

## The CARES Act and the Aerospace Sector

With the COVID-19 impact sweeping the U.S. economy, the current business environment is highly dynamic, and the timeline for "normalization" and eventual recovery remains a key unknown. Understanding your current and forecasted cash position is more critical than ever, not only for your own business planning, but also as the federal government rapidly introduces new stimulus programs and lending regulations under the CARES Act and other legislation likely to follow, to accommodate business owners in the aerospace supply chain. In the wake of this disruption, NEXA and Elevate will be able to provide our clients with actionable advice and comprehensive financial planning tools, including:

- How CARES works, where the \$2 trillion will be prioritized, and who is eligible.
- What is the best program for your company, including stress test scenarios (best case, worse case) for near and medium term loans and grant programs;
- Cash flow studies for each scenario (critical for discussions with SBA, lenders and capital sources);
- Working capital and balance sheet assessments for each scenario that will be important to use during these discussions;
- How to use all available financial tools to develop a "near-term survival program" to succeed;
- Cash flow strategy triggers and milestones, for pulling operating levers.

The Paycheck Protection Program (**PPP**), the Exchange Stabilization Fund (**ESF**) and other provisions in the CARES Act provide a range of attractive options for businesses large and small, including options for new loans that may be forgiven under the right conditions if eligible costs and certain employment objectives are met.

NEXA and Elevate and our dedicated team of experts in the CARES Act, PPP and ESF, can answer these critical questions:

- What are the CARES Act ins and outs? Is SBA the only route to funding? When can you just go to your bank?
- What qualifies? Payroll, rent, business interruption costs and what else?
- How best to deploy the existing workforce during a down period, such that it meets the requirements for Loan forgiveness in the PPP or other facets of ESF?
- What if your staffing needs don't warrant full employment by June 30th?
- What are the affiliation rules? How is eligibility Impacted?
- What is the financial impact of existing loans to your company? What about the community economic impact?
- How much will likely be forgiven (under your base case, downside case, and optimistic case forecasts)?
- What discussions need to take place with current lenders if you wish to pursue the loan programs through them?

Every capital provider and lender will be overwhelmed over the coming weeks. If our clients pursue funding through the new CARES Act programs, they must be organized and present an easily understood business case, in addition to getting into the "queue" for the programs, in many cases, applying for multiple options, while figuring out limitation. So it is imperative to move forward NOW - the funding times and amount of capital available are going to be dramatically impacted by the influx of applications.

NEXA and elevate has assembled an expert professional team (pages 5-6) of:

- Government policy experts and lobbyists familiar with the CARES Act
- Aerospace consultants, business and marketing strategists
- Financial analysts
- Lending specialists
- Supply chain experts
- Economists

Our team can assist with:

- Interpretation of the CARES Act legislation and policies guiding applicants
- Due diligence preparations for submissions to the Department of Treasury, Small Business Administration, and banks and lenders
- Financial analysis including cash flow forecasts and scenario building
- Forms and application procedures

We can help, but **time is going to be a scarce commodity**, so do not hesitate to contact us.

## CARES ACT - FACT SHEET

The US Coronavirus Aid, Relief, and Economic Security (CARES) Act was [signed into law](#) by President Trump on Friday, March 27, 2020. This was the so-called "[Phase III](#)" of several proposed aid packages.

The [CARES Act](#) has two major provisions with a total value of approximately \$754B that could help maintain the momentum of the aerospace sector.

The "Paycheck Protection Program" (referred to in prior versions as the "Business Interruption Loan Program") sets aside \$300B in funding for small-business interruption loans to be issued through the Small Business Administration's 7(a) program.

A second "Exchange Stabilization Fund" would provide an additional \$454B to support "loans, loan guarantees, and investments in support of the Federal Reserve's lending facilities."

### Paycheck Protection Program

This \$300B fund is meant to help small businesses maintain their payrolls by issuing loans through the Small Business Administration's 7(a) program. About 1,800 US banks, credit unions and other financial institutions work with the SBA to issue 7(a) loans.

Small businesses will be eligible for loans to help cover the cost of payroll, benefits, utilities, rent, mortgage payments, or other debts. If businesses maintain staff, then every dollar of credit they spend on those aforementioned expenses will be forgiven by the government four months later. The loans would be available during an emergency period ending June 30.

*While it is widely reported that the program applies only to businesses with less than 500 employees, it's important to note that the bill appears to provide discretion for the Administration to designate firms with MORE THAN 500 employees as eligible businesses.* The actual text states the following [emphasis added]:

#### "(D) INCREASED ELIGIBILITY FOR CERTAIN SMALL BUSINESSES AND ORGANIZATIONS.—

(i) IN GENERAL.—During the covered period, in addition to small business concerns, any business concern, nonprofit organization, veterans organization, or Tribal business concern described in section 31(b)(2)(C) shall be eligible to receive a covered loan if the business concern, nonprofit organization, veterans organization, or Tribal business concern employs not more than the greater of—

(I) 500 employees; or

(II) if applicable, the size standard in number of employees established by the Administration for the industry in which the business concern, nonprofit organization, veterans organization, or Tribal business concern operates."

It is unclear at this moment how the Administration would utilize Part II, but the authors likely included it as a hedge against being tied to a hard-and-fast 500 employee limit.

The current SBA loan approval process is complex and historically takes 60-90 days to execute, though it will [likely be streamlined](#) during the CARES Act implementation process.

### Exchange Stabilization Fund

The Fund provides \$500B to Treasury to provide loans, loan guarantees, and other investments, distributed as follows specific to the airline industry and companies impacting national security:

1. Direct lending, grants and loans or loan guarantees, including:

- \$25B for passenger air carriers, eligible businesses that are certified under CFR title 15, part 145, and approved to perform inspection, repair, replace, or overhaul services, and ticket agents; [referred to by insiders as “[section B1 loans](#)”]
- \$4B for cargo air carriers; [[“section B2 loans”](#)]
- \$3B for contract services to airlines
- \$17B for businesses important to maintaining national security. [[“section B3 loans”](#)]

It is also important to evaluate some of the “strings” attached to some of this relief such as obligations regarding employment guarantees, government equity positions (loan specific), minimum airline service requirements (not particularly onerous) and others. NEXA/Elevate will be able to provide a resource for evaluating such impacts as the CARES Act legislative rules are finalized.

## 2. Liquidity Support or indirect lending via the Federal Reserve totaling \$454B [[“section B4 loans”](#)].

Regarding section B4 loans, the law does not detail how the Federal Reserve and the Treasury Secretary — who can authorize the required loans and investments — will interact. Given that almost half a trillion dollars is involved, it seems likely that the bill’s authors are seeking to ensure that the Treasury and the Federal Reserve work in tandem for the disbursement of these funds. The intent may be for Treasury to design loan programs for affected businesses, states, and municipalities, and the loans are then bought by the Federal Reserve via its 13(3) programs.

In terms of timeline to implementation, the law states:

“As soon as practicable, but in no case later than 10 days after the date of enactment of this Act, the Secretary shall publish procedures for application and minimum requirements, which may be supplemented by the Secretary in the Secretary’s discretion, for making loans, loan guarantees, or other investments under paragraphs (1), (2) and (3) of subsection (b)”

This text seems to indicate that the \$454B credit facility is NOT subject to the 10 day timeline, and could take substantially longer to become available.

Several provisions of the CARES Act that could potentially benefit the aerospace sector, though they will likely take several weeks or months to implement. In the meantime, several of the agencies and associations concerned with the COVID-19 relief efforts have dedicated pages tracking its progress:

- **Department of the Treasury Payroll Support application:**  
<https://home.treasury.gov/system/files/136/Guidelines%20and%20Procedures%20for%20Payroll%20Support%20to%20Air%20Carriers%20and%20Contractors.pdf>
- **Department of the Treasury initial guidance regarding loans to air carriers and eligible businesses:**  
<https://home.treasury.gov/system/files/136/Procedures%20and%20Minimum%20Requirements%20for%20Loans.pdf>
- **Small Business Administration:** <https://covid19relief.sba.gov/#/>
- **Import-Export Bank:** <https://www.exim.gov/fact-sheet-exim-covid-19-assistance>
- **US Chamber of Commerce:** <https://www.uschamber.com/co/small-business-coronavirus>

For more information on the CARES Act, the National Law Review provided this summary:

<https://www.natlawreview.com/article/president-trump-signs-law-coronavirus-aid-relief-and-economic-security-cares-act>

## NEXA/ELEVATE SENIOR CARES ACT ADVISORY TEAM

**Michael J. Dyment**  
**Managing Partner**  
**NEXA Capital Partners**



With forty years' aerospace industry experience, Michael Dyment is a trusted advisor to institutional investors and top management in the aerospace, transportation and finance sectors. He specializes in corporate finance, M&A, equity and debt financing, and restructuring. He has familiarity with all aspects of SBA programs available to U.S. companies.

Michael has been an Officer, Principal, Senior Managing Partner, and/or Managing Director with the aerospace and transportation practices of AT Kearney Inc., Booz Allen & Hamilton Inc., PwC LLP, Arthur Andersen LLP. He has also been a trusted advisor to several FAA Administrators over an extended two-decade period. Former clients include the world's leading aerospace companies such as Boeing, Embraer and Rolls-Royce, airlines such as American, Swiss, and easyJet. He has been a senior advisor to several aerospace manufacturers within the supply chain. He is an expert at strategic sourcing. Mr. Dyment holds a Master of Science in Aeronautics and Astronautics from Massachusetts Institute of Technology, and a B.Sc.Eng. in Geodesy and Geomatics from the University of New Brunswick.

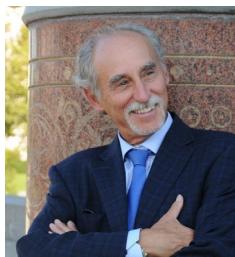
**Rob Chamberlin**  
**Co-Founder and**  
**Principal**  
**Elevate Government**  
**Affairs**



Rob Chamberlin is an expert in the CARES Act, has over 20 years of political and policy experience in Washington, DC. He provides advice and insight on business and lobbying issues to clients from the Fortune 100 to emerging growth and public sector clients and shapes their strategic engagement with the government. Rob works closely with his clients and supports them through outreach to Senate and House Republicans across issues ranging from transportation, technology, financial services and energy, to cyber-security, homeland security, telecommunications and defense. Trained as a lawyer, Rob brings those skills to his engagement with the Administration on behalf of firm clients, effectively advocating on issues across Agencies and at the White House.

A co-founder of Elevate, Rob brings a wealth of experience from serving on House and Senate committees. He served as Chief Counsel on the Senate Commerce, Science, and Transportation Committee under Chairman John McCain (R-AZ) and as Assistant Counsel on the House Committee on Transportation and Infrastructure for two years under Chairman Bud Shuster (R-PA). In 2004, Rob joined what was then McBee Strategic as a lobbyist. He helped manage and grow the company to a top 20 bipartisan advocacy and public affairs company which became Signal Group in 2016. Rob has been named a Top Lobbyist by The Hill in 2015, 2016, 2017 and 2018. Prior to coming to Capitol Hill, Rob was an attorney for the Airports and Environmental Law Division at the Federal Aviation Administration focusing on administrative law, noise and environmental issues. Rob began his professional career as an attorney at the law firm Beveridge & Diamond, P.C.

**Sam Whitehorn**  
**Co-Founder and**  
**Principal**  
**Elevate Government**  
**Affairs**



Sam is an expert in the CARES Act, and has spent his more than 30-year career addressing tough legal and policy issues. He has been deeply involved in infrastructure, transportation and technology sectors and their intersection for years. Co-founding Elevate will allow him to continue to collaborate and craft responsible solutions to those issues. Sam has been in the trenches on transportation security, leading the effort to create the Transportation Security Administration after 9-11, and knows the rigors and pressures of the Senate and House intimately. He has worked on issues like noise, transportation funding, and safety in a host of sectors over the years. He continues to work with clients across the tech and telecom sectors with Congress and the Administration. Additionally, he has worked on behalf of Alaska Native Corporations to advocate for opportunities for their members. His work today continues to drive decision makers to solution-driven outcomes as evidenced by his selection as a Top Lobbyist by The Hill for the past several years.

Sam has held key positions on the U.S. Senate Commerce, Science and Transportation Committee (Senior Counsel to the Aviation Subcommittee, Deputy Staff Director and General Counsel, and briefly, Staff Director) under Chairmen Hollings (D-SC), Rockefeller (D-WV) and Inouye (D-HI). Prior to his time on Capitol Hill, Sam was a Senior attorney at both the United States Department of Transportation General Counsel's office, focusing on motor carrier safety and aviation issues and a Senior Attorney at the Civil Aeronautics Board, where he focused on antitrust issues oversight, aircraft noise policy and Slot-controlled airport regulations. Sam serves on the Board of the Greater Washington Aviation Open, a group devoted to raising funds for worthy charities.

**Hank Krakowski**  
**Principal**  
**NEXA Capital Partners**



Hank Krakowski has been a Principal with NEXA for over ten years leading in areas of capitalization of aerospace companies and airlines, and corporate strategy. Captain Krakowski previously served as the Chief Operating Officer of the Federal Aviation Administration's (FAA) Air Traffic Organization for 3-1/2 years. As COO, he was responsible for all aspects of the U.S. air traffic control system.

Hank came to the FAA from United Air Lines where he spent nearly 30 years in a variety of senior management positions. His last position was Vice President of Flight Operations where he was responsible for flight operations, flight training and standards, technology and labor relations. Previously, as United's Vice President of Corporate Safety, Security and Quality Assurance, he was responsible for managing all aspects of corporate and flight safety, security and regulatory compliance. On 9/11, he was in charge of United's operations control as Director of Flight Operations Control.

Mr Krakowski holds a master's degree in business and management from National-Louis University and a bachelor's degree in aircraft maintenance engineering from St. Louis University's Parks College.

**Tulinda Larsen**  
**Principal**  
**NEXA Capital Partners**



Dr. Tulinda Larsen is a NEXA Principal, and PhD economist. Her work in the aerospace supply chain is extensive, and she is currently also the director for the Utah Advanced Materials and Manufacturing Initiative. With NEXA, Tulinda is currently overseeing teams performing research in commercial aerospace markets after having spent 40 years in analyzing commercial air transport. Her work includes applying economic principles and modeling to understanding emerging markets including the drone and urban air mobility sectors.

Economic analysis provides insight into how markets operate, and Tulinda offers methods for attempting to predict future market behavior in response to events, trends and cycles. Dr. Larsen is a private pilot, President (2016) of the International Aviation Club, past-President (2001) of the Aero Club of Washington DC, member Board of Directors, Royal Aeronautical Society, member International Aviation Womens Association, member Women in Commercial Drones, Member AUVSI, Member RTCA and served as Chairman, Regional Aviation Subcommittee, Transportation Research Board, National Academies 1995-2007.

She holds a BA and MA in Economics from the George Washington University and her doctorate in Management from University of Maryland UC.