachtel & Masyr, LLP, or its predecessor law firm (Gold & Wachtel, LLP), since its founding in August 1984. Such firm serves as corporate counsel to the Company. He is a co-founder of the Drum Major Institute, an organization carrying forth the legacy of the late Reverend Martin Luther King, Jr.

##### ***Donald Hecht - Director***

Mr. Hecht was first elected as a director effective September 15, 2006, and has served in that capacity since then.

Mr. Hecht has, since 1966, been a managing partner of Hecht and Company, P.C., a certified public accounting firm. He has served on the board of directors of other public companies.

***Jeffrey B. Mendell - Director***

Mr. Mendell was first elected as a director on September 30, 2004, and has served in that capacity since then.

Mr. Mendell is, and has been since 1983, the Chairman & CEO of JBM Realty, a private real estate company headquartered in Greenwich, Connecticut. This company is active in the development, financing and sale of residential and commercial properties. His most recent project was the development of Greenwich Shore, a luxury rental apartment project overlooking Long Island Sound in Greenwich, Connecticut.

Earlier in his career, Mr. Mendell was an executive with Citicorp Real Estate, Inc. in New York City and he is a licensed real estate broker in the State of New York

***Alvin S. Trenk - Director***

Mr. Trenk was first elected as a director and our Chairman of the Board effective with the reverse merger transaction on August 20, 2004. He resigned as the Chairman of the Board on March 31, 2005, but has served as a director since August 20, 2004.

Mr. Trenk has served as Chairman and CEO of Air Pegasus since 1981 and, from 1997 to 2003, as Chairman, President and CEO of Sightseeing Tours of America, Inc. and Liberty Helicopters, Inc., privately held corporations operating public use heliports in New York and providing helicopter air tours and charter and air services. Mr. Trenk has also been Chairman and CEO of TechTron, Inc. since 1980. TechTron is a privately owned holding company with investment emphasis on emerging global market opportunities. From 1976 to 1980, Mr. Trenk was Vice Chairman of Kenton Corporation, a diversified publicly-traded corporation, where he also served as President and CEO of Charles Town Turf Club, owner and operator of thoroughbred race tracks in West Virginia, and Chairman and CEO of International Health Company, which owned and operated a national chain of artificial kidney centers.

**Family Relationships**

There are no family relationships among our directors.

**Other Directorships**

None of our directors serves as a director of a company with a class of securities registered pursuant to Section 12 of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

**Code of Ethics**

On May 19, 2006, our Board of Directors adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions as well as all of our other employees and directors. We will provide to any person, without charge, upon request, a copy of our Code of Ethics upon written or oral request to Ronald J. Ricciardi, Chairman of the Board, Saker Aviation Services, Inc., 101 Hangar Road, Wilkes-Barre/Scranton International Airport, Avoca, PA 18641, or by telephone at: (570) 457-3400.

**Committees of the Board of Directors**

There are three committees of the Board of Directors: the Audit Committee comprised of Donald Hecht and Ronald J. Ricciardi; the Compensation Committee comprised of Jeffrey B. Mendell, Chairman, and Alvin S. Trenk, and the Nominating Committee comprised of Jeffrey B. Mendell and Ronald J. Ricciardi.

**Section 16(a) of the Exchange Act Beneficial Ownership Reporting Compliance**

Based solely on a review of Forms 3 and 4 and amendments thereto, furnished to us during the fiscal year ended December 31, 2009 and Forms 5 and amendments thereto, furnished to us with respect to the fiscal year ended December 31, 2009, each director and executive officer timely reported all of his transactions during that most recent fiscal year as required by Section 16(a) of the Exchange Act except that, due to a delay in finalizing stock option agreements after Compensation Committee grants, each non-

employee director (Messrs. Hecht, Mendell, Trenk and Wachtel) reported late an option grant to non-employee directors on December 1, 2009.

### **Corporate Governance**

There have been no changes to the procedures by which security holders of Saker may recommend nominees to its Board of Directors since the Board set forth such policy in its proxy statement for its Annual Meeting of Stockholders held on June 18, 2009.

Saker's Board of Directors has determined that Donald Hecht qualifies as an audit committee financial expert on its Audit Committee, as such term is defined in applicable Commission rules, and is "independent" as that term is defined by the rules of The Nasdaq Stock Market, Inc. ("Nasdaq").

**ITEM 11. EXECUTIVE COMPENSATION**

**COMPENSATION OF EXECUTIVE OFFICERS**

The following table sets forth the annual and long-term compensation paid by us for services performed on our behalf for the fiscal years ended December 31, 2009 and 2008 with respect to any person who served as our Chief Executive Officer during fiscal 2009 and the two other most highly compensated executive officers serving at December 31, 2009 whose total compensation exceeded \$100,000 in fiscal 2009. The two persons named in the table are the only persons who served as our executive officers in fiscal 2008 or 2009.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)(2)	Bonus (\$)	Option Awards \$(3)	All Other Compensation \$(4)	Total (\$)
Ronald J. Ricciardi, Chairman of the Board President & CEO	2009	172,083	—	—	20,300	192,383
	2008	130,417	—	—	29,000	159,417
John H. Dow, Former President and Chief Executive Officer (1)	2009	25,000	—	—	3,700	28,700
	2008	150,000	83,333	—	28,000	261,333

- Mr. Dow resigned as President and Chief Executive Officer and as a director effective with the March 2, 2009 divestiture of Airborne.
- Mr. Ricciardi received a base salary of \$125,000 through October 31, 2008 and \$175,000 thereafter. Effective November 1, 2008, Mr. Ricciardi agreed to temporarily forego 10% of his salary until further notice in connection with a cost-reduction program, which was suspended on March 2, 2009. Before his resignation, effective March 2, 2009, Mr. Dow received a base salary of \$150,000 and a guaranteed bonus of \$100,000. Effective November 1, 2008, Mr. Dow agreed to temporarily forego his guaranteed bonus until further notice in connection with a cost-reduction program.
- Mr. Ricciardi received an auto allowance of \$1,000 per month through June 2009 when Mr. Ricciardi waived such benefit. Mr. Dow received the use of an automobile and related expenses, estimated at a value of \$1,000 per month. Mr. Ricciardi receives, and Mr. Dow received, health insurance coverage estimated at a value of \$1,000 per month. Mr. Ricciardi received a Company match to his 401(k) contributions amounting to approximately \$3,300 in 2009 and approximately \$5,000 in 2008. Mr. Dow received a Company match to his 401(k) contributions amounting to approximately \$4,000 in 2009 and approximately \$1,700 in 2008.

**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2009**

Name	Number of Securities Underlying Unexercised Options Exercisable (#)(1)	Option Exercise Price (\$)	Option Expiration Date
Ronald J. Ricciardi	250,000	1.60	03/31/2010
	250,000	0.50	03/31/2011
	250,000	0.39	03/31/2012
John H. Dow	—	—	03/02/2009
	—	—	03/02/2009

- As part of his employment agreement, Mr. Ricciardi: (a) received on April 1, 2005 an option for 250,000 shares at \$1.60 per share, the closing sales price of the common stock on March 31, 2005, which is currently exercisable; (b) received on April 1, 2006 an option for 250,000 shares at \$0.50 per share, the closing sales price on March 31, 2006, which is currently exercisable; and (c) received as of April 1, 2007 an option for 250,000 shares at \$0.39 per share, the closing sales price on March 31, 2007,

which is currently exercisable.

As part of his employment agreement, Mr. Dow: (a) received on September 23, 2005 an option for 250,000 shares at \$0.33 per share, upon which he made a cashless exercise on January 11, 2006 and for which he received 85,000 shares; (b) received on September 23, 2006 an option for 250,000 shares at \$0.40 per share, the closing sales price of the common stock on September 22, 2006, which is currently exercisable; and (c) received on September 23, 2007 an option for 250,000 shares at \$0.40 per share, the closing sales price of the common stock on September 22, 2007, which is currently exercisable. All of the previously mentioned options were forfeited by Mr. Dow as a condition to the consummation of the Airborne divestiture.

Each set of options expires five years from its respective date of vesting. We have never re-priced any option (including those in the table) or otherwise modified any such option (such as by extension of exercise periods, the change of vesting or forfeiture conditions or the change or elimination of applicable performance criteria).

#### 2009 DIRECTOR COMPENSATION TABLE

Name	Fees Earned in Cash \$(1)	Option Awards \$(2)	Total (\$)
William B. Wachtel	—	3,000	3,000
Donald Hecht	—	3,000	3,000
Jeffrey B. Mendell	—	3,000	3,000
Alvin S. Trenk	—	3,000	3,000

1. Non-employee Directors are entitled to a fee of \$1,000 per board meeting and \$750 and \$500 per committee meeting for committee chairman and committee members, respectively. Each director is also reimbursed for expenses incurred in connection with attendance at meetings of the Board of Directors. During 2009, each non-employee director waived their cash fees and expenses.
2. Each non-employee director is eligible to be granted an annual option to purchase shares of our common stock. On December 1, 2009, the Compensation Committee granted each non-employee director an option for their service in 2009. Each set of options was for 25,000 shares and was priced at \$0.12 per share, which was the closing sales price of the common stock on December 1, 2009. The options vest on December 1, 2010 and may be exercised until December 1, 2014.

#### Employment Agreements

On September 22, 2005, we entered into an employment agreement with John H. Dow (the "Dow Employment Agreement"). Mr. Dow served as our President and our Chief Executive Officer. The term of the agreement was for three years and thereafter would have automatically renewed for additional one-year periods. Mr. Dow's base annual salary was \$150,000 with a guaranteed annual bonus of \$100,000. In addition, he was eligible to receive an annual performance bonus at the discretion of the Board of Directors. Mr. Dow was to be granted an option each September 22 during the initial term of the agreement to purchase 250,000 shares of our common stock. He received his first option effective September 22, 2005, his second option effective September 22, 2006 and his third option effective September 22, 2007. As a condition of the Airborne divestiture, Mr. Dow resigned from his positions with us effective March 2, 2009 and the Dow Employment Agreement was terminated and all options were forfeited.

On March 31, 2005, the Board of Directors authorized execution of the First Amendment effective April 1, 2005 (the "First Amendment") to the employment agreement (the "Ricciardi Employment Agreement") for Ronald J. Ricciardi, our President and CEO. The First Amendment provided that Mr. Ricciardi's employment under the Ricciardi Employment Agreement was effective April 1, 2005, would continue for an initial term of three years, and thereafter be subject to automatic one-year renewals. The First Amendment increased his base salary to \$175,000. Mr. Ricciardi was granted an option each April 1 during the initial term to purchase 250,000 shares of our common stock. The first option was granted effective April 1, 2005, the second option was granted effective April 1, 2006 and the third option was granted effective April 1, 2007. On December 12, 2006, the Board of Directors authorized execution of the Second Amendment effective as of that date (the "Second Amendment") reflecting that Mr. Ricciardi was elected as Vice Chairman of the Board by the Board of Directors and, effective January 1, 2007 Mr. Ricciardi's base salary was adjusted to \$125,000. The initial term was also extended and expired on March 31, 2009 and remains subject to automatic one-year renewals. On November 1, 2008, Mr. Ricciardi's salary was adjusted to \$175,000. On March 2, 2009, Mr. Ricciardi was re-appointed as our President and Chief Executive Officer. On April 8, 2009, Mr. Ricciardi was elected Chairman of the Board and will serve in

such capacity until the first meeting of the Board of Directors of the Corporation immediately following our next Annual Meeting of Stockholders or until the Board otherwise directs.

**Additional Narrative Disclosure**

We do not offer a defined retirement or pension plan. The Saker 401k Plan (the "Plan") covers all of our employees. The Plan contains an option for us to match each participant's contribution. Any Company contribution vests over a five-year period on a 20% per year basis. During 2008, we matched participant contributions at a rate of 50% of the first 6% of participant deferrals. In June 2009, we suspended our match of participant contributions. Our contributions to the Plan totaled approximately \$16,000 and \$26,000 for the years ended December 31, 2009 and 2008, respectively.

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

**Beneficial Owners**

The following table presents certain information as of April \_\_, 2009 regarding the beneficial ownership of our Common Stock by:

- each of our current executive officers and directors; and
- all of our current directors and executive officers as a group; and
- each other person or entity known by us to own beneficially 5% or more of our issued and outstanding common stock.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned (1)
Ronald J. Ricciardi (2)	1,643,575 (3)	4.9%
William B. Wachtel (4)	6,821,907 (5)	19.6%
Donald Hecht (4)	341,700 (6)	1.0%
Jeffrey B. Mendell (4)	310,293 (7)	0.9%
Alvin S. Trenk (4)	1,872,944 (8)	5.5%
All directors and officers As a group (5 in number)	10,990,419	30.0%

(1) The percentages computed in the table are based upon 33,164,453 shares of our common stock, which were outstanding on April \_\_, 2009. Effect is given, pursuant to Rule 13-d(1)(i) under the Exchange Act, to shares of our common stock issuable upon the exercise of options or warrants currently exercisable or exercisable within 60 days of April \_\_, 2009.

(2) Ronald J. Ricciardi is our President and Chief Executive Officer and he also serves as Chairman of the Board and as a director.

(3) The shares of the Common Stock reported in the table include: (a) 250,000 shares issuable upon the exercise of an option expiring March 31, 2011; (c) 250,000 shares issuable upon the exercise of an option expiring March 31, 2012; and (d) 100,000 shares issuable upon the exercise of a warrant expiring August 31, 2011. Each of the two options and the warrant is currently exercisable.

(4) The reporting person is a director.

(5) The shares of our common stock reported in the table include: (a) 800,000 of the 1,200,000 shares subject to a warrant expiring September 22, 2010, which is currently exercisable; (b) 750,000 shares issuable upon the exercise of a warrant expiring August 31, 2011, which is currently exercisable; (c) 25,000 shares issuable upon the exercise of an option expiring December 12, 2010, which is currently exercisable; (d) 25,000 shares issuable upon the exercise of an option expiring April 18, 2012, which is currently exercisable; (e) 25,000 shares issuable upon the exercise of an option expiring December 1, 2012, which is currently exercisable; and (f) 25,000 shares issuable upon the exercise of an option expiring December 1,

2013, which is currently exercisable. The shares of our common stock reported in the table do not reflect (x) 333,400 shares of the Common Stock and (y) 200,000 shares issuable upon the exercise of a warrant expiring August 31, 2011 (which is currently exercisable) acquired by Wachtel & Masyr, LLP, which provides certain legal services for us, in the private placement which we closed on September 1, 2006. Mr. Wachtel is a managing partner of such firm, but does not have sole dispositive or voting power with respect to his firm's securities.

- (6) The shares of our common stock reported in the table include: (a) 100,000 shares issuable upon the exercise of a warrant expiring August 31, 2011 which is currently exercisable; (b) 25,000 shares issuable upon the exercise of an option expiring December 12, 2010, which is currently exercisable; (c) 25,000 shares issuable upon the exercise of an option expiring April 18, 2012, which is currently exercisable; (d) 25,000 shares issuable upon the exercise of an option expiring December 1, 2012, which is currently exercisable; and (e) 25,000 shares issuable upon the exercise of an option expiring December 1, 2013, which is currently exercisable.
- (7) The shares of our common stock reported in the table include: (a) 25,000 shares issuable upon the exercise of an option expiring December 12, 2010 which is currently exercisable; (b) 25,000 shares issuable upon the exercise of an option expiring April 18, 2012, which is currently exercisable; (c) 25,000 shares issuable upon the exercise of an option expiring December 1, 2012, which is currently exercisable; and (d) 25,000 shares issuable upon the exercise of an option expiring December 1, 2013.
- (8) The shares of our common stock reported in the table include: (a) 400,000 shares of the 1,200,000 shares subject to a warrant expiring September 22, 2010, which is currently exercisable; (b) 500,000 shares issuable upon the exercise of a warrant expiring August 31, 2011, which is currently exercisable; (c) 25,000 shares issuable upon the exercise of an option expiring December 12, 2010, which is currently exercisable; (d) 25,000 shares issuable upon the exercise of an option expiring April 18, 2012, which is currently exercisable; (e) 25,000 shares issuable upon the exercise of an option expiring December 1, 2012, which is currently exercisable; and (f) 25,000 shares issuable upon the exercise of an option expiring December 1, 2013, which is currently exercisable.

#### Securities Authorized for Issuance under Equity Compensation Plans

The following table set forth certain information, as of December 31, 2009, with respect to securities authorized for issuance under equity compensation plans. The only security being so offered is our common stock.

	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	925,000	\$ 0.341	6,575,000
Equity compensation plans not approved by security holders	325,000	\$ 1.637	—
Total	<u>1,250,000</u>	\$ 0.678	<u>6,575,000</u>

We received stockholder approval on December 12, 2006 for the Saker Aviation Services, Inc. Stock Option Plan of 2005 which relates to 7,500,000 shares of our common stock.

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

### Certain Relationships and Related Transactions

The firm of Wachtel & Masyr, LLP provides certain legal services to us. William B. Wachtel, a member of our Board of Directors, is a managing partner of this firm. During the year ended December 31, 2009, we were billed for legal services of \$195,000. At December 31, 2009, we had recorded in accounts payable an obligation for legal fees of approximately \$14,250 related to these legal services.

Our Board of Directors adopted a Policy and Procedure Governing Related Party Transactions on April 26, 2007, which policy delegates certain functions related to the review and approval of related party transactions to the Audit Committee and the Compensation Committee.

### Director Independence

Our Board of Directors made the determination of director independence in accordance with the definition set forth in Nasdaq rules. Under such definition, each of Donald Hecht, Jeffrey B. Mendell, and Alvin S. Trenk qualify as independent.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

**Audit Fees.** The aggregate fees billed for professional services rendered were approximately \$118,000 by Marcum LLP and Kronick Kalada Berdy & Co. for 2009 and approximately \$165,000 by Marcum & Kliegman LLP for 2008 for the audits of our annual financial statements for the fiscal years ended December 31, 2009 and 2008 and the reviews of the financial statements included in the Company's Forms 10-Qs and registration statements for those fiscal years.

**Audit-Related Fees.** The aggregate fees billed for professional services categorized as Audit-Related Fees rendered were \$0 for the fiscal years ended December 31, 2009 and 2008.

**Tax Fees.** For the years ended December 31, 2009 and 2008, the aggregate fees billed for services categorized as Tax Fees was \$18,000.

**All Other Fees.** The aggregate fees billed for services categorized as All Other Fees rendered by the principal accountant were \$0 for the fiscal years ended December 31, 2009 and 2008.

**Audit Committee Policies and Procedures.** The Audit Committee must pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for us by our independent registered public accountants, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, which should be nonetheless be approved by the Audit Committee of the Board of Directors prior to the completion of the audit. Each year the Audit Committee approves the engagement of our independent registered public accountant to audit our financial statements, including the associated fee, before the filing of the previous year's Annual Report on Form 10-K. At the beginning of the fiscal year, the Audit Committee will evaluate other known potential engagements of the independent registered public accountants, including the scope of work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent registered public accountant's independence from management. At each such subsequent meeting, the registered public accountants and management may present subsequent services for approval. Typically, these would be services such as due diligence for an acquisition, that would not have been known at the beginning of the year.

Since December 17, 2009 when our Board of Directors initially authorized the engagement of Kronick Kalada Berdy & Co., and since September 24, 2004 when our Board of Directors initially authorized the engagement of Marcum LLP, pursuant to the Commission rules stating that an auditor is not independent of an audit client if the services it provides to the client are not appropriately approved, each subsequent engagement of Marcum LLP and Kronick Kalada Berdy & Co. has been approved in advance by the Audit Committee of the Board of Directors, and none of these engagements made use of the de minimus exception to the pre-approval contained in Section 10A(i)(1)(B) of the Exchange Act.

## Part VI

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

The consolidated financial statements of Saker Aviation Services, Inc. and subsidiaries as of December 31, 2009 and 2008 and for each of the years then ended, and the Report of Independent Registered Public Accounting Firm thereon, are included herein as shown in the “Table of Contents to Consolidated Financial Statements.”

(b) Financial Statement Schedules

None.

(c) Exhibits

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
2	Agreement and Plan of Merger dated as of July 26, 2004 by and between Saker (then named Shadows Bend Development, Inc.) and FBO Air, Inc., an Arizona corporation (without schedules). (1)
3 (i) (2)	Certificate of Designations. (3)
3 (i) (3)	Articles of Merger (Changing name to Saker Aviation Services, Inc. (4) (Exhibit 3.1)
3 (i)	Restated Articles of Incorporation.(4)
3(ii)	Bylaws of Saker Aviation Services, Inc. (5) (Exhibit 3.2)
4.1	Common Stock Certificate. (12)
4.2	Form of Warrant expiring March 31, 2010. (5) (Exhibit 4.2)
4.3	Registration Rights Agreement (without schedule or exhibit). (5) (Exhibit 4.4)
4.4	Form of Co-Investor Registration Rights Agreement (without schedule or exhibit). (5)
4.5	Copy of Warrant expiring September 22, 2010. (6)
4.6	Form of Subscription Agreement (including registration rights commitment). (8)
4.7	Copy of Warrant expiring August 31, 2011. (11)
4.8	Copy of Warrant expiring December 29, 2014 (12)
* 10.1	Copy of Employment Agreement dated as of January 2, 2004 by and between Ronald J. Ricciardi and Company (as the successor by merger to FBO Air, Inc., an Arizona corporation). (7)
* 10.2	Copy of First Amendment effective April 1, 2005 to the Ricciardi Employment Agreement. (5) (Exhibit 10.9)
* 10.3	Copy of Second Amendment to the Ricciardi Employment Agreement. (10)
10.4	Copy of Asset Purchase Agreement dated March 31, 2005 among FBO Air Garden City, Inc. and John A. Crotts. (5) (Exhibit 10.1)

10.5	Copy of Stock Purchase Agreement dated March 31, 2005 between Tech Aviation Source, Ronald D. Ertley, Frank E. Paczewski, and FBO Air Wilkes-Barre, Inc. (5) (Exhibit 10.3)
* 10.6	Copy of the Saker Aviation Services, Inc. Stock Option Plan of 2005 dated as of December 13, 2005. (9)
10.7	Share Exchange Agreement between Saker Aviation Services, Inc., Airborne, Inc. and John and Daphne Dow dated March 2, 2009. (11)
10.8	Loan Agreement between Saker Aviation Services, Inc. and Airborne, Inc. dated March 2, 2009. (11)
10.9	Promissory Note between Airborne, Inc. and Saker Aviation Services, Inc. dated March 2, 2009. (11)
10.10	Loan Agreement between Saker Aviation Services, Inc. and EuroAmerican Investment Corp. dated March 2, 2009. (11)
10.11	Promissory Note between Saker Aviation Services, Inc. and EuroAmerican Investment Corp. dated March 2, 2009. (11)
10.12	Loan Agreement between Saker Aviation Services, Inc. and Five Star Bank dated March 2, 2009. (11)
10.13	Security Agreement between Saker Aviation Services, Inc. and Five Star Bank dated March 2, 2009. (11)
10.14	Line of Credit Note between Saker Aviation Services, Inc., Airborne, Inc., and Five Star Bank dated March 2, 2009. (11)
10.15	Assignment and Allonge between Five Star Bank and Birch Hill Capital dated December 29, 2009. (12)
21	Subsidiaries. (12)
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act (principal executive and financial officer).
32.1	Certification pursuant to Section 1350 Certification of Sarbanes-Oxley Act of 2002.

Footnotes:

- (1) Incorporated by reference from Exhibit 2 to the Company's Current Report on Form 8-K filed on August 27, 2004.
- (2) Incorporated by reference from Exhibit 3.1(a) to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004.
- (3) Incorporated by reference from Exhibit 3.16 to the Company's Current Report on Form 8-K filed on December 18, 2006.
- (4) Incorporated by reference from the Company's Current Report on Form 8-K filed on October 1, 2009.
- (5) Incorporated by reference from the Company's Current Report on Form 8-K filed on April 6, 2005.
- (6) Incorporated by reference from Exhibit 4 to the Company's Current Report on Form 8-K/A filed on November 3, 2005.
- (7) Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 5, 2004.
- (8) Incorporated by reference from the Company's Registration Statement on Form SB-2, File No. 333-138994.
- (9) Incorporated by reference from Exhibit 10.18 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005.

(10) Incorporated by reference from Exhibit 10.7 to the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006.

(11) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

(12) Filed herewith

SIGNATURES

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

Saker Aviation Services, Inc.  
(Registrant)

Date: April \_\_, 2010

By: /s/ Ronald J. Ricciardi

Ronald J. Ricciardi,  
President and Chief Executive Officer

SIGNATURE	TITLE	DATE
<u>/s/ William B. Wachtel</u> William B. Wachtel	Director	April __, 2010
<u>/s/ Donald Hecht</u> Donald Hecht	Director	April __, 2010
<u>/s/ Jeffrey B. Mendell</u> Jeffrey B. Mendell	Director	April __, 2010
<u>/s/ Alvin S. Trenk</u> Alvin S. Trenk	Director	April __, 2010
<u>/s/ Ronald J. Ricciardi</u> Ronald J. Ricciardi	Director, Principal Executive, Financial, and Accounting Officer	April __, 2010

Saker Aviation Services, Inc. Form 10-K for the Year Ended December 31, 2009  
Exhibits Filed with the Annual Report

**INDEX**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
4.1	Common Stock Certificate
4.8	Copy of Warrant expiring December 29, 2014.
10.15	Assignment and Allonge between Five Star Bank and Birch Hill Capital dated December 29, 2009.
21	Subsidiaries.
31.1	Officer's Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act.
32.1	Certification Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

## EXHIBIT 31.1

### **Certification of President and Chief Executive Officer (principal executive and financial officer) Pursuant To Rule 13a-14(a)/15d-14(a)**

I, Ronald J. Ricciardi, certify that:

1. I have reviewed this Annual Report on Form 10-K of Saker Aviation Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April \_\_, 2010

By: /s/ Ronald J. Ricciardi

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Ronald J. Ricciardi  
President and Chief Executive Officer (principal executive and financial officer)

**EXHIBIT 32.1**

**Section 1350 Certification**

Pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), Ronald J. Ricciardi, the President and Chief Executive Officer (principal executive and financial officer) of Saker Aviation Services, Inc. does hereby certify that:

1. The Annual Report on Form 10-K for the year ended December 31, 2009 (the “Report”) of Saker Aviation Services, Inc. fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of Saker Aviation Services, Inc.

Date: April \_\_, 2010

By: /s/ Ronald J. Ricciardi  
Ronald J. Ricciardi  
President and Chief Executive Officer  
(principal executive and principal financial officer)

A signed original of this written statement required by Section 906 has been provided to Saker Aviation Services, Inc. and will be retained by Saker Aviation Services, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.