

Report Under Section 4026(b)(1) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses

Program Description

Section 4003 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) authorizes the Treasury Department to make loans, loan guarantees, and other investments to provide liquidity to eligible businesses related to losses incurred as a result of coronavirus.

The CARES Act provides:

- (1) up to \$25 billion for loans and loan guarantees for passenger air carriers; eligible businesses that are certified under 14 CFR part 145 and approved to perform inspection, repair, replace, or overhaul services; and ticket agents (as defined in 49 U.S.C. § 40102);
- (2) up to \$4 billion for loans and loan guarantees for cargo air carriers; and
- (3) up to \$17 billion for loans and loan guarantees for businesses critical to maintaining national security.

A loan or loan guarantee under section 4003 may be made in such form and on such terms and conditions and contain such covenants, representations, warranties, and requirements as the Treasury Secretary determines appropriate. However, the CARES Act specifies a number of requirements applicable to these loans. Among other requirements under the statute, borrowers must agree to maintain employment levels as of March 24, 2020 to the extent practicable, and in any case not reduce their employment levels by more than 10 percent from the levels on such date, until September 30, 2020. Borrowers must also agree to certain restrictions on employee compensation; agree not to repurchase stock, except to the extent required under a contractual obligation in effect as of March 27, 2020; and agree not to pay dividends or make other capital distributions with respect to the borrower's common stock until 12 months after the loan has been repaid.

In addition, the CARES Act requires that Treasury receive a warrant or equity instrument in the borrower if the borrower is a public company (unless Treasury determines that the issuance of warrants or equity is infeasible, in which case the company must provide a senior debt instrument), or a warrant, equity instrument, or senior debt instrument if the borrower is a private company, to compensate taxpayers.

Reporting Requirements

The CARES Act requires Treasury to make a number of disclosures regarding its loans and loan guarantees under section 4003 of the CARES Act:

- (1) under section 4026(a) of the CARES Act, not later than 72 hours after any transaction under section 4003(b)(1), (2), or (3) of the CARES Act, Treasury must

- publish on its website a description of the transaction, certain transaction terms, and transaction documentation;
- (2) under section 4026(b)(1)(A) of the CARES Act, not later than seven days after any loan or loan guarantee under section 4003(b)(1), (2), or (3), Treasury must submit to Congress a report summarizing the actions taken under those provisions and certain related financial information;
 - (3) under section 4026(b)(1)(B) of the CARES Act, not later than seven days after delivering the report to Congress described above, Treasury must publish the report on its website; and
 - (4) under section 4026(b)(1)(C) of the CARES Act, every 30 days while a loan or loan guarantee under section 4003(b)(1), (2), or (3) is outstanding, Treasury must publish on its website a report summarizing its reports to Congress described above.

Current Report

This is Treasury's second report under section 4026(b)(1) of the CARES Act and reflects seven transactions: two transactions on September 25, 2020, three transactions on September 28, 2020, and two transactions on September 29, 2020.

Treasury entered into seven loan transactions under section 4003(b)(1), (2), or (3), for a total of \$14.655 billion. Of this amount, \$1.575 billion has been disbursed.

Alaska Airlines, Inc.

Treasury agreed to make a loan of up to \$1.301 billion to Alaska Airlines, Inc. (Alaska Airlines), a wholly owned subsidiary of Alaska Air Group, Inc., and one of the largest domestic airlines in the United States. Alaska Airlines had approximately 22,000 U.S. employees in March 2020 and carried more than 46 million passengers in 2019.

The loan is secured by Alaska Airlines' Mileage Plan loyalty program. The loan has an interest rate equal to LIBOR plus 2.5% and matures on September 26, 2025. Alaska Airlines elected to draw \$135 million upon closing of the loan and may draw the remaining loan funds in multiple draws through March 26, 2021. The loan proceeds will be used to provide liquidity to continue Alaska Airline's operations. The transaction agreement includes covenants by Alaska Airlines to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn. Treasury expects, subject to certain conditions and satisfactory documentation, to increase the amount of the loan available to Alaska Airlines to \$1.928 billion.

American Airlines, Inc.

Treasury agreed to make a loan of up to \$5.477 billion to American Airlines, Inc. (American Airlines), a wholly owned subsidiary of American Airlines Group, Inc. and one of the largest domestic airlines in the United States. American Airlines had

approximately 157,000 U.S. employees in March 2020 and carried more than 150 million passengers in 2019.

The loan is secured by American Airlines' AAdvantage loyalty program. The loan has an interest rate equal to LIBOR plus 3.5% and matures on June 30, 2025. American Airlines elected to draw \$550 million upon closing of the loan and may draw the remaining loan funds in multiple draws through March 26, 2021. The loan proceeds will be used to provide liquidity to continue American Airline's operations. The transaction agreement includes covenants by American Airlines to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn. Treasury expects, subject to certain conditions and satisfactory documentation, to increase the amount of the loan available to American Airlines to \$7.5 billion.

Frontier Airlines, Inc.

Treasury agreed to make a loan of up to \$574 million to Frontier Airlines, Inc. (Frontier Airlines), a wholly owned subsidiary of Frontier Airlines Holdings, Inc., and one of the largest domestic airlines in the United States. Frontier Airlines had approximately 5,000 U.S. employees in March 2020 and carried more than 21 million passengers in 2019.

The loan is secured by the Frontier Airlines' Frontier Miles loyalty program. The loan has an interest rate equal to LIBOR plus 2.5% and matures on September 26, 2025. Frontier Airlines elected to draw \$150 million upon closing of the loan and may draw the remaining loan funds in multiple draws through March 26, 2021. The loan proceeds will be used to provide liquidity to continue Frontier Airline's operations. The transaction agreement includes covenants by Frontier Airlines to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn. Treasury expects, subject to certain conditions and satisfactory documentation, to increase the amount of the loan available to Frontier Airlines.

Hawaiian Airlines, Inc.

Treasury agreed to make a loan of up to \$420 million to Hawaiian Airlines, Inc. (Hawaiian Airlines), a wholly owned subsidiary of Hawaiian Holdings, Inc. and one of the largest domestic airlines in the United States. Hawaiian Airlines had approximately 7,400 U.S. employees in March 2020 and carried more than 11 million passengers in 2019.

The loan is secured by Hawaiian Airlines' HawaiianMiles loyalty program and certain aircraft. The loan has an interest rate equal to LIBOR plus 2.5% and matures on June 30, 2024. Hawaiian Airlines elected to draw \$45 million upon closing of the loan and may draw the remaining loan funds in multiple draws through March 26, 2021. The loan proceeds will be used to provide liquidity to continue Hawaiian Airline's operations. The

transaction agreement includes covenants by Hawaiian Airlines to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn. Treasury expects, subject to certain conditions and satisfactory documentation, to increase the amount of the loan available to Hawaiian Airlines to \$622 million.

JetBlue Airways Corporation

Treasury agreed to make a loan of up to \$1.14 billion to JetBlue Airways Corporation (JetBlue Airways), one of the largest domestic airlines in the United States. JetBlue Airways had approximately 23,000 U.S. employees in March 2020 and carried more than 42 million passengers in 2019.

The loan is secured by JetBlue Airways' TrueBlue loyalty program and certain aircraft. The loan has an interest rate equal to LIBOR plus 2.75% and matures on September 29, 2025. JetBlue Airways elected to draw \$115 million upon closing of the loan and may draw the remaining loan funds in multiple draws through March 26, 2021. The loan proceeds will be used to provide liquidity to continue JetBlue Airways' operations. The transaction agreement includes covenants by JetBlue Airways to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn. Treasury expects, subject to certain conditions and satisfactory documentation, to increase the amount of the loan available to the JetBlue Airways to \$1.948 billion.

SkyWest Airlines, Inc.

Treasury agreed to make a loan of up to \$573 million to SkyWest Airlines, Inc. (SkyWest Airlines), a wholly owned subsidiary of SkyWest, Inc., and one of the largest domestic airlines in the United States. SkyWest Airlines had approximately 15,000 U.S. employees in March 2020 and carried more than 35 million passengers in 2019.

The loan is secured by certain engines, airframes, and rotatable parts. The loan has an interest rate equal to LIBOR plus 3.0% and matures on September 29, 2025. SkyWest Airlines elected to draw \$60 million upon closing of the loan and may draw the remaining loan funds in multiple draws through March 26, 2021. The loan proceeds will be used to provide liquidity to continue the SkyWest Airline's operations. The transaction agreement includes covenants by SkyWest Airlines to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn. Treasury expects, subject to certain conditions and satisfactory documentation, to increase the amount of the loan available to the SkyWest Airlines.

United Airlines, Inc.

Treasury agreed to make a loan of up to \$5.17 billion to United Airlines, Inc. (United

Airlines), a wholly owned subsidiary of United Airlines Holdings, Inc., and one of the largest domestic airlines in the United States. United Airlines had approximately 93,000 U.S. employees in March 2020 and carried more than 162 million passengers in 2019.

The loan is secured by United Airlines' European and South American routes and certain aircraft. The loan has an interest rate equal to LIBOR plus 3.0% and matures on September 26, 2025. United Airlines elected to draw \$520 million upon closing of the loan and may draw the remaining loan funds in multiple draws through March 26, 2021. The loan proceeds will be used to provide liquidity to continue United Airline's operations. The transaction agreement includes covenants by United Airlines to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn. Treasury expects, subject to certain conditions and satisfactory documentation, to increase the amount of the loan available to United Airlines to \$7.5 billion.

The loan agreements are available on Treasury's website at <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses>.

Detailed Financial Statement (\$ Thousands)

Borrower	Borrower Type ¹	City ²	State ²	Borrower Type ¹	Date of Loan Agreement	Maturity Date	Total Anticipated Loan Amount	Disbursements ³
Alaska Airlines, Inc.	Passenger Air Carrier	Seattle	WA	Passenger Air Carrier	09/28/20	06/30/25	\$1,301,000	\$135,000
American Airlines, Inc.	Passenger Air Carrier	Fort Worth	TX	Passenger Air Carrier	09/25/20	06/30/25	\$5,477,000	\$550,000
Frontier Airlines, Inc.	Passenger Air Carrier	Denver	CO	Passenger Air Carrier	09/28/20	09/26/25	\$574,000	\$150,000
Hawaiian Airlines, Inc.	Passenger Air Carrier	Honolulu	HI	Passenger Air Carrier	09/25/20	06/30/24	\$420,000	\$45,000
JetBlue Airways Corporation	Passenger Air Carrier	Long Island City	NY	Passenger Air Carrier	09/29/20	09/29/25	\$1,140,000	\$115,000
SkyWest Airlines, Inc.	Passenger Air Carrier	St. George	UT	Passenger Air Carrier	09/29/20	09/29/25	\$573,000	\$60,000
United Airlines, Inc.	Passenger Air Carrier	Chicago	IL	Passenger Air Carrier	09/28/20	09/26/25	\$5,170,000	\$520,000

1. Only certain categories of entities are eligible to receive loans under sections 4003(b)(1), (2), and (3) of the CARES Act. Under those provisions, a borrower must be a passenger air carrier; a business that is certified under 14 CFR part 145 and approved to perform inspection, repair, replace, or overhaul services; a ticket agent (as defined in 49 U.S.C. 40102); a cargo air carrier; or a business critical to maintaining national security.
2. The location provided is the address included by borrowers in their applications and may not include all locations in which a borrower operates.
3. Includes disbursements between September 25, 2020, and September 29, 2020. As noted elsewhere in this report, Treasury expects, subject to certain conditions and satisfactory documentation, to increase the amount of available loans for certain borrowers.