

## U.S. Department of the Treasury

### Auction Procedures

Updated May 31, 2024<sup>1</sup>

The U.S. Department of the Treasury (“Treasury”) intends to sell in a series of auctions (each, an “Auction”) the warrants it received from certain airlines (each, an “Issuer”) under the Payroll Support Program established under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, the Payroll Support Program Extension established under Division N, Title IV, Subtitle A of the Consolidated Appropriations Act, 2021, the Payroll Support Program 3 established under Title VII, Subtitle C of the American Rescue Plan Act of 2021, and the Airline Loan Program established under Division A, Title IV, Subtitle A of the CARES Act, under the procedures described below. A list of the warrants Treasury intends to sell, including their expiration dates, exercise prices, and the number of shares of common stock each warrant is exercisable for, can be found at <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-industry/airline-and-national-security-relief-programs>. Treasury intends to sell all warrants issued by a single airline together in a single lot (each, an “Auction Lot”).

#### **A. Bid Package Deadline and Submission**

An institution that desires to bid (a “Potential Bidder”) on one or more Auction Lots must first submit a complete bid package (a “Bid Package”) via e-mail to [USTWarrantAuction@HL.com](mailto:USTWarrantAuction@HL.com) so that each Bid Package is **received** by Houlihan Lokey Capital, Inc. (“Houlihan Lokey”), Treasury’s financial agent, on or before **May 24, 2024, at 5:00 p.m. (Eastern time)** (the “Bid Package Deadline”). The Bid Package must be submitted from an e-mail address with a domain name associated with the identified Potential Bidder. Submission of a Bid Package will represent the Potential Bidder’s commitment to Treasury to purchase all of the warrants in each Auction Lot identified in the Bid Package at the Opening Bid (as defined below) or any higher price the Potential Bidder offers in a subsequent round of bidding.

#### **B. Bid Package Requirements**

To become a Qualified Bidder (as defined below), a Potential Bidder must timely submit a complete Bid Package that includes the following materials and information that, in each case, are satisfactory to Treasury, in its sole discretion (the “Bid Package Requirements”):

- (i) **Auction Participation Agreement:** The Bid Package must include a fully completed and executed auction participation agreement (“Participation Agreement”) in the form posted on Treasury’s website at the link referenced above. **Submission of a Participation Agreement constitutes an agreement by the Potential Bidder to comply with and be bound by these Auction Procedures.** Potential Bidders must sign the signature page to the Participation

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<sup>1</sup> These Auction Procedures were updated on May 21, 2024, to revise certain terms in subparagraphs (iii) and (iv) in paragraph B, paragraph C, the introductory language in paragraph (D), and subparagraphs (iii), (iv), and (vi) in paragraph D; on May 22, 2024, to further revise the introductory language in paragraph D; and on May 31, 2024, to further revise paragraph C and subparagraphs (i), (iii), and (vi) of paragraph D.

Agreement, complete Schedule B to the Participation Agreement, and submit those pages to Houlihan Lokey at the e-mail address in paragraph A above. Schedule B to the Participation Agreement must include the Potential Bidder identification information described in subparagraph B(ii) below, the Auction Lots the Potential Bidder wishes to bid on, and the Potential Bidder's Opening Bid for each such Auction Lot as described in subparagraph B(iii) below. The Participation Agreement also contains covenants, representations, and warranties from the Potential Bidder, including a representation that the Potential Bidder is (a) a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")); (b) an Institutional Accredited Investor, which for the purposes of the Auctions is (x) an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3), or (7) under the Securities Act or (y) an entity in which all of the equity holders are "accredited investors" within the meaning of Rule 501(a)(1), (2), (3), or (7) under the Securities Act; or (c) the issuer of the warrants included in the relevant Auction Lot (the "Eligibility Representation"). By submitting a Bid Package with an executed Participation Agreement, a Potential Bidder is deemed to have made all representations and warranties contained in the Participation Agreement, including the Eligibility Representation, to Treasury as of the date of such submission. Treasury may reject Bid Packages that include any deviations from the Participation Agreement template form, in Treasury's sole discretion.

- (ii) **Bidder Identification Information:** Schedule B to the Participation Agreement must identify (1) the full legal name of the Potential Bidder, (2) if the Potential Bidder is an entity formed for the purpose of submitting the Bid Package, the legal name(s) of all persons and entities that own, directly or indirectly, 25% or more of any class of equity interests issued by the Potential Bidder, and (3) the jurisdictions of organization of each listed entity.
- (iii) **Opening Bid:** The Participation Agreement submitted with each Bid Package must specify a purchase price (the "Opening Bid") for each Auction Lot on which the Potential Bidder is bidding.
- (iv) **Securities Purchase Agreement:** The Participation Agreement includes an acknowledgment and agreement that the Potential Bidder will enter into a securities purchase agreement ("SPA") substantially in the form posted on Treasury's website at the link referenced above if the Potential Bidder wins an Auction Lot it is bidding on. The SPA contains covenants, representations, and warranties substantially similar to those in the Participation Agreement, including the Eligibility Representation. No material modifications to the template SPA will be accepted.
- (v) **Contingencies:** Bid Packages must not contain any contingencies related to the validity, effectiveness, or binding nature of the Participation Agreement or the Bid Package, including contingencies for regulatory review or approval, due diligence, inspection, or financing of any kind.
- (vi) **Financial Ability:** The Participation Agreement includes a representation that the Potential Bidder has the authority and the financial ability to consummate the purchase of each relevant Auction Lot at the Opening Bid or any higher price the Potential Bidder offers in a subsequent round of bidding. Treasury reserves the

right, on its own or through its financial agents, Loop Capital Financial Consulting Services, LLC or Houlihan Lokey, to conduct diligence regarding a Potential Bidder's authority and financial ability to consummate the transaction. A Potential Bidder's failure timely to respond to Treasury's or its agents' questions or to provide adequate information or assurances regarding its financial ability to purchase an Auction Lot for which it has bid, as determined by Treasury, in its sole discretion, will result in the exclusion of the Potential Bidder from that Auction.

- (vii) **No Representations or Warranties; No Collusion:** The Participation Agreement includes representations that (i) in making its decision to bid for an Auction Lot, the Potential Bidder has relied solely upon its own independent investigation; (ii) the Potential Bidder has not relied upon any statements or other information provided by or on behalf of Treasury, its financial agents, or any of their respective affiliates, or any control persons, officers, directors, employees, agents, or representatives of any of the foregoing, concerning Treasury, any Issuer, the Participation Agreement, or the transactions contemplated thereby, the warrants, the Auctions, or the offer and sale of the warrants; (iii) the Potential Bidder has not engaged, and will not engage, in any collusion or fraud of any kind with respect to its participation in any Auction, in making its bid, or otherwise in connection with the consummation of the transactions contemplated by the Auctions; and (iv) the Potential Bidder's bid in any Auction will be provided in good faith as a *bona fide* offer with the commitment that the Potential Bidder will consummate the purchase if it is determined to be the Winning Bidder (as defined below).

### C. Designation of Qualified Bidders

Treasury will determine, in its sole discretion, whether a Bid Package has satisfied the Bid Package Requirements set forth above and whether the submitting Potential Bidder is eligible to participate in the Auction for a specific Auction Lot (a "Qualified Bidder"). Treasury has the right to reject any Bid Package or any Opening Bid within a Bid Package in its sole discretion if it determines that rejection is appropriate in light of these Auction Procedures or applicable law. Treasury also has the right, but not the obligation, to negotiate with any Potential Bidder to modify any Bid Package after initial submission.

Only Qualified Bidders will be permitted to participate in a given Auction. By **May 30, 2024, at 2:00 p.m. (Eastern time)**, Houlihan Lokey will notify each Potential Bidder whether it is a Qualified Bidder or if additional information is needed.

### D. The Auctions

If Treasury receives only one Opening Bid from a Qualified Bidder ("Qualified Bid") for an Auction Lot, Treasury may, but is not required to, accept that Qualified Bid and deem it the Winning Bid. Treasury has posted on its website at the link referenced above a reserve price for each Auction Lot (the "Reserve Price"). If Treasury receives at least two Qualified Bids, an Auction will be conducted to determine the Winning Bidder. A Qualified Bid is not required to meet or exceed the Reserve Price.

Shortly before commencement of each Auction, Houlihan Lokey will notify all Qualified Bidders for such Auction of the highest Qualified Bid that meets or exceeds the Reserve Price for the Auction Lot (the “Baseline Bid”); provided that if no Qualified Bids meet or exceed the Reserve Price for the Auction Lot, the Baseline Bid will be reset to the Reserve Price. The Baseline Bid will serve as the floor price for the relevant Auction Lot. Treasury reserves the right to modify the Reserve Price in advance of an Auction to take into account changing market conditions or other factors.

- (i) **Schedule:** While Treasury reserves the right to change the schedule at any time, the tentative schedule of Auctions is outlined below. Actual start times will be e-mailed to Qualified Bidders for the relevant Auction Lot at least one hour before the relevant Auction.

Monday, June 3			Tuesday, June 4		
Issuer	Auctionable Item	Reserved Time	Issuer	Auctionable Item	Reserved Time
JetBlue Airways Corporation	Lot 9	2 Hours	Allegiant Travel Company	Lot 11	2 Hours
Spirit Airlines, Inc.	Lot 10	2 Hours	SkyWest, Inc.	Lot 4	2 Hours

  

Wednesday, June 5			Thursday, June 6		
Issuer	Auctionable Item	Reserved Time	Issuer	Auctionable Item	Reserved Time
Frontier Group Holdings, Inc.	Lot 7	2 Hours	United Airlines Holdings, Inc.	Lot 2	2 Hours
Delta Air Lines, Inc.	Lot 1	2 Hours	Hawaiian Holdings, Inc.	Lot 8	2 Hours

  

Friday, June 7			Monday, June 10		
Issuer	Auctionable Item	Reserved Time	Issuer	Auctionable Item	Reserved Time
Alaska Air Group, Inc.	Lot 5	2 Hours	American Airlines Group Inc.	Lot 3	2 Hours
Southwest Airlines Co.	Lot 6	2 Hours			

- (ii) **Location:** Unless otherwise indicated prior to an Auction, each Auction will take place via videoconference. Houlihan Lokey will distribute a videoconference registration link to Qualified Bidders prior to each Auction. If a Qualified Bidder fails to complete the videoconference registration prior to commencement of an auction, the Qualified Bidder will not be permitted to participate in the Auction.
- (iii) **Bidding Procedures:** Each Auction will begin with an initial “knockout round,” which will be followed by one or more live Auction rounds and an additional knockout round, if applicable.
- In the initial knockout round of each Auction, Qualified Bidders (other than the Qualified Bidder that submitted the Baseline Bid) will e-mail sealed Overbids to Houlihan Lokey at the following address: [USTWarrantAuction@HL.com](mailto:USTWarrantAuction@HL.com) at least 45 minutes prior to the start of the live Auction. A certain number of the lowest sealed Overbids, to be determined by Treasury in its sole discretion, will be eliminated in the knockout round, except that the Qualified Bidder that submitted the Baseline Bid will not be eliminated. If two or more parties submitted identical Qualified Bids that would otherwise be the Baseline Bid (as described above), the Baseline Bid will be set at a value equal to such identical Qualified Bids, but such Qualified Bidders will be required to submit a bid in the knockout round to continue in the Auction, and none of such Qualified Bidders will be protected from elimination in the knockout round. If the Baseline Bid is reset to the Reserve Price (as described

above), Qualified Bidders will be required to submit a bid in the knockout round to continue in the Auction, and none of such Qualified Bidders will be protected from elimination in the knockout round. At the end of the knockout round, and during any subsequent bidding in the Auction, the highest bid (including the Baseline Bid) will be deemed the “Prevailing Bid.”

- After the initial knockout round, Houlihan Lokey will notify Qualified Bidders whether they will advance to live bidding on the videoconference at least 10 minutes prior to the scheduled start time of the live Auction. The order of bidding for the remaining Qualified Bidders will be determined based on the values of bids in the initial knockout round, beginning with the Qualified Bidder that submitted the lowest bid in the knockout round and proceeding in ascending bid order. If multiple Qualified Bidders submit identical bids during the initial knockout round of an Auction, such bids will be prioritized in chronological order based on the time the bid was received by Houlihan Lokey for the purposes of determining the order of bidding. During the live bidding, the identity of participating Qualified Bidders will not be disclosed to the other Qualified Bidders. Treasury may publicly disclose the identity of the Winning Bidders, if appropriate. Live Auction bidding will proceed by allowing each remaining Qualified Bidder, sequentially, up to two minutes to submit an Overbid (as defined below) above the current Prevailing Bid, before proceeding to the next Qualified Bidder. If any Qualified Bidder does not submit a bid within its allotted bidding period, such Qualified Bidder will be eliminated from the Auction. Treasury reserves the right to conduct a second knockout round to reduce the number of remaining Qualified Bidders to no more than three. Any second knockout round will be conducted in the same manner as the initial knockout round, except that the Prevailing Bid from the most recent live Auction round will take the place of the Baseline Bid and no Qualified Bidders will be immune from elimination.
  - Following the second knockout round, live bidding will resume until the Winning Bidder is determined. Bidding in such live round will follow the same procedures as in the initial live round, except that the order of bidding by Qualified Bidders will be based on the value of bids received in the second knockout round.
  - Treasury may, but is not obligated to, adjourn an Auction one or more times, including to (i) facilitate discussions between Treasury and Qualified Bidders; (ii) allow Qualified Bidders to consider how they wish to proceed; and (iii) enable a Qualified Bidder to ensure it has sufficient funds to consummate the transaction.
- (iv) **Irrevocability of Bids:** Until the end of the Auction, each Qualified Bid and each Overbid will be binding on the relevant Qualified Bidder and irrevocable (other than as described in the final sentence of subparagraph D(vi) below). A bid that is not the Winning Bid will cease to be irrevocable as of the end of the Auction for the relevant Auction Lot.

- (v) **Overbids:** An “Overbid” is any bid within an Auction by a Qualified Bidder that exceeds the Baseline Bid or Prevailing Bid, as applicable, by a minimum increment (the “Minimum Overbid Increment”), which will be disclosed no later than the beginning of the relevant Auction. The Minimum Overbid Increment will vary among the Auction Lots, based on the estimated values of the Auction Lots.
- (vi) **Closing the Auction:** The Auction of each Auction Lot will continue until all participating Qualified Bidders have been given a reasonable opportunity to submit an Overbid and Treasury determines that a Qualified Bidder has made the highest Qualified Bid or Overbid. Such Qualified Bid or Overbid will be declared the “Winning Bid” for the Auction Lot and such Qualified Bidder, the “Winning Bidder,” when the Auction for that Auction Lot ends. If no Overbids are received in the live bidding, then the Qualified Bidder that submitted the highest Overbid in the initial knockout round will be the Winning Bidder, provided that if multiple Qualified Bidders submit identical Overbids that are the highest bid in the initial knockout round, the Winning Bid will be the Overbid that was received first by Houlihan Lokey. The Winning Bidder is required to execute an SPA reflecting the terms of the Winning Bid within three hours after the Auction ends. Treasury will promptly countersign the SPA and deliver the fully executed SPA to the Winning Bidder. If a Qualified Bidder has submitted Opening Bids for multiple Auction Lots and such Qualified Bidder becomes the Winning Bidder for an Auction Lot that has ended, then prior to the commencement of any subsequent Auction for which the Qualified Bidder has submitted an Qualified Bid, such Qualified Bidder may rescind (but not otherwise modify) its Qualified Bid for such subsequent Auction at any time after the end of the completed Auction until 15 minutes prior to the commencement of the subsequent Auction.
- (vii) **Representations:** Participation by a Qualified Bidder in an Auction will constitute a reaffirmation, as of the date of such Auction, of all of the representations and warranties in the Participation Agreement submitted by the Qualified Bidder, including the Eligibility Representation.

## **E. Closing**

The closing of the sale of an Auction Lot will occur in accordance with the terms of the SPA.

## **F. Updates and Reservation of Rights**

Treasury reserves the right to modify or supplement any aspect of these Auction Procedures in its sole discretion, including, without limitation, by: (i) extending any deadline set forth in these Auction Procedures; (ii) establishing additional requirements for participation in an Auction; and (iii) rescheduling or canceling Auctions. Treasury also reserves the right to reject any or all Opening Bids, Qualified Bids, and Overbids, if it deems appropriate and consistent with applicable law.

Treasury may update these Auction Procedures, the form of Participation Agreement, the form of SPA, or other terms and conditions related to the Auction Lots and the Auction from time to time. Updates will be posted on Treasury’s website at the link referenced above. Interested bidders are encouraged to monitor the website for updates.