

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 fifth report under section 4026(b)(1) of the CARES Act and reflects eleven transactions: three transactions on October 28, 2020; five transactions on October 30, 2020; two transactions on November 2, 2020; and one transaction on November 3, 2020.

Treasury entered into these eleven loan transactions under section 4003(b)(1), (2), or (3) of the CARES Act for a total of \$1.83 billion, of which \$82 million has been disbursed.

Alaska Airlines, Inc.

Treasury agreed to make a loan of up to \$1.928 billion to Alaska Airlines, Inc. (Alaska Airlines). On September 28, 2020, Treasury agreed to make a loan of up to \$1.301 billion to Alaska Airlines, and on October 30, 2020, Treasury increased the maximum loan amount to \$1.928 billion. Alaska Airlines is 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.

Treasury made the loan pursuant to section 4003(b)(1) of the CARES Act. The loan is secured by Alaska Airline's Mileage Plan loyalty program, certain aircraft, and engines. 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 at close 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.

Eastern Airlines, LLC

Treasury agreed to make a loan totaling \$15 million to Eastern Airlines, LLC (Eastern Airlines), a wholly owned subsidiary of Eastern Air Holdings, Inc. Eastern Airlines is a passenger air carrier with approximately 137 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(1) of the CARES Act. The loan is secured by aircraft, engines, and accounts receivable. The loan has an interest rate equal to LIBOR plus 3.5% and matures on October 28, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Eastern Airlines' operations. The transaction agreement includes covenants by Eastern Airlines 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 Eastern Airlines, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

JetBlue Airways Corporation

Treasury agreed to make a loan of up to \$1.948 billion to JetBlue Airways Corporation (JetBlue), one of the largest domestic airlines in the United States. On September 29, 2020, Treasury agreed to make a loan of up to \$1.14 billion to JetBlue, and on November 3, 2020, Treasury increased the maximum loan amount to \$1.948 billion. JetBlue had approximately 23,000 U.S. employees in March 2020 and carried more than 42 million passengers in 2019.

Treasury made the loan pursuant to section 4003(b)(1) of the CARES Act. The loan is secured by JetBlue's TrueBlue loyalty program, certain aircraft, and engines. The loan has an interest rate equal to LIBOR plus 2.75% and matures on September 29, 2025. JetBlue elected to draw \$115 million at close 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's operations. The transaction agreement includes covenants by JetBlue 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.

MapLarge, Inc.

Treasury agreed to make a loan totaling \$10 million to Map Large, Inc. (MapLarge), a business critical to maintaining national security with approximately 37 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is unsecured. It has an interest rate equal to LIBOR plus 5.5% and matures on October 31, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue MapLarge's operations. The transaction agreement includes covenants by MapLarge 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 MapLarge, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Meridian Rapid Defense Group, LLC

Treasury agreed to make a loan totaling \$7.1 million to Meridian Rapid Defense Group, LLC (Meridian Rapid Defense), a business critical to maintaining national security with approximately 14 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is unsecured. It has an interest rate equal to LIBOR plus 5.5% and matures on October 30, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Meridian Rapid Defense's operations. The transaction agreement includes covenants by 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 Meridian Rapid Defense, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Mesa Airlines, Inc.

Treasury agreed to make a loan totaling \$200 million to Mesa Airlines, Inc. (Mesa Airlines), a wholly owned subsidiary of Mesa Air Group, Inc. Mesa Airlines, Inc. had approximately 3,540 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(1) of the CARES Act. The loan is secured by aircraft, engines, accounts receivable, tooling inventory, simulators and ground service equipment. The loan has an interest rate equal to LIBOR plus 3.5% and matures on October 30, 2025. Mesa Airlines elected to draw \$43 million at close and may draw the remaining loan funds in an additional draw before December 15, 2020. The loan proceeds will be used to provide liquidity to continue Mesa Airline's operations. The transaction agreement includes covenants by Mesa Airlines 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 Mesa Airlines, and Treasury will receive warrants to purchase common stock equal to 10% of the total loan amount drawn.

oVio Technologies, Inc.

Treasury agreed to make a loan totaling \$1.2 million to oVio Technologies, Inc. (oVio Technologies), a business critical to maintaining national security with approximately six U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is unsecured. It has an interest rate equal to LIBOR plus 5.5% and matures on October 31, 2025. Treasury funded the full loan amount at close. The loan proceeds will be

used to provide liquidity to continue oVio Technologies' operations. The transaction agreement includes covenants by oVio Technologies 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 oVio Technologies, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

SkyWest Airlines, Inc.

Treasury agreed to make a loan of up to \$725 million to SkyWest Airlines, Inc. (SkyWest Airlines). On September 29, 2020, Treasury agreed to make a loan of up to \$573 million to SkyWest, and on October 28, 2020, Treasury increased the maximum loan amount to \$725 million. SkyWest Airlines is 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.

Treasury made the loan pursuant to section 4003(b)(1) of the CARES Act. 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 at close 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 SkyWest Airlines' 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.

Southern Airways Express, LLC

Treasury agreed to make a loan totaling \$1.8 million to Southern Airways Express, LLC (Southern Airways Express), a wholly owned subsidiary of Southern Airways Corp. The Company is a passenger air carrier with approximately 458 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(1) of the CARES Act. The loan is secured by aircraft, flight simulators, engines, and spare parts. The loan has an interest rate equal to LIBOR plus 3.5% and matures on October 28, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Southern Airways Express operations. The transaction agreement includes covenants by Southern Airways Express 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 Southern Airways Express, and Treasury will also receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Visual Semantics, Inc.

Treasury agreed to make a loan totaling \$1.05 million to Visual Semantics, Inc. (Visual Semantics), a business critical to maintaining national security with approximately nine U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is unsecured. It has an interest rate equal to LIBOR plus 5.5% and matures on October 30, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Visual Semantics' operations. The transaction agreement includes covenants by Visual Semantics 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 Visual Semantics, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Wiser Imagery Services, LLC

Treasury agreed to make a loan totaling \$3.07 million to Wiser Imagery Services, LLC (Wiser Imagery Services), a business critical to maintaining national security with approximately 135 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is unsecured. It has an interest rate equal to LIBOR plus 5.5% and matures on October 30, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Wiser Imagery Services' operations. The transaction agreement includes covenants by Wiser Imagery Services 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 Wiser Imagery Services, and Treasury will 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

Borrower	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Anticipated Loan Amount	Disbursements ³
Alaska Airlines, Inc. ⁴	Passenger Air Carrier	Seattle	WA	9/28/2020 (amended Oct. 30, 2020)	9/26/2025	\$1,928,000,000	\$135,000,000
Eastern Airlines LLC	Passenger Air Carrier	Wayne	PA	10/28/2020	10/28/2025	\$15,000,000	\$15,000,000
JetBlue Airways Corporation ⁵	Passenger Air Carrier	Long Island City	NY	9/29/2020 (amended 11/3/2020)	9/29/2025	\$1,948,000,000	\$115,000,000
MapLarge, Inc.	National Security	Atlanta	GA	11/2/2020	10/31/2025	\$10,000,000	\$10,000,000
Meridian Rapid Defense Group, Inc.	National Security	Pasadena	CA	10/30/2020	10/30/2025	\$7,100,000	\$7,100,000
Mesa Airlines, Inc.	Passenger Air Carrier	Phoenix	AZ	10/30/2020	10/30/2025	\$200,000,000	\$43,000,000
oVio Technologies, Inc.	National Security	Newport Beach	CA	11/2/2020	10/31/2025	\$1,186,900	\$1,186,900
SkyWest Airlines ⁶	Passenger Air Carrier	St. George	UT	9/29/2020 (amended 10/28/2020)	9/29/2025	\$725,000,000	\$60,000,000
Southern Airways Express	Passenger Air Carrier	Pompano Beach	FL	10/28/2020	10/28/2025	\$1,838,501	\$1,838,501
Visual Semantics, Inc.	National Security	Austin	TX	10/30/2020	10/30/2025	\$1,053,200	\$1,053,200
Wiser Imagery Services, LLC	National Security	Murfreesboro	TN	10/30/2020	10/30/2025	\$3,069,700	\$3,069,700

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 to Eastern Airlines LLC, Map Large, Inc., Meridian Rapid Defense Group, Inc., Mesa Airlines, Inc., oVio Technologies, Inc., Southern Airways Express LLC, Visual Semantics, Inc., and Wiser Imagery Services, LLC between October 28 and November 2; to Alaska Airlines, Inc. on September 28, 2020; to JetBlue Airways Corporation on September 29, 2020; and to SkyWest Airlines, Inc. on September 29, 2020.
4. Alaska Airlines, Inc. entered into a loan agreement for up to \$1.301 billion on September 28, 2020, and an amendment on October 30, 2020, increasing the maximum loan amount by \$627 million.
5. JetBlue Airways Corporation entered into a loan agreement for up to \$1.14 billion on September 29, 2020, and an amendment on November 3, 2020, increasing the maximum loan amount by \$808 million.
6. SkyWest Airlines, Inc. entered into a loan agreement for up to \$573 million on September 29, 2020, and an amendment on October 28, 2020 increasing the maximum loan amount by \$152 million.