

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 third report under section 4026(b)(1) of the CARES Act and reflects two transactions: one transaction on October 16, 2020, and one transaction on October 20, 2020.

Treasury entered into these two loan transactions under section 4003(b)(1), (2), or (3) of the CARES Act for a total of \$21.8 million, all of which has been disbursed.

Legacy Airways, LLC

Treasury agreed to make a loan totaling \$1.8 million to Legacy Airways, LLC (Legacy), a cargo air carrier with approximately 19 U.S. employees in March 2020.

The loan is unsecured. It has an annual interest rate equal to LIBOR plus 5.5% and matures on October 20, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Legacy's operations. The transaction agreement includes covenants by Legacy to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. The loan constitutes senior indebtedness of Legacy, and Treasury will also receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Ovation Travel Group, Inc.

Treasury agreed to make a loan totaling \$20 million to Ovation Travel Group, Inc. (Ovation), a ticket agent with approximately 250 U.S. employees in March 2020.

The loan is unsecured. It has an annual interest rate equal to LIBOR plus 5.5% and matures on October 15, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Ovation's operations. The transaction agreement includes covenants by Ovation to comply with certain restrictions on employee compensation, stock repurchases, dividends, and reductions in employment levels, as required by the CARES Act. The loan constitutes senior

indebtedness of Ovation, and Treasury will also receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

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	Date of Loan Agreement	Maturity Date	Total Anticipated Loan Amount	Disbursements ³
Legacy Airways, LLC	Cargo Air Carrier	Conroe	TX	10/20/20	10/20/25	\$1,817,306	\$1,817,306
Ovation Travel Group, Inc.	Ticket Agent	New York	NY	10/15/20	10/15/25	\$20,000,000	\$20,000,000

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 October 15, 2020, and October 20, 2020.