

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 seventh report under section 4026(b)(1) of the CARES Act and reflects four transactions with new borrowers: one transaction on November 12 and three transactions on November 13, 2020. Treasury made these four loans pursuant to section 4003(b)(3) of the CARES Act. Treasury's total commitment under these four transactions was \$7,524,600, all of which has been disbursed.

This report also reflects disbursements to five entities whose loans closed before the reporting period: one disbursement on November 13 and four disbursements on November 16, 2020. The total amount disbursed to these five entities during this reporting period was \$166,979,069.

Channel Logistics, LLC

Treasury agreed to make a loan totaling \$2,500,000 to Channel Logistics, LLC (Channel), a business critical to maintaining national security with approximately 6 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is secured by all the assets of Channel. It has an annual interest rate equal to LIBOR plus 3.5% and matures on November 12, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Channel's operations. The transaction agreement includes covenants by Channel 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 Channel, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

SemahTronix, LLC

Treasury agreed to make a loan totaling \$1,999,100 to SemahTronix, LLC (SemahTronix), a business critical to maintaining national security with approximately 172 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is

secured by all the assets of SemahTronix. It has an annual interest rate equal to LIBOR plus 3.5% and matures on November 13, 2025. Treasury funded the full loan amount on November 18, 2020. The loan proceeds will be used to provide liquidity to continue SemahTronix's operations. The transaction agreement includes covenants by SemahTronix 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 SemahTronix, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

Semantic AI, Inc.

Treasury agreed to make a loan totaling \$506,300 to Semantic AI, Inc. (Semantic), a business critical to maintaining national security with approximately 51 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is secured by all the assets of Semantic. It has an annual interest rate equal to LIBOR plus 3.5% and matures on November 13, 2025. Treasury funded the full loan amount at close. The loan proceeds will be used to provide liquidity to continue Semantic's operations. The transaction agreement includes covenants by Semantic 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 Semantic, and Treasury will receive 3% payment-in-kind annual interest on the loan in accordance with section 4003(d) of the CARES Act.

SpinLaunch, Inc.

Treasury agreed to make a loan totaling \$2,519,200 to SpinLaunch, Inc. (SpinLaunch), a business critical to maintaining national security with approximately 66 U.S. employees in March 2020.

Treasury made the loan pursuant to section 4003(b)(3) of the CARES Act. The loan is secured by all the assets of SpinLaunch. It has an annual interest rate equal to LIBOR plus 3.5% and matures on November 13, 2025. Treasury funded the full loan amount on November 18, 2020. The loan proceeds will be used to provide liquidity to continue SpinLaunch's operations. The transaction agreement includes covenants by SpinLaunch 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 SpinLaunch, 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
American Jet International Corporation	Passenger Air Carrier	Houston	TX	11/5/2020	11/5/2025	\$1,162,124	\$1,162,124
Aviation Management & Repairs, Inc.	Repair Station Operator	Fort Pierce	FL	11/5/2020	11/5/2025	\$4,026,705	\$4,026,705
Channel Logistics, LLC	National Security	Camden	NJ	11/12/2020	11/12/2025	\$2,500,000	\$2,500,000
Mesa Airlines, Inc.	Passenger Air Carrier	Phoenix	AZ	10/30/2020	10/30/2025	\$200,000,000 ⁴	\$195,000,000
SemahTronix, LLC	National Security	Flippin	AR	11/13/2020	11/13/2025	\$1,999,100	\$1,999,100
Semantic AI, Inc.	National Security	San Diego	CA	11/13/2020	11/13/2025	\$506,300	\$506,300
SpinLaunch, Inc.	National Security	Long Beach	CA	11/13/2020	11/13/2025	\$2,519,200	\$2,519,200
Thomas Global Systems, LLC	Repair Station Operator	Irvine	CA	11/9/2020	11/7/2025	\$1,400,000	\$1,400,000
Timco Engine Center, Inc.	Repair Station Operator	Oscoda	MI	11/5/2020	11/5/2025	\$8,390,240	\$8,390,240

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 Channel Logistics, LLC on November 12, 2020; Mesa Airlines, Inc. and Semantic AI, Inc. on November 13, 2020; American Jet International Corporation, Aviation Management & Repairs, Inc., Thomas Global Systems, LLC, and Timco Engine Center, Inc. on November 16, 2020; and SemahTronix, LLC and SpinLaunch, Inc. on November 18, 2020. Also includes a disbursement of \$43 million to Mesa Airlines, Inc. on October 30, 2020.
4. Treasury agreed to make a loan of up to \$200 million to Mesa Airlines, Inc. The company elected to draw \$43 million at close on October 30, 2020 and \$152 million on November 13, 2020, and no further draws on the loan are available.