

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 tenth report under section 4026(b)(1) of the CARES Act and reflects one amendment agreed to on December 8, 2020 and one disbursement made on December 10, 2020. The amendment and the disbursement relate to transactions with entities whose loans closed before this reporting period. Treasury entered into these transactions under section 4003(b)(1) of the CARES Act. The total amount disbursed during this reporting period was \$58,000,000.

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
Republic Airways, Inc.	Passenger Air Carrier	Indianapolis	IN	11/6/2020	11/6/2025	\$58,000,000	\$58,000,000
United Airlines, Inc.	Passenger Air Carrier	Chicago	IL	9/28/2020 (as amended on 11/6/2020 and on 12/8/2020)	9/26/2025	\$7,491,000,000 ⁴	\$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 a disbursement of \$58 million to Republic Airways, Inc. on December 10, 2020, and of \$520 million to United Airlines, Inc. on September 28, 2020. The loan agreement for Republic Airlines, Inc. provides for a total loan amount of up to \$77 million, but no additional disbursements to Republic Airways, Inc. are anticipated.
4. United Airlines, Inc. entered into a loan agreement for up to \$5.17 billion on September 28, 2020; an amendment on November 6, 2020, increasing the maximum loan amount by \$2.33 billion; and a second amendment on December 8, 2020, decreasing the maximum loan amount by \$9 million.