

CLIENT ALERT

## Treasury Issues Procedures and Minimum Requirements for Loans to Air Carriers and National Security Businesses under the CARES Act

APRIL 2, 2020

On Monday, March 30, 2020, the U.S. Treasury Department issued Procedures and Minimum Requirements (the “Guidance”) for Loans to Air Carriers and National Security Businesses under Title IV of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) enacted on Friday, March 27, 2020.

The Guidance primarily repeats statutory requirements in Section 4003 of the CARES Act. An “air carrier” is any U.S. person undertaking by any means, directly or indirectly, to provide air transportation. A “national security business” is yet to be defined. The Guidance sets forth an initial list of information requirements for loan applications to be submitted by eligible air carriers and national security businesses (although a form of application has yet to be provided). Treasury expects to issue supplemental procedures that may require additional information. Prospective borrowers are encouraged to begin compiling this information in order to expedite their ability to submit a loan application. Information required includes:

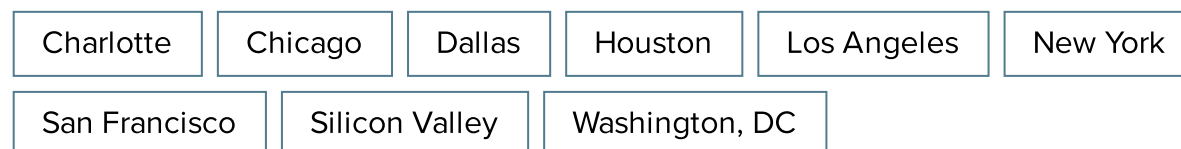
- **Debt.** A description of the borrower’s existing secured and unsecured debt, bank and other credit lines with outstanding and maximum balances, and major classes of existing security holders and creditors.
- **Debt Service.** A description of the borrower’s scheduled debt service for the next three years.
- **Employment Levels.** The borrower’s employment levels, by head count and total compensation amount, as of March 24, 2020, and any proposed changes to the borrower’s employment levels, relative to March 24, 2020, during 2020.
- **Financial Statements.** The consolidated financial statements of the borrower and any corporate parents for the previous three years, including, if available, financial statements that have been audited by an independent certified public accountant, including any associated notes and any interim financial statements and associated notes for the current fiscal year.
- **Covered Losses.** A description of the covered losses that the borrower has incurred or will incur as a result of COVID-19, listed as line items detailing the cause of the loss, such as reduced demand, unavailability of credit, unbudgeted medical expenses, or other causes. “Covered losses” include losses incurred directly or indirectly as a result of COVID-19, as determined by the Secretary of the Treasury.

- **Lack of Credit Elsewhere.** Evidence based on factors such as market conditions, the borrower's circumstances, or relationships with existing and potential creditors that the borrower cannot reasonably obtain credit elsewhere.
- **Passenger Service Operations.** For borrowers that are passenger air carriers, the borrower's available seat miles, revenue per seat mile, and cost per available seat mile for 2019, and a forecast of the same for 2020 that was prepared by or for the air carrier no earlier than October 1, 2019, including any assumptions underlying the forecast.
- **Cargo Service Operations.** For borrowers that are cargo air carriers, the borrower's available ton miles, revenue per ton mile, and cost per available ton mile for 2019, and a forecast of the same for 2020 that was prepared by or for the air carrier no earlier than October 1, 2019, including any assumptions underlying the forecast.
- **Security.** A description of the type and general value of all security, including but not limited to assets, property, and revenue streams, available to be pledged by the borrower and its subsidiaries to secure the loan, on both a senior and a subordinated basis.
- **Use of Proceeds.** The purposes for which the borrower will use the loan proceeds. At this time, there are no limits on the use of proceeds.
- **Financial Needs.** Quantitative information on the borrower's financial needs for the remainder of 2020, including expected revenues, operating costs, and credit, and how the loan will address those needs together with other sources of funding and financing, such as Air Carrier Worker Support payments under the CARES Act (i.e., financial assistance for the payment of employee wages, salaries, and benefits provided by the Secretary of the Treasury for passenger air carriers, cargo air carriers, and related contractors).
- **Operating Plan.** A discussion of the borrower's operating plan for the remainder of 2020 if the loan is approved, including how the proposed loan fits within the borrower's business plan and an analysis showing that the loan is prudently incurred.
- **Cost Restructuring.** A description of any plans the borrower has to restructure its obligations, contracts, staffing, or organization to improve the borrower's financial condition.

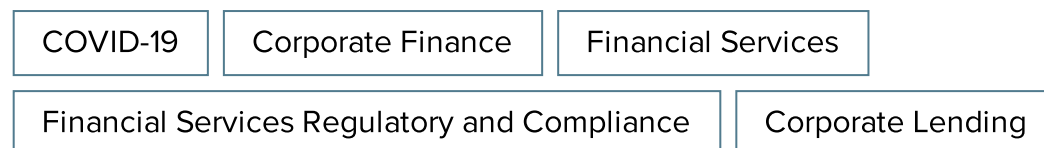
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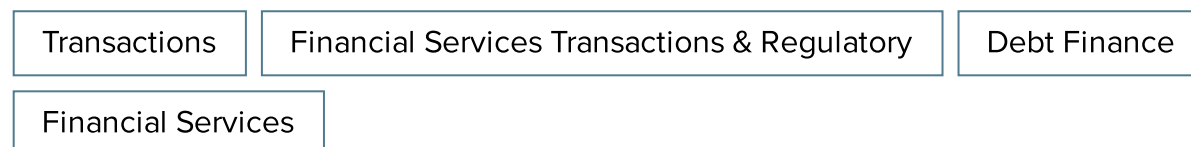
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