

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 sixth report under section 4026(b)(1) of the CARES Act and reflects eleven transactions: seven transactions on November 5, 2020; two transactions on November 6, 2020; and two transactions on November 9, 2020.

Treasury made these eleven loans pursuant to section 4003(b)(1), (2), and(3) of the CARES Act. Treasury's total commitment under these eleven transactions is \$2,450,624,953, of which \$6 million has been disbursed.

Allflight Corporation

Treasury agreed to make a loan totaling \$4,721,260 to Allflight Corp. (Allflight), a wholly owned subsidiary of 8 Alpha, Inc. Allflight is a repair station with approximately 35 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 tooling, inventory, engines, and spare parts. The loan has an interest rate equal to LIBOR plus 3.5% and matures on November 5, 2025. Allflight may draw the loan proceeds in a single draw through November 19, 2020. The loan proceeds will be used to provide liquidity to continue Allflight's operations. The transaction agreement includes covenants by Allflight 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 Allflight, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

American Jet International Corporation

Treasury agreed to make a loan totaling \$1,162,124 to American Jet International Corp. (American Jet), an air carrier with approximately 44 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 accounts receivable. It has an annual interest rate equal to LIBOR plus 3.5% and matures on November 5, 2025. American Jet may draw the loan proceeds in a single draw through November 19, 2020. The loan proceeds will be used to provide liquidity to continue American Jet's operations. The transaction agreement includes covenants by American Jet 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 American Jet, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Aviation Management & Repairs, Inc.

Treasury agreed to make a loan totaling \$4,026,705 to Aviation Management & Repairs, Inc. (Aviation Management & Repairs), a repair station with approximately 6 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, accounts receivable, ground support equipment, and engines and spare parts. It has an annual interest rate equal to LIBOR plus 3.5% and matures on November 5, 2025. Aviation Management & Repairs may draw the loan proceeds in a single draw through November 19, 2020. The loan proceeds will be used to provide liquidity to continue American Management & Repairs' operations. The transaction agreement includes covenants by American Management & Repairs 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 American Management & Repairs, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Caribbean Sun Airlines, Inc.

Treasury agreed to make a loan totaling \$15,000,000 to Caribbean Sun Airlines, Inc. (Caribbean Sun), a passenger air carrier with approximately 173 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 rotatable spare parts. The loan has an interest rate equal to LIBOR plus 3.5% and matures on November 5, 2025. Caribbean Sun may draw the loan proceeds in a single draw through November 19, 2020. The loan proceeds will be used to provide liquidity to continue Caribbean Sun's operations. The transaction agreement includes covenants by Caribbean Sun 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 Caribbean Sun, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Core Avionics & Industrial, Inc.

Treasury agreed to make a loan totaling \$6,000,000 to Core Avionics & Industrial, Inc. (Core Avionics), a business critical to maintaining national security with approximately 25 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 annual interest rate equal to LIBOR plus 5.5% and matures on November 5, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Core Avionics' operations. The transaction agreement includes covenants by Core Avionics 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 Core Avionics, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Elite Airways, LLC

Treasury agreed to make a loan totaling \$2,630,274 to Elite Airways, LLC (Elite Airways), a passenger air carrier with approximately 110 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 ground support equipment and spare parts. It has an annual interest rate equal to LIBOR plus 3.5% and matures on November 7, 2025. Elite Airways may draw the loan proceeds in a single draw through November 23, 2020. The loan proceeds will be used to provide liquidity to continue Elite Airways' operations. The transaction agreement includes covenants by Elite Airways 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 Elite Airways, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Island Wings, Inc.

Treasury agreed to make a loan totaling \$294,350 to Island Wings, Inc. (Island Wings), an air cargo carrier with approximately 0 U.S. employees in March 2020.¹

Treasury made the loan pursuant to section 4003(b)(1) of the CARES Act. The loan is secured by aircraft. The loan has an interest rate equal to LIBOR plus 3.5% and matures on November 5, 2025. Island Wings may draw the loan proceeds in a single draw through November 19, 2020. The loan proceeds will be used to provide liquidity

¹ Island Wings, Inc. had 0 employees in March 2020, but it rehired its employees in April and over the course of summer 2020.

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

Republic Airlines, Inc.

Treasury agreed to make a loan totaling \$77,000,000 to Republic Airways, Inc. (Republic), a passenger air carrier with approximately 6,700 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 spare parts and tooling inventory. This loan has an interest rate equal to LIBOR plus 3.5% and matures on November 6, 2025. Republic may draw the loan proceeds in up to two draws through December 15, 2020. The loan proceeds will be used to provide liquidity to continue Republic's operations. The transaction agreement includes covenants by Republic 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.

Thomas Global Systems LLC

Treasury agreed to make a loan totaling \$1,400,000 to Thomas Global Systems LLC (Thomas Global), a wholly owned subsidiary of Thomas Global Systems Inc. The Company is a repair station with approximately 20 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 accounts receivable. It has an interest rate equal to LIBOR plus 3.5% and matures on November 7, 2025. Thomas Global may draw the loan proceeds in a single draw through November 23, 2020. The loan proceeds will be used to provide liquidity to continue Thomas Global's operations. The transaction agreement includes covenants by Thomas Global 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 Thomas Global, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Timco Engine Center, Inc.

Treasury agreed to make a loan totaling \$8,390,240 to Timco Engine Center, Inc. (Timco), a wholly owned subsidiary of Oscoda Engine Services Corp. Timco is a repair station with approximately 25 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 engines and spare parts, accounts receivable, ground support equipment, tooling, and inventory. The loan has an interest rate equal to LIBOR plus 3.5% and

matures on November 5, 2025. Timco may draw the loan proceeds in a single draw through November 19, 2020. The loan proceeds will be used to provide liquidity to continue Timco's operations. The transaction agreement includes covenants by Timco 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 Timco, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

United Airlines, Inc.

Treasury agreed to make a loan of up to \$7,500,000,000 to United Airlines, Inc. (United), a wholly owned subsidiary of United Airlines Holdings, Inc., and one of the largest domestic airlines in the United States. On September 28, 2020, Treasury agreed to make a loan of up to \$5.17 billion to United, and on November 6, 2020, Treasury increased the maximum loan amount to \$7.5 billion. United had approximately 93,000 U.S. employees in March 2020 and carried more than 162 million passengers in 2019.

Treasury made the loan pursuant to section 4003(b)(1) of the CARES Act. The loan is secured by United's European, South American, Pacific, Oceanic, and Asian routes, certain aircraft, and flight simulators. The loan has an interest rate equal to LIBOR plus 3.0% and matures on September 26, 2025. United elected to draw \$520 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 United's operations. The transaction agreement includes covenants by United 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.

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
Allflight Corporation	Repair Station Operator	Kent	WA	11/5/2020	11/5/2025	\$4,721,260	\$0
American Jet International Corporation	Passenger Air Carrier	Houston	TX	11/5/2020	11/5/2025	\$1,162,124	\$0
Aviation Management & Repairs, Inc.	Repair Station Operator	Fort Pierce	FL	11/5/2020	11/5/2025	\$4,026,705	\$0
Caribbean Sun Airlines, Inc.	Passenger Air Carrier	Virginia Garden	FL	11/5/2020	11/5/2025	\$15,000,000	\$0
Core Avionics & Industrial Inc.	National Security	Tampa	FL	11/5/2020	11/5/2025	\$6,000,000	\$6,000,000
Elite Airways, LLC	Passenger Air Carrier	Portland	ME	11/9/2020	11/7/2025	\$2,630,274	\$0
Island Wings, Inc.	Cargo Air Carrier	Fort Lauderdale	FL	11/5/2020	11/5/2025	\$294,350	\$0
Republic Airways, Inc.	Passenger Air Carrier	Indianapolis	IN	11/6/2020	11/6/2025	\$77,000,000	\$0
Thomas Global Systems, LLC	Repair Station Operator	Irvine	CA	11/9/2020	11/7/2025	\$1,400,000	\$0
Timco Engine Center, Inc.	Repair Station Operator	Oscoda	MI	11/5/2020	11/5/2025	\$8,390,240	\$0
United Airlines, Inc. ⁴	Passenger Air Carrier	Chicago	IL	9/28/2020 (amended 11/6/2020)	9/26/2025	\$7,500,000,000	\$520,000,000

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 to Core Avionics & Industrial, Inc. on November 5, 2020, and to United Airlines, Inc. on September 28, 2020.

4. United Airlines, Inc. entered into a loan agreement for up to \$5.17 billion on September 28, 2020, and an amendment on November 6, 2020, increasing the maximum loan amount by \$2.33 billion.