UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-35186

Spirit Airlines, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**38-1747023**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2800 Executive Way Miramar Florida	**33025**
(Address of principal executive offices)	**(Zip Code)**

(954) 447-7920
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.0001 par value	SAVE	New York Stock Exchange
Series A Preferred Stock Purchase Rights	SAVE	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant was approximately $1.6 billion computed by reference to the last sale price of the common stock on the New York Stock Exchange on June 30, 2020, the last trading day of the registrant's most recently completed second fiscal quarter. Shares held by each executive officer, director and by certain persons that own 10 percent or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of each registrant's classes of common stock outstanding as of the close of business on February 3, 2021:

Class	**Number of Shares**
Common Stock, $0.0001 par value per share	97,783,282

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the registrant's 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K to the extent stated herein. The Proxy Statement will be filed within 120 days of the registrant's fiscal year ended December 31, 2020.

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PART I

ITEM 1. BUSINESS

Overview

Spirit Airlines, Inc. ("Spirit Airlines"), headquartered in Miramar, Florida, offers affordable travel to value-conscious customers. Our all-Airbus fleet is one of the youngest and most fuel efficient in the United States. We serve 78 destinations in 16 countries throughout the United States, Latin America and the Caribbean. Our stock trades under the symbol "SAVE" on the New York Stock Exchange ("NYSE").

Our ultra low-cost carrier, or ULCC, business model allows us to compete principally by offering customers unbundled base fares that remove components traditionally included in the price of an airline ticket. By offering customers unbundled base fares, we give customers the power to save by paying only for the Á La Smarte™ options they choose, such as checked and carry-on bags, advance seat assignments, priority boarding and refreshments. We record revenue related to these options as non-fare passenger revenue, which is recorded within passenger revenues in our consolidated statements of operations.

Our History

We were founded in 1964 as Clippert Trucking Company, a Michigan corporation. We began air charter operations in 1990 and renamed ourselves Spirit Airlines, Inc. in 1992. In 1994, we reincorporated in Delaware, and in 1999 we relocated our headquarters to Miramar, Florida.

Our Corporate Information

Our mailing address and executive offices are located at 2800 Executive Way, Miramar, Florida 33025, and our telephone number at that address is (954) 447-7920. We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended, or Exchange Act, and, in accordance therewith, file periodic reports, proxy statements and other information with the Securities and Exchange Commission or SEC. Such periodic reports, proxy statements and other information are available on the SEC's website at *http://www.sec.gov.* We also post on the Investor Relations page of our website, *www.spirit.com*, a link to our filings with the SEC, our Corporate Governance Guidelines and Code of Business Conduct and Ethics, which applies to all directors and all our employees, and the charters of our Audit, Compensation, Finance, Safety, Security and Operations and Nominating and Corporate Governance committees. Our filings with the SEC are posted as soon as reasonably practical after they are filed electronically with the SEC. Please note that information contained on our website is not incorporated by reference in, or considered to be a part of, this report.

Changes to Our Corporate Structure

In August 2020, Spirit Airlines formed several new subsidiaries; Spirit Finance Cayman 1 Ltd. (“HoldCo 1”), Spirit Finance Cayman 2 Ltd. (“HoldCo 2), Spirit IP Cayman Ltd. (“Spirit IP”) and Spirit Loyalty Cayman Ltd. (“Spirit Loyalty”). Each are Cayman Islands exempted companies incorporated with limited liability. Spirit IP and Spirit Loyalty are wholly-owned subsidiaries of HoldCo 2 (other than the special share issued to the special shareholder, who granted a proxy to vote such share to the collateral agent for the 8.00% senior secured notes (as defined herein)). HoldCo 1 and HoldCo 2 are special purpose holding companies. HoldCo 2 is a wholly-owned direct subsidiary of HoldCo 1 (other than the special share issued to the special shareholder, who granted a proxy to vote such share to the collateral agent for the 8.00% senior secured notes). HoldCo 1 is a wholly-owned subsidiary of Spirit Airlines (other than the special share issued to the special shareholder, who granted a proxy to vote such share to the collateral agent for the 8.00% senior secured notes).

Summary Risk Factors

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows and prospects. These risks are discussed more fully in Item 1A. Risk Factors herein. These risk factors include, but are not limited to, the following:

- The impact of the COVID-19 pandemic on our business, results of operations and financial condition;
- The competitiveness of our industry;
- Volatility in fuel costs or significant disruptions in the supply of fuel, in particular the impact on our single service provider on whom we rely to manage the majority of our fuel supply;

- Adverse domestic or global economic conditions on our business, results of operations and financial condition, including our ability to obtain financing or access capital markets;
- Factors beyond our control, including air traffic congestion at airports, air traffic control inefficiencies, major construction or improvements at airports, adverse weather conditions, increased security measures, new travel related taxes or the outbreak of disease;
- Increased labor costs, union disputes, employee strikes and other labor-related disruption;
- Our maintenance costs, which will increase as our fleet ages;
- The extensive regulation by the FAA, DOT, TSA and other U.S. and foreign governmental agencies to which we are subject;
- Our reliance on technology and automated systems to operate our business;
- Our reliance on third-party service providers to perform functions integral to our operations, including for ground handling, catering, passenger handing, maintenance, reservations and other services;
- Our reliance on a limited number of suppliers for our aircraft and engines;
- Reduction in demand for air transportation, or governmental reduction or limitation of operating capacity, in the domestic U.S., Caribbean or Latin American markets;
- The success of the Free Spirit Program and the $9 Fare Club™ program; and
- Our significant amount of aircraft-related fixed obligations and additional debt that we have incurred, and may incur in the future.

Our Business Model

Our ULCC business model provides customers low, unbundled base fares with a range of optional services, allowing customers the freedom to choose only the options they value. The success of our model is driven by our low-cost structure, which has historically permitted us to offer low base fares while maintaining high profit margins. During 2020, we were unable to deliver a profit due to the impact of the COVID-19 pandemic on our airline.

We are focused on value-conscious travelers who pay for their own travel, and our business model is designed to deliver what our customers want: low fares and a great experience. We use low fares to address underserved markets, which helps us to increase passenger volume and load factors on the flights we operate. We also have high-density seating configurations on our aircraft and a simplified onboard product designed to lower costs. High passenger volumes and load factors help us sell more ancillary products and services, which in turn allows us to reduce the base fare we offer even further. We strive to be recognized by our customers and potential customers as the low-fare leader in the markets we serve.

We compete based on total price. We believe that we and our customers benefit when we allow our customers to know the total price of their travel by breaking out the cost of optional products or services. We allow our customers to see all available options and their respective prices prior to purchasing a ticket, and this full transparency illustrates that our total price, including options selected, is lower on average than other airlines.

Through branded campaigns, we educate the public on how our unbundled pricing model works and show them how it provides a choice on how they spend their money and saves them money compared to other airlines. We show our commitment to delivering the best value in the sky by continuing to make improvements to the customer experience, including a freshly updated cabin interior with ergonomically-designed seats and self bag-tagging in most airports to reduce check-in processing time.

Our Strengths

We believe we compete successfully in the airline industry by leveraging the following demonstrated business strengths:

Ultra Low-Cost Structure. Our unit operating costs are among the lowest of all airlines operating in the United States. We believe this unit cost advantage helps protect our market position and enables us to offer some of the lowest base fares in our markets, sustain among the highest operating margins in our industry and support continued growth. Our operating costs per available seat mile ("CASM") of 8.36 cents in 2020 were significantly lower than those of the major domestic network carriers and among the lowest of the domestic low-cost carriers. We achieve these low unit operating costs in large part due to:

- high aircraft utilization;
- high-density seating configurations on our aircraft along with a simplified onboard product designed to lower costs;

- minimal hub-and-spoke network inefficiencies;
- highly productive workforce;
- opportunistic outsourcing of operating functions;
- operating a single-fleet type of Airbus A320-family aircraft that is one of the youngest and most fuel efficient in the United States and operated by common flight crews;
- reduced sales, marketing and distribution costs through direct-to-consumer marketing;
- efficient flight scheduling, including minimal ground times between flights; and
- a company-wide business culture that is keenly focused on driving costs lower.

Innovative Revenue Generation. We execute our innovative, unbundled pricing strategy to generate significant non-ticket revenue, which allows us to lower base fares and enables our passengers to identify, select and pay for only the products and services they want to use. In implementing our unbundled strategy, we have grown non-ticket revenue per passenger flight segment from approximately $5 in 2006 to $57 in 2020 generally by:

- charging for checked and carry-on baggage;
- passing through most distribution-related expenses;
- charging for premium seats and advance seat selection;
- maintaining consistent ticketing policies, including service charges for changes and cancellations;
- generating subscription revenue from our $9 Fare Club™ (the "$9 Fare Club™") low-fare subscription service;
- deriving brand-based revenues from proprietary services, such as our FREE SPIRIT affinity credit card program;
- offering third-party travel products (travel packages), such as hotel rooms, ground transportation (rental and hotel shuttle products) and attractions (show or theme park tickets) packaged with air travel on our website; and
- selling third-party travel insurance through our website.

Resilient Business Model and Customer Base. By focusing on price-sensitive travelers, we have generally maintained profitability or been impacted to a lesser degree than most of our competitors during volatile economic periods because we are not highly dependent on premium-fare business traffic. We believe our growing customer base is more resilient than the customer bases of most other airlines because our low fares and unbundled service offering appeal to price-sensitive travelers.

Well Positioned for Growth. We have developed a substantial network of destinations in profitable U.S. domestic niche markets, targeted growth markets in the Caribbean and Latin America and high-volume routes flown by price-sensitive travelers. In the United States, we also have grown into large markets that, due to higher fares, have priced out those more price-sensitive travelers. We seek to balance growth between large domestic markets, large leisure destinations and opportunities in the Caribbean and Latin America according to current economic and industry conditions.

Experienced International Operator. We believe we have substantial experience in foreign aviation, security and customs regulations, local ground operations and flight crew training required for successful international and overwater flight operations. All of our aircraft are certified for overwater operations. We believe we compete favorably against other low-cost carriers because we have been conducting international flight operations since 2003 and have developed substantial experience in complying with the various regulations and business practices in the international markets we serve. During 2020, 2019 and 2018, no revenue from any one foreign country represented greater than 4% of our total passenger revenue. We attribute operating revenues by geographic region based upon the origin and destination of each passenger flight segment.

Financial Strength Achieved with Focus on Cost Discipline. We believe our ULCC business model has delivered strong financial results in both favorable and more difficult economic times. We have generated these results by:

- keeping a consistent focus on maintaining low unit operating costs;
- ensuring our sourcing arrangements with key third parties are regularly benchmarked against the best industry standards;
- generating and maintaining an adequate level of liquidity to insulate against volatility in key cost inputs, such as fuel, and in passenger demand that may occur as a result of changing general economic conditions.

Loyalty Programs

We operate the $9 Fare Club™, which is a subscription-based loyalty program that allows members access to unpublished, extra-low fares as well as discounted prices on bags, exclusive offers on hotels, rental cars and other travel necessities. We also operate the Free Spirit loyalty program (the "Free Spirit Program"), which attracts members and partners and builds customer loyalty for us by offering a variety of awards, benefits and services. Free Spirit Program members earn and accrue miles for our flights and services from non-air partners such as retail merchants, hotels or car rental companies or by making purchases with credit cards issued by partner banks and financial services providers. Miles earned and accrued by Free Spirit Program members can be redeemed for travel awards such as free (other than taxes and government-imposed fees), discounted or upgraded travel.

In January 2021, we launched a more expansive Free Spirit Program with extended mileage expirations, additional benefits based on status tiers, and other changes. In addition, beginning on January 21, 2021, the benefits of the $9 Fare Club™, now known as the Spirit Saver$ Club™, were expanded to include discounts on seats, shortcut boarding and security, and "Flight Flex" flight modification product.

Contribution Transactions

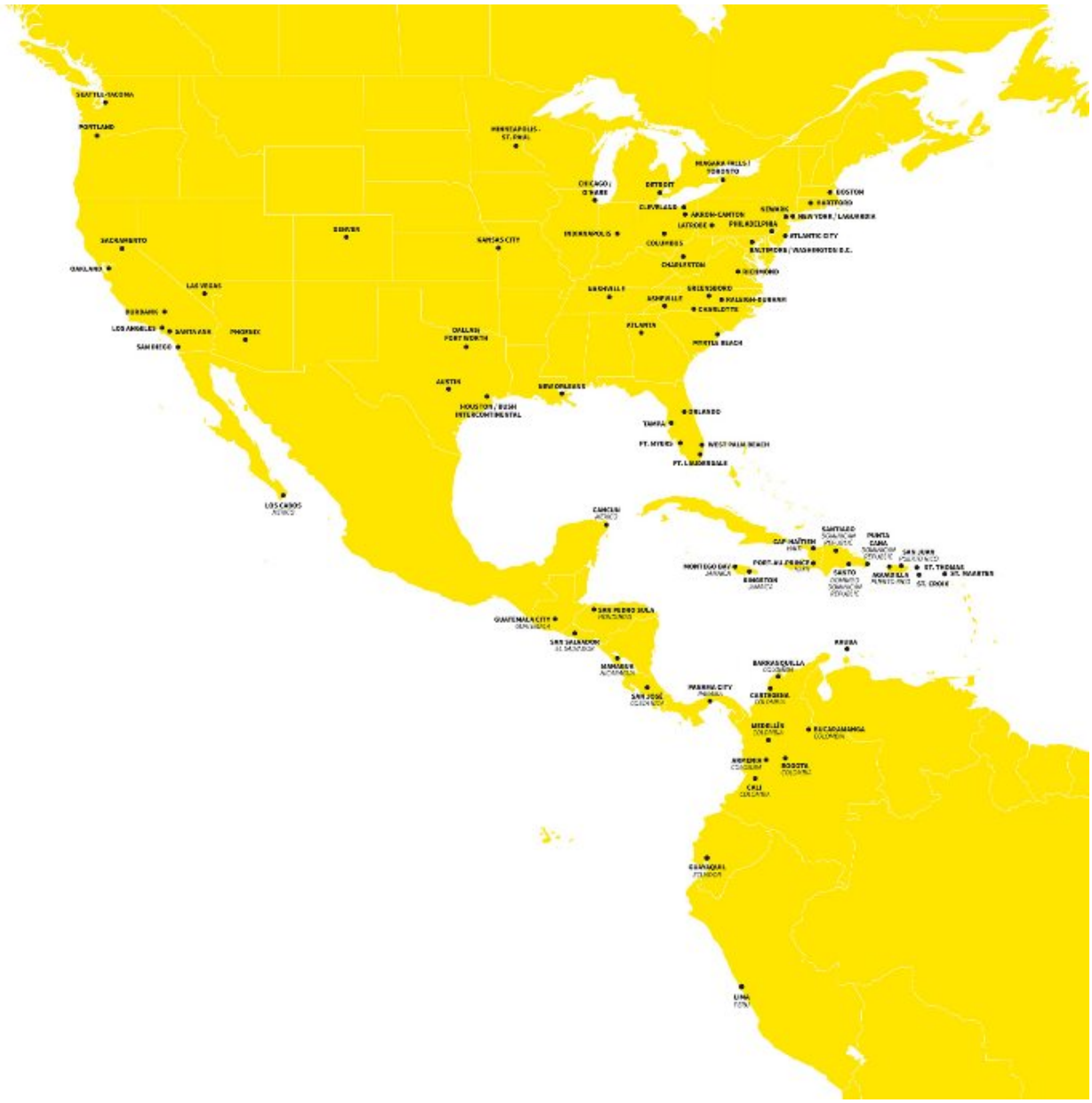
In connection with the consummation of the private offering of the 8.00% senior secured notes, Spirit, HoldCo 1, HoldCo 2 and Spirit IP or Spirit Loyalty, as applicable, transferred to (a) Spirit Loyalty (i) Spirit's, HoldCo 1's and HoldCo 2's rights to the intellectual property and data that we own (or purport to own) and which is required or necessary to operate, or used, generated or produced as part of, the Free Spirit Program and $9 Fare Club™ (such assets, with certain exclusions, the "Transferred Loyalty Program IP"), (ii) all of Spirit's, HoldCo 1's and HoldCo 2's payment rights under any co-branding, partnering or similar agreements related to or entered into in connection with the Free Spirit Program, with certain exclusions (each a "Free Spirit Agreement") (but not any of its obligations thereunder), including its rights to receive payment under or with respect to the Free Spirit Agreements and all payments due and to become due thereunder, (iii) membership fees from members of the $9 Fare Club™ and (iv) all rights to establish, create, organize, initiate, participate, operate, assist, benefit from, promote or otherwise be involved in or associated with, in any capacity, the Free Spirit Program, the $9 Fare Club™ or any other customer loyalty miles program or any similar customer loyalty program, other than in connection with any permitted loyalty programs (clauses (i) through (iv) collectively, the "Transferred Loyalty Program Assets") and (b) Spirit IP, Spirit's, HoldCo 1's and HoldCo 2's rights to the intellectual property, including trademarks and domain names of Spirit or including "Spirit" (collectively, with certain exceptions, the "Transferred Brand Assets" and, together with the Transferred Loyalty Program Assets, the "Transferred Spirit Assets"). For further discussion on our 8.00% senior secured notes private offering, refer to "Notes to Consolidated Financial Statements—14. Debt and Other Obligations."

Additionally, Spirit Loyalty and Spirit IP entered into agreements with each of HoldCo 2 and Spirit to grant each of them exclusive, worldwide, perpetual and royalty-bearing licenses for the use of the Transferred Loyalty Program IP and the Transferred Brand Assets, and Spirit IP entered into an agreement with Spirit Loyalty to grant to Spirit Loyalty an exclusive, worldwide, perpetual and royalty-bearing license for the use of the Transferred Brand Assets, effective solely upon the termination of certain management agreements. Spirit also entered into management agreements with Spirit IP, Spirit Loyalty and HoldCo 2 to perform certain management services for Spirit IP and Spirit Loyalty, including as it relates to certain contributed intellectual property.

Route Network

During 2020, our route network included 332 markets served by 78 airports throughout the United States, Latin America and the Caribbean.

Below is a current map of our network, including seasonal destinations we serve:



Our network expansion targets underserved and/or overpriced markets. We employ a rigorous process to identify opportunities to deploy new aircraft where we believe they will be most profitable. To monitor the profitability of each route, we analyze weekly and monthly profitability reports as well as near-term forecasting.

Competition

The airline industry is highly competitive. The principal competitive factors in the airline industry are fare pricing, total price, flight schedules, aircraft type, passenger amenities, number of routes served from a city, customer service, safety record and reputation, code-sharing relationships and frequent flyer programs and redemption opportunities. We typically compete in markets served by traditional network airlines, and other low-cost carriers and ULCCs, and, to a lesser extent, regional airlines.

As of December 31, 2020, our top two largest network overlaps are with Southwest Airlines and American Airlines at approximately 59% and 48% of our markets, respectively. Our principal competitors on domestic routes are Southwest Airlines, American Airlines, Delta Air Lines, United Airlines and Frontier Airlines. Our principal competitors to our markets in the Caribbean and Latin America are JetBlue Airways, American Airlines, Southwest Airlines and United Airlines. Our principal

competitive advantage is our relative cost advantage which allows us to offer low base fares profitably. In 2020, our unit operating costs were among the lowest in the U.S. airline industry. We believe our low unit costs coupled with our relatively stable non-ticket revenues allow us to price our fares at levels where we can be profitable while our primary competitors cannot.

The airline industry is particularly susceptible to price discounting because, once a flight is scheduled, airlines incur only nominal incremental costs to provide service to passengers occupying otherwise unsold seats. The expenses of a scheduled aircraft flight do not vary significantly with the number of passengers carried and, as a result, a relatively small change in the number of passengers or in pricing could have a disproportionate effect on an airline's operating and financial results. Price competition occurs on a market-by-market basis through price discounts, changes in pricing structures, fare matching, target promotions and frequent flyer initiatives. Airlines typically use discount fares and other promotions to stimulate traffic during normally slower travel periods to generate cash flow and to maximize TRASM. The prevalence of discount fares can be particularly acute when a competitor has excess capacity that it is unable to fill at higher rates. A key element to our competitive strategy is to maintain very low unit costs in order to permit us to compete successfully in price-sensitive markets.

Seasonality

Our business is subject to significant seasonal fluctuations. We generally expect demand to be greater in the second and third quarters each year due to more vacation travel during these periods, as compared to the rest of the year. The air transportation business is also volatile and highly affected by economic cycles and trends.

Distribution

The majority of our tickets are sold through direct channels, including online via *www.spirit.com*, our call center and our airport ticket counters, with *www.spirit.com* being the primary channel. We also partner with a number of third parties to distribute our tickets, including online and traditional travel agents and electronic global distribution systems.

Customers

We believe our customers are primarily leisure travelers who are paying for their own ticket and who make their purchase decision based largely on price. By maintaining a low cost structure, we have historically been able to successfully sell tickets at low fares while maintaining a strong profit margin. During 2020, we were unable to deliver a profit due to the impact of the COVID-19 pandemic on our airline.

Customer Service

We are committed to taking care of our customers. We believe focusing on customer service in every aspect of our operations, including personnel, flight equipment, in-flight and ancillary amenities, on-time performance, flight completion ratios, and baggage handling will strengthen customer loyalty and attract new customers. We proactively aim to improve our operations to ensure further improvement in customer service.

Our online booking process allows our customers to see all available options and their prices prior to purchasing a ticket. We maintain a campaign that illustrates our total prices are lower, on average, than those of our competitors, even when options are included.

Fleet

We fly only Airbus A320 family aircraft, which provides us significant operational and cost advantages compared to airlines that operate multiple aircraft types. By operating a single aircraft type, we avoid the incremental costs of training crews across multiple types. Flight crews are entirely interchangeable across all of our aircraft, and maintenance, spare parts inventories and other operational support remains highly simplified compared to those airlines with more complex fleets. Due to this commonality among Airbus single-aisle aircraft, we can retain the benefits of a fleet comprised of a single type of aircraft while still having the flexibility to match the capacity and range of the aircraft to the demands of each route.

As of December 31, 2020, we had a fleet of 157 Airbus single-aisle aircraft, which are commonly referred to as "A320 family" aircraft. A320 family aircraft include the A319, A320 and A321 models, which have broadly common design and equipment but differ most notably in fuselage length, service range and seat capacity. Within the A320 family of aircraft, models using existing engine technology may carry the suffix "ceo," denoting the "current engine option," while models equipped with new-generation engines may carry the suffix "neo," denoting the "new engine option." As of December 31, 2020, our fleet consisted of 31 A319ceos, 64 A320ceos, 32 A320neos and 30 A321ceos, and the average age of the fleet was 6.5 years. As of December 31, 2020, we owned 101 of our aircraft, of which 45 aircraft are financed through fixed-rate long-term debt with 7 to 12 year terms, 27 aircraft are financed through enhanced equipment trust certificates ("EETCs"), and 29

aircraft were purchased off lease and are currently unencumbered. Refer to “Notes to the Consolidated Financial Statements—14. Debt and Other Obligations” for information regarding our debt financing and “Notes to the Consolidated Financial Statements—5. Special Charges and Credits” for information regarding our aircraft purchased off lease. As of December 31, 2020, we had 56 aircraft financed under operating leases with lease term expirations between 2022 and 2038. In addition, as of December 31, 2020, we had 8 spare engines financed under operating leases and owned 16 spare engines.

On December 20, 2019, we entered into an A320 NEO Family Purchase Agreement with Airbus S.A.S. ("Airbus") for the purchase of 100 new Airbus A320neo family aircraft, with options to purchase up to 50 additional aircraft. This agreement includes a mix of Airbus A319neo, A320neo and A321neo aircraft with such aircraft scheduled for delivery through 2027. As of December 31, 2020, our firm aircraft orders consisted of 126 A320 family aircraft with Airbus, including A319neos, A320neos and A321neos, with deliveries expected through 2027. In addition, we had 10 direct operating leases for A320neos with third-party lessors, with deliveries expected through 2021. As of December 31, 2020, spare engine orders consisted of one V2500 SelectTwo engine with IAE and two PurePower PW 1100G-JM engines with Pratt & Whitney scheduled for delivery from 2021 through 2023. The firm aircraft orders provide for capacity growth as well as the flexibility to add to, or replace, the aircraft in our present fleet. We may elect to supplement these deliveries by additional acquisitions from the manufacturer or in the open market if demand conditions merit. We also may adjust or defer deliveries, or change models of aircraft in our delivery stream, from time to time, as a means to match our future capacity with anticipated demand and growth trends. Refer to “Notes to the Consolidated Financial Statements—2. Impacts of COVID-19” for additional information.

Consistent with our ULCC business model, each of our aircraft is configured with a high density seating configuration, which helps us maintain a lower unit cost and pass savings to our customers. Our high density seating configuration accommodates more passengers than those of our competitors when comparing the same type of aircraft.

Maintenance and Repairs

We maintain our aircraft in accordance with a Federal Aviation Administration ("FAA") approved maintenance program built from the manufacturers recommended maintenance schedule and maintained by our Technical Services department. Our maintenance technicians undergo extensive initial and recurrent training to ensure the safe operation of our aircraft. For the third year in a row, Spirit has achieved the FAA’s highest award for Technical Training, the Diamond Award of Excellence. This award is only achieved if 100% of technicians receive the FAA’s Aircraft Maintenance Technician (“AMT”) Certificate of Training.

Aircraft maintenance and repair consists of routine and non-routine maintenance, and work performed is divided into three general categories: line maintenance, heavy maintenance and component service. Line maintenance consists of routine daily and weekly scheduled maintenance checks on our aircraft, including pre-flight, daily, weekly and overnight checks, and any diagnostics and routine repairs and any unscheduled items on an as needed basis. Additionally, maintenance program tasks that may take up to two years to fully complete are performed periodically in line maintenance at scheduled day visits or segmented into overnight work packages. Line maintenance events are currently serviced by in-house mechanics supplemented by contract labor and are primarily completed at airports we currently serve. Heavy airframe maintenance checks consist of a series of more complex tasks that can take from one to four weeks to accomplish and typically are required approximately every 24 to 36 months. Heavy engine maintenance is performed approximately every six years and includes a more complex scope of work. Due to our relatively small fleet size and projected fleet growth, we believe outsourcing all of our heavy maintenance activity, such as engine servicing, heavy airframe maintenance checks, major part repair and component service repairs is more economical. Outsourcing eliminates the substantial initial capital requirements inherent in heavy aircraft maintenance. We have entered into a long-term flight hour agreement for the majority of our current fleet with IAE and Pratt & Whitney for our engine overhaul services and with Lufthansa Technik on an hour-by-hour basis for component services. We outsource our heavy airframe maintenance to FAA-qualified maintenance providers.

Our recent maintenance expenses have been lower than what we expect to incur in the future because of the relatively young age of our aircraft fleet. Our maintenance costs are expected to increase as the scope of repairs increases with the increasing age of our fleet. As our aircraft age, scheduled scope of work and frequency of unscheduled maintenance events is likely to increase like any maturing fleet. Our aircraft utilization rate could decrease with the increase in aircraft maintenance.

We own and operate a 126,000-square-foot maintenance hangar facility, adjacent to the airfield at the Detroit Metropolitan Wayne County Airport, which allows us to fulfill the maintenance requirements of our growing fleet and will reduce dependence on third-party facilities and contract line maintenance. Please see “-Properties-Ground Facilities.”

Employees

Our business is labor intensive, with labor costs representing approximately 39.3%, 26.0% and 24.2% of our total operating costs for 2020, 2019 and 2018, respectively. As of December 31, 2020, we had 2,497 pilots, 4,028 flight attendants, 62 dispatchers, 261 ramp service agents, 281 passenger service agents, 771 maintenance personnel, 162 airport agents/other and 694 employees in administrative roles for a total of 8,756 employees compared to 8,938 employees as of December 31, 2019. During the twelve months ended December 31, 2020, there were 1,025 employee terminations, including both voluntary and involuntary terminations, for an overall employee turnover rate of 11.5%. As of December 31, 2020, approximately 82% of our employees were represented by five labor unions. On an average full-time equivalent basis, for the full year 2020, we had 8,692 employees, compared to 8,077 in 2019.

FAA regulations require pilots to have commercial licenses with specific ratings for the aircraft to be flown and be medically certified as physically fit to fly. FAA and medical certifications are subject to periodic renewal requirements, including recurrent training and recent flying experience. Flight attendants must have initial and periodic competency training and qualification. For the year ended December 31, 2020, paid training hours for our pilots and flight attendants were 92,619 and 26,380 hours, representing 11.9% and 1.7% of total crew block hours, respectively. Mechanics, quality-control inspectors and dispatchers must be certificated and qualified for specific aircraft. Training programs are subject to approval and monitoring by the FAA. Management personnel directly involved in the supervision of flight operations, training, maintenance and aircraft inspection must also meet experience standards prescribed by FAA regulations. All safety-sensitive employees are subject to pre-employment, random and post-accident drug testing.

Consistent with our core values, we focus on hiring highly productive and qualified personnel and ensure they have comprehensive training. Our training programs focus on and emphasize the importance of safety, customer service, productivity, and cost control. We provide continuous training for our crew members including technical training as well as regular training focused on safety and front-line training for our customer service teams. Our training programs include classroom learning, extensive real-world flying experience, and instruction in full flight simulators, as appropriate.

Additionally, we are developing a comprehensive Diversity, Inclusion, Equity and Belonging Initiative to launch in 2021, to drive meaningful change within the organization. This includes a new Supplier Diversity program around a network of minority-owned business partners and diverse suppliers, as part of our strategic sourcing and procurement process.

We believe a direct relationship between Team Members and our leadership is in the best interests of our crew members, our customers, and our shareholders. Our leadership team communicates on a regular basis with all Team Members, including crew members, in order to maintain a direct relationship and to keep them informed about news, strategy updates, and challenges affecting the airline and the industry. Effective and frequent communication throughout the organization is fostered through various means including email messages from our CEO and other senior leaders, open forum meetings across our network, periodic leadership visits to our stations, and annual Team Member engagement surveys. We also seek to build human rights awareness among our Team Members and Guests and have recently implemented a Human Rights Policy.

The Railway Labor Act, or RLA, governs our relations with labor organizations. Under the RLA, our collective bargaining agreements do not expire, but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, they must notify the other party in the manner agreed to by the parties. Under the RLA, after receipt of such notice, the parties must meet for direct negotiations. If no agreement is reached, either party may request the National Mediation Board, or NMB, to appoint a federal mediator. The RLA prescribes no set timetable for the direct negotiation and mediation process. It is not unusual for those processes to last for many months, and even several years. If no agreement is reached in mediation, the NMB in its discretion may declare at some time that an impasse exists. If an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day “cooling off” period commences. During that period (or after), a Presidential Emergency Board, or PEB, may be established, which examines the parties’ positions and recommends a solution. The PEB process lasts for 30 days and is followed by another “cooling off” period of 30 days. At the end of a “cooling off” period, unless an agreement is reached or action is taken by Congress, the labor organization and the airline each may resort to “self-help,” including, for the labor organization, a strike or other labor action, and for the airline, the imposition of any or all of its proposed amendments and the hiring of new employees to replace any striking workers. Congress and the President have the authority to prevent “self-help” by enacting legislation that, among other things, imposes a settlement on the parties. The table below sets forth our employee groups and status of the collective bargaining agreements.

Employee Groups	Representative	Amendable Date
Pilots	Air Line Pilots Association, International (ALPA)	February 2023
Flight Attendants	Association of Flight Attendants (AFA-CWA)	May 2021
Dispatchers	Professional Airline Flight Control Association (PAFCA)	October 2023
Ramp Service Agents	International Association of Machinists and Aerospace Workers (IAMAW)	June 2020
Passenger Service Agents	Transport Workers Union of America (TWU)	NA

In February 2018, the pilot group voted to approve the current five-year agreement. In connection with the current agreement, we incurred a one-time ratification incentive of $80.2 million, including payroll taxes, and an $8.5 million adjustment related to other contractual provisions. These amounts were recorded in special charges (credits) within operating expenses in the consolidated statement of operations for the year ended December 31, 2018. For additional information, refer to “Notes to the Consolidated Financial Statements—5. Special Charges and Credits.”

In March 2016, under the supervision of the NMB, we reached a tentative agreement for a five-year contract with our flight attendants. In May 2016, we entered into a five-year agreement with our flight attendants, which becomes amendable May 2021.

Our dispatchers are represented by the PAFCA. In June 2018, we commenced negotiations with PAFCA for an amended agreement with our dispatchers. In October 2018, we reached a tentative agreement with the PAFCA for a new five-year agreement, which was ratified by the PAFCA members in October 2018.

In July 2014, certain ramp service agents directly employed by us voted to be represented by the IAMAW. In May 2015, we entered into a five-year interim collective bargaining agreement with the IAMAW, covering material economic terms. In June 2016, we reached an agreement on the remaining terms of the collective bargaining agreement. In February 2020, the IAMAW notified us, as required by the Railway Labor Act, that it intends to submit proposed changes to the collective bargaining agreement covering our ramp service agents, which became amendable in June 2020. The parties expect to schedule meeting dates for negotiations soon.

In June 2018, our passenger service agents voted to be represented by the TWU, but the representation only applies to our Fort Lauderdale station where we have direct employees in the passenger service classification. We began meeting with the TWU in late October 2018 to negotiate an initial collective bargaining agreement. As of December 31, 2020, we continued to negotiate with the TWU.

We focus on hiring highly productive employees and, where feasible, designing systems and processes around automation and outsourcing in order to maintain our low-cost base. During COVID-19, we have been able to avoid involuntary furloughs of our U.S. unionized and non-unionized employees by providing voluntary leave programs and other cost saving initiatives. Due to the high level of support and acceptance of the voluntary programs offered, no unionized employees were involuntarily furloughed and the total number of non-unionized employees involuntarily separated as of October 1, 2020 was reduced by more than 95%.

Safety and Security

We are committed to the safety and security of our passengers and employees. We strive to comply with or exceed health and safety regulation standards. In pursuing these goals, we maintain an active aviation safety program. All of our personnel are expected to participate in the program and take an active role in the identification, reduction and elimination of hazards.

Our ongoing focus on safety relies on training our employees to proper standards and providing them with the tools and equipment they require so they can perform their job functions in a safe and efficient manner. Safety in the workplace targets several areas of our business, including: flight operations, maintenance, in-flight, dispatch and station operations. The Transportation Security Administration, or TSA, is charged with aviation security for both airlines and airports. We maintain active, open lines of communication with the TSA at all of our locations to ensure proper standards for security of our personnel, customers, equipment and facilities are exercised throughout our business.

Insurance

We maintain insurance policies we believe are customary in the airline industry and as required by the Department of Transportation ("DOT"). The policies principally provide liability coverage for public and passenger injury; damage to property; loss of or damage to flight equipment; fire and extended coverage; war risk (terrorism); directors’ and officers’

liability; advertiser and media liability; cyber risk liability; fiduciary; and workers' compensation and employer's liability. Renewing coverage could result in a change in premium and more restrictive terms. Although we currently believe our insurance coverage is adequate, there can be no assurance that the amount of such coverage will not be changed or that we will not be forced to bear substantial losses from accidents.

Management Information Systems

We have continued our commitment to technology improvements to support our ongoing operations and initiatives. During 2018, we invested in the development of a regionally diverse cloud infrastructure and further network improvements. In 2019, we implemented a new website built on a more stable codebase which provides for a better user experience. In addition, we invested in improving the stability of our mobile application.

In 2020, we continued to migrate critical business applications into the cloud infrastructure, allowing us to take increasing advantage of the analytics and automation functions. These improvements provide further opportunities to increase business intelligence and flexibility, improve business continuity, mitigate disaster scenarios and enhance data security. We intend to continue to invest resources in cyber security to protect our data, operations and our customers' privacy.

Foreign Ownership

Under DOT regulations and federal law, we must be controlled by U.S. citizens. In order to qualify, at least 75% of our stock must be voted by U.S. citizens, and our president and at least two-thirds of our board of directors and senior management must be U.S. citizens.

We believe we are currently in compliance with such foreign ownership rules.

Government Regulation

Operational Regulation

The airline industry is heavily regulated, especially by the federal government. Two of the primary regulatory authorities overseeing air transportation in the United States are the DOT and the FAA. The DOT has jurisdiction over economic and consumer issues affecting air transportation, such as competition, route authorizations, advertising and sales practices, baggage liability and disabled passenger transportation, reporting of mishandled bags, tarmac delays and responding to customer complaints among other areas. In December 2020, the DOT issued a Final Rule on Traveling by Air with Service Animals replacing the prior policy. The rule limits service animals to a dog that is individually trained to do work or perform tasks for the benefit of a person with a disability, and no longer considers an emotional support animal to be a service animal. As of January 2021, passengers must pay a pet fee to carry an emotional support animal.

In 2016, Congress passed a law requiring airlines to refund checked bag fees for delayed bags if they are not delivered to the passenger within a specified number of hours. Though the DOT has been collecting information from carriers and other interested parties and organizations from which to develop a final rule, as of January 2021, a rule has not been issued. In December 2020, the DOT withdrew a Request for Information that solicited information on whether airline restrictions on the distribution or display of airline flight information constitute an unfair and deceptive business practice and/or an unfair method of competition.

In its first day in office, the Biden Administration issued an Executive Order that froze review and approval of any new rulemaking. A different Executive Order mandated that masks be worn on commercial aircraft. We will continue to follow all relevant guidelines and guidance to protect our guests and staff, but we cannot forecast what additional safety requirements may be imposed in the future or the extent of any pre-travel testing requirements that may be under consideration in the United States and that may be in place, or renewed, in any foreign jurisdiction we serve, including the effect of such requirements on passenger demand or the costs or revenue impact that would be associated with complying with such requirements.

Additional rules and executive orders, including those pertaining to disabled passengers, may be issued in 2021. See "Risk Factors—Restrictions on or increased taxes applicable to charges for ancillary products and services paid by airline passengers and burdensome consumer protection regulations or laws which could harm our business, results of operations and financial condition."

The DOT has authority to issue certificates of public convenience and necessity required for airlines to provide air transportation. We hold a DOT certificate of public convenience and necessity authorizing us to engage in scheduled air transportation of passengers, property and mail within the United States, its territories and possessions and between the United States and all countries that maintain a liberal aviation trade relationship with the United States (known as "open skies"

countries). We also hold DOT certificates to engage in air transportation to certain other countries with more restrictive aviation policies.

The FAA is responsible for regulating and overseeing matters relating to air carrier flight operations, including airline operating certificates, aircraft certification and maintenance and other matters affecting air safety, including rest periods and work hours for all airlines certificated under Part 121 of the Federal Aviation Regulations. The FAA requires each commercial airline to obtain and hold an FAA air carrier certificate. This certificate, in combination with operations specifications issued to the airline by the FAA, authorizes the airline to operate at specific airports using aircraft approved by the FAA. As of December 31, 2020, we had FAA airworthiness certificates for all of our aircraft, we had obtained the necessary FAA authority to fly to all of the cities we currently serve, and all of our aircraft had been certified for overwater operations. Any new or revised operational regulations in the future could result in further increased costs. We believe we hold all necessary operating and airworthiness authorizations, certificates and licenses and are operating in compliance with applicable DOT and FAA regulations, interpretations and policies.

International Regulation

All international service is subject to the regulatory requirements of the foreign government involved. We generally offer international service to Aruba, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru and St. Maarten, as well as Puerto Rico and the U.S. Virgin Islands. If we decide to increase our routes to additional international destinations, we will be required to obtain necessary authority from the DOT and the applicable foreign government. We are also required to comply with overfly regulations in countries that lay along our routes but which we do not serve.

International service is also subject to Customs and Border Protection, or CBP, immigration and agriculture requirements and the requirements of equivalent foreign governmental agencies. Like other airlines flying international routes, from time to time we may be subject to civil fines and penalties imposed by CBP if unmanifested or illegal cargo, such as illegal narcotics, is found on our aircraft. These fines and penalties, which in the case of narcotics are based upon the retail value of the seizure, may be substantial. We have implemented a comprehensive security program at our airports to reduce the risk of illegal cargo being placed on our aircraft, and we seek to cooperate actively with CBP and other U.S. and foreign law enforcement agencies in investigating incidents or attempts to introduce illegal cargo.

We will continue to comply with all contagious disease requirements issued by the US and foreign governments, but we cannot forecast what additional requirements may be imposed in the future or the costs or revenue impact that would be associated with complying with such requirements. See, “Risk Factors —“We are subject to extensive and increasing regulation by the FAA, DOT, TSA and other U.S. and foreign governmental agencies, compliance with which could cause us to incur increased costs and adversely affect our business and financial results."

Security Regulation

The TSA was created in 2001 with the responsibility and authority to oversee the implementation, and ensure the adequacy of security measures at airports and other transportation facilities. Funding for passenger security is provided in part by a per enplanement ticket tax (passenger security fee). Prior to and for the first half of 2014, this fee was $2.50 per passenger flight segment, subject to a maximum of $5 per one-way trip. Effective July 1, 2014, the security fee was set at a flat rate of $5.60 each way. On December 19, 2014, the law was amended to limit a round-trip fee to $11.20. We cannot forecast what additional security and safety requirements may be imposed in the future or the costs or revenue impact that would be associated with complying with such requirements.

Environmental Regulation

We are subject to various federal, state and local laws and regulations relating to the protection of the environment and affecting matters such as aircraft engine emissions, aircraft noise emissions and the discharge or disposal of materials and chemicals, which laws and regulations are administered by numerous state and federal agencies. The Environmental Protection Agency, or EPA, regulates operations, including air carrier operations, which affect the quality of air in the United States. We believe the aircraft in our fleet meet all emission standards issued by the EPA. Concern about climate change and greenhouse gases may result in additional regulation or taxation of aircraft emissions in the United States and abroad.

Federal law recognizes the right of airport operators with special noise problems to implement local noise abatement procedures so long as those procedures do not interfere unreasonably with interstate and foreign commerce and the national air transportation system. These restrictions can include limiting nighttime operations, directing specific aircraft operational procedures during takeoff and initial climb, and limiting the overall number of flights at an airport.

Other Regulations

We are subject to certain provisions of the Communications Act of 1934, as amended, and are required to obtain an aeronautical radio license from the Federal Communications Commission, or FCC. To the extent we are subject to FCC requirements, we will take all necessary steps to comply with those requirements. We are also subject to state and local laws and regulations at locations where we operate and the regulations of various local authorities that operate the airports we serve.

Future Regulations

The U.S. and foreign governments may consider and adopt new laws, regulations, interpretations and policies regarding a wide variety of matters that could directly or indirectly affect our results of operations. We cannot predict what laws, regulations, interpretations and policies might be considered in the future, nor can we judge what impact, if any, the implementation of any of these proposals or changes might have on our business.

ITEM 1A. RISK FACTORS

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. All statements other than statements of historical facts are "forward-looking statements" for purposes of these provisions. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential," and similar expressions intended to identify forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. Additional risks or uncertainties (i) that are not currently known to us, (ii) that we currently deem to be immaterial, or (iii) that could apply to any company, could also materially adversely affect our business, financial condition, or future results. You should carefully consider the risks described below and the other information in this report. If any of the following risks materialize, our business could be materially harmed, and our financial condition and results of operations could be materially and adversely affected. References in this report to "Spirit," "we," "us," "our," or the "Company" shall mean Spirit Airlines, Inc., unless the context indicates otherwise.

Risks Related to Recent Events

The COVID-19 pandemic and measures to reduce its spread have had, and will likely continue to have, a material adverse impact on our business, results of operations and financial condition.

The outbreak of COVID-19 and implementation of measures to reduce its spread have adversely impacted our business and continue to adversely impact our business in a number of ways. Multiple governments in countries we serve, principally the United States, have responded to the virus with air travel restrictions and closures, testing requirements or recommendations against air travel, and certain countries we serve have required airlines to limit or completely stop operations. In response to COVID-19, we significantly reduced capacity from our original plan and will continue to evaluate the need for further flight schedule adjustments throughout 2021. As of December 31, 2020, we were experiencing significant deterioration in forward bookings and have continued to see a decline in forward bookings. Negative trends have not yet stabilized and are likely to continue to worsen. Additionally, we also outsource certain critical business activities to third parties, including our dependence on a limited number of suppliers for our aircraft and engines. As a result, we rely upon the successful implementation and execution of the business continuity planning of such entities in the current environment. The successful implementation and execution of these third parties' business continuity strategies are largely outside our control. If one or more of such third parties experience operational failures as a result of the impacts from the spread of COVID-19, or claim that they cannot perform due to a force majeure, it may have a material adverse impact on our business, results of operations and financial condition.

The extent of the impact of COVID-19 on our business, results of operations and financial condition will depend on future developments, including the currently unknowable duration of the COVID-19 pandemic; the efficacy of, ability to administer and extent of adoption of any COVID-19 vaccines domestically and globally; the impact of existing and future governmental regulations, travel advisories and restrictions that are imposed in response to the pandemic, including pursuant to executive orders, such as the new mask mandate; additional reductions to our flight capacity, or a voluntary temporary cessation of all flights, that we implement in response to the pandemic; and the impact of COVID-19 on consumer behavior, such as a reduction in the demand for air travel, especially in our destination cities. The total potential economic impact brought on by the COVID-19 pandemic is difficult to assess or predict, and it has already caused, and is likely to result in further, significant disruptions of global financial markets, which may reduce our ability to access capital on favorable terms or at all, and increase the cost of capital. In addition, a recession, depression or other sustained adverse economic event resulting from the spread of the coronavirus would materially adversely impact our business and the value of our common stock. The impact of the COVID-19 pandemic on global financial markets has negatively impacted the value of our common stock to date as well as our

debt ratings, and could continue to negatively affect our liquidity. Our credit rating was downgraded by Fitch to BB- in April 2020 and by S&P Global to B in June 2020. In May 2020, the credit rating of our Spirit Airlines Pass Through Trust Certificates Series 2015-1 Class C and our Spirit Airlines Pass Through Trust Certificates Series 2017-1 Class C was downgraded by Fitch from BBB- to BB+. In June 2020, the credit ratings of our Spirit Airlines Pass Through Trust Certificates Series 2017-1 Class A and B were downgraded by S&P Global to BBB and BB-, respectively. In November 2020, the credit ratings of our Spirit Airlines Pass Through Trust Certificates Series 2017-1 Class AA and C were downgraded by S&P Global to AA- and BB, respectively. The downgrades of our ratings were based on our increased level of credit risk as a result of the financial impacts of the COVID-19 pandemic. If our credit ratings were to be further downgraded, or general market conditions were to ascribe higher risk to our ratings levels, the airline industry, or the Company, our business, financial condition and results of operations would be adversely affected. These developments are highly uncertain and cannot be predicted. There are limitations on our ability to mitigate the adverse financial impact of these items, including as a result of our significant aircraft-related fixed obligations. COVID-19 also makes it more challenging for management to estimate future performance of our business, particularly over the near to medium term. A further significant decline in demand for our flights could have a materially adverse impact on our business, results of operations and financial condition.

On March 27, 2020, the CARES Act was signed into law, and on April 20, 2020 we reached an agreement with the Treasury to receive funding through the Payroll Support Program ("PSP") over the second and third quarters of 2020. Additionally, on December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law and in January 2021, we reached an agreement with the Treasury to receive additional funding in early 2021. The funding we received is subject to restrictions and limitations. See "—We have agreed to certain restrictions on our business by accepting financing under the legislation enacted in response to the COVID-19 pandemic."

The COVID-19 pandemic may also exacerbate other risks described in this "Risk Factors" section, including, but not limited to, our competitiveness, demand for our services, shifting consumer preferences and our substantial amount of outstanding indebtedness.

We have agreed to certain restrictions on our business by accepting financing under the legislation enacted in response to the COVID-19 pandemic.

On March 27, 2020, the CARES Act was signed into law. The CARES Act provided liquidity in the form of loans, loan guarantees, and other investments to air carriers, such as us, that incurred, or are expected to incur, covered losses such that the continued operations of the business are jeopardized, as determined by the Treasury.

On April 20, 2020, we entered into a PSP agreement with the Treasury, pursuant to which we received a total of $334.7 million through July 31, 2020, which funds were used exclusively to pay for salaries and benefits for our employees through September 30, 2020. Of that amount, $70.4 million is in the form of a low-interest 10-year note. In addition, in connection with its participation in the PSP, we issued to the Treasury warrants pursuant to a warrant agreement to purchase up to 500,151 shares of our common stock, par value $0.0001 per share, at a strike price of $14.08 per share (the closing price for the shares of common stock on April 9, 2020). In September 2020, we were notified by the Treasury of additional funds available under the PSP portion of the CARES Act. We received an additional installment of $9.7 million from the Treasury of which $2.9 million is in the form of a low-interest 10-year loan. Also, in connection with this additional installment, we issued to the Treasury warrants to purchase up to an additional 20,646 shares of our common stock at a strike price of $14.08 per share (the closing price for the shares of our common stock on April 9, 2020).

The warrants expire in five years from the date of issuance, are transferable, have no voting rights and contain customary terms regarding anti-dilution. If the Treasury or any subsequent warrant holder exercises the warrants, the interest of our holders of common stock would be diluted and we would be partially owned by the U.S. government, which could have a negative impact on our common stock price, and which could require increased resources and attention by our management.

In connection with our participation in the PSP, we were, and continue to be, subject to certain restrictions and limitations, including, but not limited to:

- Restrictions on payment of dividends and stock buybacks through September 30, 2021;
- Limits on certain executive compensation including limiting pay increases and severance pay or other benefits upon terminations, through March 24, 2022;
- Requirements to maintain certain levels of scheduled services (including to destinations where there may currently be significantly reduced or no demand) through September 30, 2020;

- A prohibition on involuntary terminations or furloughs of our employees (except for health, disability, cause, or certain disciplinary reasons) through September 30, 2020;
- A prohibition on reducing the salaries, wages, or benefits of our employees (other than our executive officers or independent contractors, or as otherwise permitted under the terms of the PSP) through September 30, 2020;
- Limitations on the use of the grant funds exclusively for the continuation of payment of employee wages, salaries and benefits; and
- Additional reporting and recordkeeping requirements relating to the CARES Act funds.

On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law. This new legislation provides an extension or additional benefits designed to address the continuing economic fallout from the COVID-19 pandemic. The bill extends the PSP program of the CARES Act through March 31, 2021 ("PSP2") and provides an additional $15 billion to fund the PSP2 program for employees of passenger air carriers. Airlines participating in the PSP2 program are required to, among other things:

- Continue restrictions on payment of dividends and stock buybacks through March 31, 2022;
- Continue limits on executive compensation through October 1, 2022;
- Refrain from conducting involuntary furloughs or reducing pay rates and benefits until March 31, 2021;
- Continue requirements to maintain certain levels of scheduled services through March 1, 2022;
- Continue reporting requirements; and
- Recall all employees that were involuntarily furloughed or terminated between October 1, 2020 and the date the carrier enters into the new payroll support agreement with the Treasury. Such employees, if returning to work, must be compensated for lost pay and benefits between December 1, 2020 and the date of such new payroll support agreement.

In late December, we notified the Treasury of our intent to participate in the PSP2. We entered into a new payroll support program agreement with Treasury on January 15, 2021. We expect to receive approximately $184.5 million pursuant to our participation in the PSP2. In January 2021, we received the first installment of $92.2 million in the form of a grant. Of the remaining amount, we expect that approximately $25 million will be in the form of a low-interest 10-year loan. In addition, in connection with our participation in the PSP2, we are required to issue to Treasury warrants to purchase up to 103,761 shares of our common stock at a strike price of $24.42 per share (the closing price of the shares of our common stock on December 24, 2020). Total warrants issued in connection with the PSP and PSP2 will represent less than 1% of the outstanding shares of our common stock as of December 31, 2020.

These restrictions and requirements could materially adversely impact our business, results of operations and financial condition by, among other things, requiring us to change certain of our business practices and to maintain or increase cost levels to maintain scheduled service with little or no offsetting revenue, affecting retention of key personnel and limiting our ability to effectively compete with others in our industry who may not be receiving funding and may not be subject to similar limitations.

We cannot predict whether the assistance from the Treasury through the PSP or PSP2 will be adequate to continue to pay our employees for the duration of the COVID-19 pandemic or whether additional assistance will be required or available in the future. We previously applied to the Treasury for a secured loan through the CARES Act but we determined not to move forward with such loan in September 2020. There can be no assurance that loans or other assistance will be available through the CARES Act or any future legislation, or whether we will be eligible to receive any additional assistance, if needed.

Risks Related to Our Industry

We operate in an extremely competitive industry.

We face significant competition with respect to routes, fares and services. Within the airline industry, we compete with traditional network airlines, other low-cost airlines and regional airlines on many of our routes. Competition in most of the destinations we presently serve is intense, sometimes due to the large number of carriers in those markets. Furthermore, other airlines may begin service or increase existing service on routes where we currently face little competition. Most of our competitors are larger than us and have significantly greater financial and other resources than we do.

The airline industry is particularly susceptible to price discounting because once a flight is scheduled, airlines incur only nominal additional costs to provide service to passengers occupying otherwise unsold seats. Increased fare or other price competition has, and may continue to, adversely affect our revenue generation. Moreover, many other airlines have begun to unbundle services by charging separately for services such as baggage and advance seat selection. This unbundling and other

cost reducing measures could enable competitor airlines to reduce fares on routes that we serve. Beginning in 2015, and continuing through 2019, more widespread availability of low fares, including from legacy network carriers, coupled with an increase in domestic capacity led to dramatic changes in pricing behavior in many U.S. markets. Many domestic carriers began matching lower cost airline pricing, either with limited or unlimited inventory. Additionally, changes in practices, including with respect to change and cancellation fees, as a result of the COVID-19 pandemic has led to further pricing changes among our competitors.

Airlines increase or decrease capacity in markets based on perceived profitability, market share objectives, competitive considerations and other reasons. Decisions by our competitors that increase overall industry capacity, or capacity dedicated to a particular domestic or foreign region, market or route, could have a material adverse impact on our business. If a traditional network airline were to successfully develop a low-cost structure, compete with us on price or if we were to experience increased competition from other low-cost carriers, our business could be materially adversely affected.

Many of the traditional network airlines in the United States have on one or more occasions initiated bankruptcy proceedings in attempts to restructure their debt and other obligations and reduce their operating costs. They also have completed large mergers that have increased their scale and share of the travel market. The mergers between AMR Corporation and US Airways Group, Inc., between Delta Air Lines and Northwest Airlines, between United Airlines and Continental Airlines, between Southwest Airlines and AirTran Airways, and between Alaska Airlines and Virgin America, have created five large airlines, with substantial national and international networks which creates a more challenging competitive environment for smaller airlines like us. In the future, there may be additional consolidation in our industry. Any business combination could significantly alter industry conditions and competition within the airline industry, which could have an adverse effect on our business.

Our growth and the success of our ULCC business model could stimulate competition in our markets through our competitors' development of their own ULCC strategies, new pricing policies designed to compete with ULCCs or new market entrants. Any such competitor may have greater financial resources and access to less expensive sources of capital than we do, which could enable them to operate their business with a lower cost structure, or enable them to operate with lower-marginal revenues without substantial adverse effects, than we can. If these competitors adopt and successfully execute a ULCC business model, we could be materially adversely affected. In 2015, Delta Air Lines began to market and sell a "Basic Economy" product which was designed in part to provide its customers with a low base fare similar to Spirit. In 2017, American Airlines and United Airlines announced their own "Basic Economy" product and beginning in late 2019, other airlines like Alaska Airlines and JetBlue, have followed suit.

The extremely competitive nature of the airline industry could prevent us from attaining the level of passenger traffic or maintaining the level of fares or revenues related to ancillary services required to sustain profitable operations in new and existing markets and could impede our growth strategy, which could harm our operating results. Due to our relatively small size, we are susceptible to a fare war or other competitive activities in one or more of the markets we serve, which could have a material adverse effect on our business, results of operations and financial condition.

Our low-cost structure is one of our primary competitive advantages, and many factors could affect our ability to control our costs.

Our low-cost structure is one of our primary competitive advantages. However, we have limited control over many of our costs. For example, we have limited control over the price and availability of aircraft fuel, aviation insurance, airport costs and related infrastructure taxes, the cost of meeting changing regulatory requirements and our cost to access capital or financing. In addition, the compensation and benefit costs applicable to a significant portion of our employees are established by the terms of our collective bargaining agreements. We cannot guarantee we will be able to maintain a cost advantage over our competitors. If our cost structure increases and we are no longer able to maintain a sufficient cost advantage over our competitors, it could have a material adverse effect on our business, results of operations and financial condition.

The airline industry is heavily influenced by the price and availability of aircraft fuel. Continued volatility in fuel costs or significant disruptions in the supply of fuel, including hurricanes and other events affecting the Gulf Coast in particular, could materially adversely affect our business, results of operations and financial condition.

Aircraft fuel costs represented 18.6%, 29.8% and 31.6% of our total operating expenses for 2020, 2019 and 2018, respectively. As such, our operating results are significantly affected by changes in the availability and the cost of aircraft fuel, especially aircraft fuel refined in the U.S. Gulf Coast region, on which we are highly dependent. Both the cost and the availability of aircraft fuel are subject to many meteorological, economic and political factors and events occurring throughout the world, which we can neither control nor accurately predict. For example, a major hurricane making landfall along the Gulf Coast could disrupt oil production, refinery operations and pipeline capacity in that region, possibly resulting in significant increases in the price of aircraft fuel and diminished availability of aircraft fuel supply. Any disruption to oil production,

refinery operations, or pipeline capacity in the Gulf Coast region could have a disproportionate impact on our operating results compared to other airlines that have more diversified fuel sources. Fuel prices also may be affected by geopolitical and macroeconomic conditions and events that are outside of our control, including volatility in the relative strength of the U.S. dollar, the currency in which oil is denominated. Instability within major oil producing regions, such as the Middle East and Venezuela, changes in demand from major petroleum users such as China, and secular increases in competing energy sources are examples of these trends.

Aircraft fuel prices have been subject to high volatility, fluctuating substantially over the past several years. For example, our fuel prices spiked at a high of $3.32 per gallon, in the second quarter of 2012, and fell as low as $1.05 per gallon in the second quarter of 2020. We cannot predict the future availability, price volatility or cost of aircraft fuel. Due to the large proportion of aircraft fuel costs in our total operating cost base, even a relatively small increase or decrease in the price of aircraft fuel can have a significant negative impact on our operating costs or revenues and on our business, results of operations and financial condition.

The International Maritime Organization's ("IMO") new low-sulfur fuel oil requirements for ships came into effect on January 1, 2020. Considering the general decline in jet fuel demand during 2020 due to the COVID-19 pandemic, it is still uncertain how the availability and price of jet fuel around the world will be affected by the implementation of the IMO 2020 Regulations. Increased costs and/or decreased supply of jet fuel may be material and could adversely affect the results of our operations and financial condition.

Fuel derivative activity, if any, may not reduce fuel costs.

From time to time, we may enter into fuel derivative contracts in order to mitigate the risk to our business from future volatility in fuel prices. Our derivatives may generally consist of United States Gulf Coast jet fuel swaps ("jet fuel swaps") and United States Gulf Coast jet fuel options ("jet fuel options"). Both jet fuel swaps and jet fuel options can be used at times to protect the refining risk between the price of crude oil and the price of refined jet fuel, and to manage the risk of increasing fuel prices. As of December 31, 2020, we had no outstanding jet fuel derivatives, and we have not engaged in fuel derivative activity since 2015. There can be no assurance that we will be able to enter into fuel derivative contracts in the future if we are required or choose to do so. Our liquidity and general level of capital resources impacts our ability to hedge our fuel requirements. Even if we are able to hedge portions of our future fuel requirements, we cannot guarantee that our derivative contracts will provide sufficient protection against increased fuel costs or that our counterparties will be able to perform under our derivative contracts, such as in the case of a counterparty's insolvency. Furthermore, our ability to react to the cost of fuel, absent hedging, is limited because we set the price of tickets in advance of incurring fuel costs. Our ability to pass on any significant increases in aircraft fuel costs through fare increases could also be limited. In the event of a reduction in fuel prices compared to our hedged position, if any, our hedged positions could counteract the cost benefit of lower fuel prices and may require us to post cash margin collateral. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Uncertainties Affecting Our Business—Aircraft Fuel."

Restrictions on or increased taxes applicable to charges for ancillary products and services paid by airline passengers and burdensome consumer protection regulations or laws could harm our business, results of operations and financial condition.

During 2020, 2019 and 2018, we generated non-ticket revenues of $1,053.8 million, $1,943.7 million and $1,618.9 million, respectively. Our non-ticket revenues are generally generated from charges for, among other things, baggage, bookings through certain of our distribution channels, advance seat selection, itinerary changes and loyalty programs. The DOT has rules governing many facets of the airline-consumer relationship, including, for instance, price advertising, tarmac delays, bumping of passengers from flights, ticket refunds and the carriage of disabled passengers. If we are not able to remain in compliance with these rules, the DOT may subject us to fines or other enforcement action, including requirements to modify our passenger reservations system, which could have a material adverse effect on our business. The U.S. Congress and Federal administrative agencies have investigated the increasingly common airline industry practice of unbundling the pricing of certain products and services. If new taxes are imposed on non-ticket revenues, or if other laws or regulations are adopted that make unbundling of airline products and services impermissible, or more cumbersome or expensive, our business, results of operations and financial condition could be harmed. Congressional and other government scrutiny may also change industry practice or public willingness to pay for ancillary services. See also "—We are subject to extensive and increasing regulation by the FAA, DOT, TSA and other U.S. and foreign governmental agencies, compliance with which could cause us to incur increased costs and adversely affect our business and financial results."

The airline industry is particularly sensitive to changes in economic conditions. Adverse economic conditions would negatively impact our business, results of operations and financial condition.

Our business and the airline industry in general are affected by many changing economic conditions beyond our control, including, among others:

- changes and volatility in general economic conditions, including the severity and duration of any downturn in the U.S. or global economy and financial markets;
- changes in consumer preferences, perceptions, spending patterns or demographic trends, including any increased preference for higher-fare carriers offering higher amenity levels, and reduced preferences for low-fare carriers offering more basic transportation;
- higher levels of unemployment and varying levels of disposable or discretionary income;
- depressed housing and stock market prices; and
- lower levels of actual or perceived consumer confidence.

These factors can adversely affect, and from time to time have adversely affected, our results of operations, our ability to obtain financing on acceptable terms and our liquidity. Unfavorable general economic conditions, such as higher unemployment rates, a constrained credit market, housing-related pressures and increased focus on reducing business operating costs can reduce spending for price-sensitive leisure and business travel. For many travelers, in particular the price-sensitive travelers we serve, air transportation is a discretionary purchase that they may reduce or eliminate from their spending in difficult economic times. The overall decrease in demand for air transportation in the United States in 2008 and 2009 resulting from record high fuel prices and the economic recession required us to take significant steps to reduce our capacity, which reduced our revenues. Additionally, we were required to reduce our capacity as a result of a dramatic drop in demand due to, and restrictions imposed as a result of, the COVID-19 pandemic beginning in the second quarter of 2020. Unfavorable economic conditions could also affect our ability to raise prices to counteract the effect of increased fuel, labor or other costs, resulting in a material adverse effect on our business, results of operations and financial condition.

The airline industry faces ongoing security concerns and related cost burdens, furthered by threatened or actual terrorist attacks or other hostilities that could significantly harm our industry and our business.

The terrorist attacks of September 11, 2001 and their aftermath negatively affected the airline industry. The primary effects experienced by the airline industry included:

- substantial loss of revenue and flight disruption costs caused by the grounding of all commercial air traffic in or headed to the United States by the FAA for days after the terrorist attacks;
- increased security and insurance costs;
- increased concerns about future terrorist attacks;
- airport shutdowns and flight cancellations and delays due to security breaches and perceived safety threats; and
- significantly reduced passenger traffic and yields due to the subsequent dramatic drop in demand for air travel.

Since September 11, 2001, the Department of Homeland Security and the TSA have implemented numerous security measures that restrict airline operations and increase costs, and are likely to implement additional measures in the future. For example, following the widely publicized attempt of an alleged terrorist to detonate plastic explosives hidden underneath his clothes on a Northwest Airlines flight on Christmas Day in 2009, passengers became subject to enhanced random screening, which included pat-downs, explosive detection testing and body scans. Enhanced passenger screening, increased regulation governing carry-on baggage and other similar restrictions on passenger travel may further increase passenger inconvenience and reduce the demand for air travel. In addition, increased or enhanced security measures have tended to result in higher governmental fees imposed on airlines, resulting in higher operating costs for airlines, which we may not be able to pass on to consumers in the form of higher prices. Any future terrorist attacks or attempted attacks, even if not made directly on the airline industry, or the fear of such attacks or other hostilities (including elevated national threat warnings or selective cancellation or redirection of flights due to terror threats) would likely have a material adverse effect on our business, results of operations and financial condition and on the airline industry in general.

Airlines are often affected by factors beyond their control, including: air traffic congestion at airports; air traffic control inefficiencies; major construction or improvements at airports; adverse weather conditions, such as hurricanes or blizzards; increased security measures; new travel related taxes or the outbreak of disease, any of which could harm our business, operating results and financial condition.

Like other airlines, our business is affected by factors beyond our control, including air traffic congestion at airports, air traffic control inefficiencies, major construction or improvements at airports at which we operate, adverse weather conditions, increased security measures, new travel related taxes, the outbreak of disease, new regulations or policies from the presidential administration and Congress. Factors that cause flight delays frustrate passengers and increase costs, which in turn could adversely affect profitability. The federal government currently controls all U.S. airspace, and airlines are completely dependent on the FAA to operate that airspace in a safe, efficient and affordable manner. The air traffic control system, which is operated by the FAA, faces challenges in managing the growing demand for U.S. air travel. U.S. and foreign air-traffic controllers often rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes resulting in delays. A significant portion of our operations is concentrated in markets such as South Florida, the Caribbean, Latin America and the Northeast and northern Midwest regions of the United States, which are particularly vulnerable to weather, airport traffic constraints and other delays. Adverse weather conditions and natural disasters, such as hurricanes affecting southern Florida and the Caribbean (such as Hurricanes Irma and Maria in September 2017, Hurricane Dorian in August 2019 and Hurricane Laura in August 2020) as well as southern Texas (such as Hurricane Harvey in August 2017), winter snowstorms or earthquakes (such as the September 2017 earthquakes in Mexico City, Mexico and the December 2019 and January 2020 earthquakes in Puerto Rico) can cause flight cancellations, significant delays and facility disruptions. For example, during 2017, the timing and location of Hurricanes Irma and Maria produced a domino effect on our operations resulting in approximately 1,400 flight cancellations and numerous flight delays, which resulted in an adverse effect on our results of operations. Cancellations or delays due to adverse weather conditions or natural disasters, air traffic control problems or inefficiencies, breaches in security or other factors may affect us to a greater degree than other, larger airlines that may be able to recover more quickly from these events, and therefore could harm our business, results of operations and financial condition to a greater degree than other air carriers. Because of our high utilization, point-to-point network, operational disruptions can have a disproportionate impact on our ability to recover. In addition, many airlines reaccommodate their disrupted passengers on other airlines at prearranged rates under flight interruption manifest agreements. We have been unsuccessful in procuring any of these agreements with our peers, which makes our recovery from disruption more challenging than for larger airlines that have these agreements in place. Similarly, outbreaks of pandemic or contagious diseases, such as Ebola, measles, avian flu, severe acute respiratory syndrome (SARS), H1N1 (swine) flu, Zika virus and COVID-19, could result in significant decreases in passenger traffic and the imposition of government restrictions in service and could have a material adverse impact on the airline industry. As a result of the COVID-19 pandemic, the U.S. government and government authorities in other countries around the world have implemented travel bans and other restrictions, which have drastically reduced consumer demand. For additional information, see "—The COVID-19 pandemic and measures to reduce its spread have had, and will likely continue to have, a material adverse impact on our business, results of operations and financial condition." Any increases in travel related taxes could also result in decreases in passenger traffic. Any general reduction in airline passenger traffic could have a material adverse effect on our business, results of operations and financial condition. Moreover, U.S. federal government shutdowns may cause delays and cancellations or reductions in discretionary travel due to longer security lines, including as a result of furloughed government employees, or reductions in staffing levels, including air traffic controllers. U.S. government shutdowns may also impact our ability to take delivery of aircraft and commence operations in new domestic stations. Any extended shutdown like the one in January 2019 may have a negative impact on our operations and financial results.

Restrictions on or litigation regarding third-party membership discount programs could harm our business, operating results and financial condition.

We generate a relatively small but growing portion of our revenue from commissions, revenue share and other fees paid to us by third-party merchants for customer click-throughs, distribution of third-party promotional materials and referrals arising from products and services of the third-party merchants that we offer to our customers on our website. Some of these third-party referral-based offers are for memberships in discount programs or similar promotions made to customers who have purchased products from us, and for which we receive a payment from the third-party merchants for every customer that accepts the promotion. Certain of these third-party membership discount programs have been the subject of consumer complaints, litigation and regulatory actions alleging that the enrollment and billing practices involved in the programs violate various consumer protection laws or are otherwise deceptive. Any private or governmental claim or action that may be brought against us in the future relating to these third-party membership programs could result in our being obligated to pay damages or incurring legal fees in defending claims. These damages and fees could be disproportionate to the revenues we generate through these relationships. In addition, customer dissatisfaction or a significant reduction in or termination of the third-party membership discount offers on our website as a result of these claims could have a negative impact on our brand, and have a material adverse effect on our business, results of operations and financial condition.

We face competition from air travel substitutes.

In addition to airline competition from traditional network airlines, other low-cost airlines and regional airlines, we also face competition from air travel substitutes. On our domestic routes, we face competition from some other transportation alternatives, such as bus, train or automobile. In addition, technology advancements may limit the demand for air travel. For example, video teleconferencing and other methods of electronic communication may reduce the need for in-person communication and add a new dimension of competition to the industry as travelers seek lower-cost substitutes for air travel. If we are unable to adjust rapidly in the event the basis of competition in our markets changes, it could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Business

Increased labor costs, union disputes, employee strikes and other labor-related disruption may adversely affect our business, results of operations and financial conditions.

Our business is labor intensive, with labor costs representing approximately 39.3%, 26.0% and 24.2% of our total operating costs for 2020, 2019 and 2018, respectively. As of December 31, 2020, approximately 82% of our workforce was represented by labor unions. We cannot assure that our labor costs going forward will remain competitive because in the future our labor agreements may be amended or become amendable and new agreements could have terms with higher labor costs; one or more of our competitors may significantly reduce their labor costs, thereby reducing or eliminating our comparative advantages as to one or more of such competitors; or our labor costs may increase in connection with our growth. We may also become subject to additional collective bargaining agreements in the future as non-unionized workers may unionize.

Relations between air carriers and labor unions in the United States are governed by the RLA. Under the RLA, collective bargaining agreements generally contain "amendable dates" rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the NMB. This process continues until either the parties have reached agreement on a new collective bargaining agreement, or the parties have been released to "self-help" by the NMB. In most circumstances, the RLA prohibits strikes; however, after release by the NMB, carriers and unions are free to engage in self-help measures such as lockouts and strikes.

During 2017, we experienced operational disruption from pilot-related work action which adversely impacted our results. We obtained a temporary restraining order to enjoin further illegal labor action. In January 2018, under the guidance of the NMB assigned mediators, the parties reached a tentative agreement. In February 2018, the pilot group voted to approve the current five-year agreement with us. In connection with the current agreement, we incurred a one-time ratification incentive of $80.2 million, including payroll taxes, and an $8.5 million adjustment related to other contractual provisions. These amounts were recorded in special charges (credits) within operating expenses in the consolidated statement of operations for the year ended December 31, 2018.

In March 2016, under the supervision of the NMB, we reached a tentative agreement for a five-year contract with our flight attendants. In May 2016, we entered into a five-year agreement with our flight attendants, which becomes amendable May 2021.

Our dispatchers are represented by the PAFCA. In June 2018, we commenced negotiations with PAFCA for an amended agreement with our dispatchers. In October 2018, PAFCA and the Company reached a tentative agreement for a new five-year agreement, which was ratified by the PAFCA members in October 2018.

In July 2014, certain ramp service agents directly employed by us voted to be represented by the IAMAW. In May 2015, we entered into a five-year interim collective bargaining agreement with the IAMAW, including material economic terms. In June 2016, we reached an agreement on the remaining terms of the collective bargaining agreement. In February 2020, the IAMAW notified us, as required by the Railway Labor Act, that it intends to submit proposed changes to the collective bargaining agreement covering our ramp service agents that became amendable in June 2020. The parties expect to schedule meeting dates for negotiations soon.

In June 2018, our passenger service agents voted to be represented by the TWU, but the representation only applies to our Fort Lauderdale station where we have direct employees in the passenger service classification. We began meeting with the TWU in late October 2018 to negotiate an initial collective bargaining agreement. As of December 31, 2020, we continued to negotiate with the TWU.

If we are unable to reach agreement with any of our unionized work groups in current or future negotiations regarding the terms of their CBAs, we may be subject to work interruptions or stoppages, such as the strike by our pilots in June 2010 and

the operational disruption from pilot-related work action experienced in 2017. A strike or other significant labor dispute with our unionized employees is likely to adversely affect our ability to conduct business. Any agreement we do reach could increase our labor and related expenses.

The Patient Protection and Affordable Care Act was enacted in 2010. A decision in the Supreme Court regarding this law is pending and it may be repealed in its entirety or certain aspects may be changed or replaced. If the law is repealed or significantly modified or if new healthcare legislation is passed, such action could significantly increase cost of the healthcare benefits provided to our U.S. employees. In addition, the failure to comply materially with such existing and new laws, rules and regulations could adversely affect our business, results of operations and financial conditions.

A deterioration in worldwide economic conditions may adversely affect our business, operating results, financial condition, liquidity and ability to obtain financing or access capital markets.

The general worldwide economy has in the past experienced downturns due to the effects of the European debt crisis, unfavorable U.S. economic conditions and slowing growth in certain Asian economies, including general credit market crises, collateral effects on the finance and banking industries, energy price volatility, concerns about inflation, slower economic activity, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions, geopolitical conflict, pandemic risks, government constraints on international trade and liquidity concerns. The airline industry is particularly sensitive to changes in economic conditions, which affect customer travel patterns and related revenues. A weak economy could reduce our bookings, and a reduction in discretionary spending could also decrease amounts our customers are willing to pay. Unfavorable economic conditions can also impact the ability of airlines to raise fares to help offset increased fuel, labor and other costs. We cannot accurately predict the effect or duration of any economic slowdown or the timing or strength of a subsequent economic recovery.

In addition, we have significant obligations for aircraft and spare engines that we have ordered from Airbus, IAE and Pratt & Whitney over the next several years, and we will need to finance these purchases. We may not have sufficient liquidity or creditworthiness to fund the purchase of aircraft and engines, including payment of pre-delivery deposit payments ("PDPs"), or for other working capital. Factors that affect our ability to raise financing or access the capital markets include market conditions in the airline industry, economic conditions, the perceived residual value of aircraft and related assets, the level and volatility of our earnings, our relative competitive position in the markets in which we operate, our ability to retain key personnel, our operating cash flows and legal and regulatory developments. Regardless of our creditworthiness, at times the market for aircraft purchase or lease financing has been very constrained due to such factors as the general state of the capital markets and the financial position of the major providers of commercial aircraft financing.

We rely on maintaining a high daily aircraft utilization rate to implement our low-cost structure, which makes us especially vulnerable to flight delays or cancellations or aircraft unavailability.

Historically, we have maintained a high daily aircraft utilization rate. During 2020, we operated our aircraft at lower utilization levels due to the COVID-19 pandemic and as such our average daily aircraft utilization of 6.9 hours for 2020 was unusually low. Our average daily aircraft utilization was 12.3 hours for 2019 and 12.1 hours for 2018. Aircraft utilization is the average amount of time per day that our aircraft spend carrying passengers. Our revenue per aircraft can be increased by high daily aircraft utilization, which is achieved in part by reducing turnaround times at airports so we can fly more hours on average in a day. Aircraft utilization is reduced by delays and cancellations from various factors, many of which are beyond our control, including air traffic congestion at airports or other air traffic control problems, adverse weather conditions, increased security measures or breaches in security, international or domestic conflicts, terrorist activity, outbreaks of pandemic or contagious diseases or other changes in business conditions. A significant portion of our operations are concentrated in markets such as South Florida, the Caribbean, Latin America and the Northeast and northern Midwest regions of the United States, which are particularly vulnerable to weather, airport traffic constraints and other delays. In addition, pulling aircraft out of service for unscheduled and scheduled maintenance, the occurrence of which will increase as our fleet ages, may materially reduce our average fleet utilization and require that we seek short-term substitute capacity at increased costs. Due to the relatively small size of our fleet and high daily aircraft utilization rate, the unavailability of aircraft and resulting reduced capacity could have a material adverse effect on our business, results of operations and financial condition.

Our maintenance costs will increase as our fleet ages, and we will periodically incur substantial maintenance costs due to the maintenance schedules of our aircraft fleet.

As of December 31, 2020, the average age of our aircraft was approximately 6.5 years. Our relatively new aircraft require less maintenance now than they will in the future. Our fleet will require more maintenance as it ages and our maintenance and repair expenses for each of our aircraft will be incurred at approximately the same intervals. For our leased aircraft, we expect that the final heavy maintenance events will be amortized over the remaining lease term rather than until the next estimated heavy maintenance event, because we account for heavy maintenance under the deferral method. This will result in significantly

higher depreciation and amortization expense related to heavy maintenance in the last few years of the leases as compared to the costs in earlier periods. Moreover, because our current fleet was acquired over a relatively short period, significant maintenance that is scheduled on each of these planes is occurring at roughly the same time, meaning we will incur our most expensive scheduled maintenance obligations, known as heavy maintenance, across our present fleet around the same time. These more significant maintenance activities result in out-of-service periods during which our aircraft are dedicated to maintenance activities and unavailable to fly revenue service. In addition, the terms of some of our lease agreements require us to pay maintenance reserves to the lessor in advance of the performance of major maintenance, resulting in our recording significant prepaid deposits on our consolidated balance sheet. Depending on their recoverability, these maintenance reserves may be classified as supplemental rent. We expect scheduled and unscheduled aircraft maintenance expenses to increase over the next several years. Any significant increase in maintenance and repair expenses would have a material adverse effect on our business, results of operations and financial condition.

Our lack of marketing alliances could harm our business.

Many airlines, including the domestic traditional network airlines (American, Delta and United) have marketing alliances with other airlines, under which they market and advertise their status as marketing alliance partners. These alliances, such as OneWorld, SkyTeam and Star Alliance, generally provide for code-sharing, frequent flyer program reciprocity, coordinated scheduling of flights to permit convenient connections and other joint marketing activities. Such arrangements permit an airline to market flights operated by other alliance members as its own. This increases the destinations, connections and frequencies offered by the airline and provides an opportunity to increase traffic on that airline's segment of flights connecting with alliance partners. We currently do not have any alliances with U.S. or foreign airlines. Our lack of marketing alliances puts us at a competitive disadvantage to traditional network carriers who are able to attract passengers through more widespread alliances, particularly on international routes, and that disadvantage may result in a material adverse effect on our passenger traffic, business, results of operations and financial condition.

We are subject to extensive and increasing regulation by the FAA, DOT, TSA and other U.S. and foreign governmental agencies, compliance with which could cause us to incur increased costs and adversely affect our business and financial results.

Airlines are subject to extensive and increasing regulatory and legal compliance requirements, both domestically and internationally, that involve significant costs. In the last several years, Congress has passed laws, and the DOT, FAA and TSA have issued regulations, relating to the operation of airlines that have required significant expenditures. We expect to continue to incur expenses in connection with complying with government regulations. Additional laws, regulations, taxes and increased airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce the demand for air travel. If adopted, these measures could have the effect of raising ticket prices, reducing revenue and increasing costs.

DOT has been aggressive in enforcing regulations for violations of the tarmac delay rules, passenger with disability rules, advertising rules and other consumer protection rules that could increase the cost of airline operations or reduce revenues. In December 2020, the DOT issued a Final Rule on Traveling by Air with Service Animals. This rule limits service animals to a dog that is individually trained to do work or perform tasks for the benefit of a person with a disability, and no longer considers an emotional support animal to be a service animal. This eliminates the requirement to carry emotional support animals for free, and will likely reduce costs. Additionally, in December 2020, the DOT withdrew a Request for Information soliciting information on whether airline restrictions on the distribution or display of airline flight information constitute an unfair and deceptive business practice and/or an unfair method of competition. The DOT said that decisions on how and where to sell their services should be left to the airlines.

In its first day in office, the Biden Administration issued an Executive Order that froze review and approval of any new rulemaking. This freeze led the DOT to withdraw the Final Rule on Tarmac Delay and the Advance Notice of Proposed Rulemaking (ANPRM) on Airfare Advertising. The ANPRM may not be reissued.

In October 2018, Congress passed the FAA Reauthorization Act of 2018, which extends FAA funds through fiscal year 2023. The legislation contains provisions which could have effects on our results of operations and financial condition. Among other provisions, the new law requires the DOT to lift the payment cap on denied boarding compensation, create new requirements for the treatment of disabled passengers, and treble the maximum civil penalty for damage to wheelchairs and other assistive devices or for injuring a disabled passenger. Under the Act, the FAA is required to issue rules establishing minimum dimensions for passenger seats, including seat pitch, width and length. The Act also establishes new rest requirements for flight attendants and requires, within one year, that the FAA issue an order mandating installation of a secondary cockpit barrier on each new aircraft.

In January 2021, the DOT issued a final rule, effective April 2021, to clarify that the maximum amount of Denied Boarding Compensation (DBC) that a carrier may provide to a passenger denied boarding involuntarily is not limited. We cannot forecast how eliminating this maximum amount of payment will affect our costs.

We cannot assure that these and other laws or regulations enacted in the future will not harm our business. In addition, the TSA mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per ticket tax on passengers and a tax on airlines. We cannot forecast what additional security and safety requirements may be imposed in the future or the costs or revenue impact that would be associated with complying with such requirements.

Our ability to operate as an airline is dependent on our maintaining certifications issued to us by the DOT and the FAA. The FAA has the authority to issue mandatory orders relating to, among other things, the grounding of aircraft, inspection of aircraft, installation of new safety-related items and removal and replacement of aircraft parts that have failed or may fail in the future. A decision by the FAA to ground, or require time consuming inspections of or maintenance on, our aircraft, for any reason, could negatively affect our business and financial results. Federal law requires that air carriers operating large aircraft be continuously “fit, willing and able” to provide the services for which they are licensed. Our “fitness” is monitored by the DOT, which considers factors such as unfair or deceptive competition, advertising, baggage liability and disabled passenger transportation. While the DOT has seldom revoked a carrier's certification for lack of fitness, such an occurrence would render it impossible for us to continue operating as an airline. The DOT may also institute investigations or administrative proceedings against airlines for violations of regulations.

The U.S. government is under persistent pressure to implement cost cutting and efficiency initiatives. In addition, the U.S. government has recently and may in the future experience delays in the completion of its budget process which could delay funding for government departments and agencies that regulate or otherwise are tied to the aviation industry, including the DOT and FAA. To the extent that any such initiatives or budgeting delays affect the operations of these government departments and agencies, including by forcing mandatory furloughs of government employees, our operations and results of operations could be materially adversely affected.

International routes are regulated by treaties and related agreements between the United States and foreign governments. Our ability to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time. Our access to new international markets may be limited by our ability to obtain the necessary certificates to fly the international routes. In addition, our operations in foreign countries are subject to regulation by foreign governments and our business may be affected by changes in law and future actions taken by such governments, including granting or withdrawal of government approvals and restrictions on competitive practices. We are subject to numerous foreign regulations based on the large number of countries outside the United States where we currently provide service. If we are not able to comply with this complex regulatory regime, our business could be significantly harmed. Please see “Business — Government Regulation.”

A January 2021 Executive Order mandated that masks be worn on commercial aircraft. We will continue to follow all relevant guidelines and guidance to protect our guests and staff, but we cannot forecast what additional safety requirements may be imposed in the future or the costs or revenue impact that would be associated with complying with such requirements.

In April 2020, we entered into a Payroll Support Program ("PSP") Agreement with the United States Department of the Treasury ("Treasury"), pursuant to which we were required to provide continued air service to certain markets between March and September 2020.

In January 2021, we entered into a PSP Extension Agreement with the Treasury, pursuant to which we are required to provide continued air service to certain markets through March 31, 2021. Under these Agreements, we are subject to restrictions, along with additional reporting and recordkeeping requirements relating to the funds received under the two PSP programs and other programs to provide relief.

Internationally, the Centers for Disease Control (CDC) issued an Order requiring negative COVID-19 test results for passengers entering the US effective on January 26, 2021. This Order shall remain in effect until the declared end of the COVID-19 public health emergency, later CDC modification of the Order, or the end of 2021.This Order could be renewed, and other requirements, such as more stringent bans from certain countries based on emerging strains of the COVID-19 virus, could be imposed. We will continue to comply with all contagious disease requirements issued by the US and foreign governments, but we cannot forecast what additional requirements may be imposed in the future or the extent of any pre-travel testing requirements that may be under consideration in the United States and that may be in place, or renewed, in any foreign

jurisdiction we serve, including the effect of such requirements on passenger demand or the costs or revenue impact that would be associated with complying with such requirements.

Changes in legislation, regulation and government policy have affected, and may in the future have a material adverse effect on our business.

Changes in, and uncertainty with respect to, legislation, regulation and government policy at the local, state or federal level have affected, and may in the future significantly impact, our business and the airline industry. For example, the Tax Cuts and Jobs Act, enacted on December 22, 2017, limits deductions for borrowers for net interest expense on debt. Specific legislative and regulatory proposals that could have a material impact on us in the future include, but are not limited to, infrastructure renewal programs; changes to immigration policy; modifications to international trade policy, including withdrawing from trade agreements and imposing tariffs; changes to financial legislation, including the partial or full repeal of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or Dodd-Frank Act or the Tax Cuts and Jobs Act; public company reporting requirements; environmental regulation and antitrust enforcement. Any such changes may make it more difficult and/or more expensive for us to obtain new aircraft or engines and parts to maintain existing aircraft or engines or make it less profitable or prevent us from flying to or from some of the destinations we currently serve.

To the extent that any such changes have a negative impact on us or the airline industry, including as a result of related uncertainty, these changes may materially and adversely impact our business, financial condition, results of operations and cash flows.

Any tariffs imposed on commercial aircraft and related parts imported from outside the United States may have a material adverse effect on our fleet, business, financial condition and our results of operations.

Certain of the products and services that we purchase, including our aircraft and related parts, are sourced from suppliers located in foreign countries, and the imposition of new tariffs, or any increase in existing tariffs, by the U.S. government on the importation of such products or services could materially increase the amounts we pay for them. In early October 2019, the World Trade Organization ruled that the United States could impose $7.5 billion in retaliatory tariffs in response to illegal European Union subsidies to Airbus. On October 18, 2019, the United States imposed these tariffs on certain imports from the European Union, including a 10% tariff on new commercial aircraft. In February 2020, the United States announced an increase to this tariff from 10% to 15%. These tariffs apply to aircraft that we are already contractually obligated to purchase. These tariffs are under continuing review and at any time could be increased, decreased, eliminated or applied to a broader range of products we use. The imposition of these tariffs may substantially increase the cost of, among other things, imported new Airbus aircraft and parts required to service our Airbus fleet, which in turn could have a material adverse effect on our business, financial condition and/or results of operations. We may also seek to postpone or cancel delivery of certain aircraft currently scheduled for delivery, and we may choose not to purchase as many aircraft as we intended in the future. Any such action could have a material adverse effect on the size of our fleet, business, financial condition and/or results of operations.

We may not be able to implement our growth strategy.

Our growth strategy includes acquiring additional aircraft, increasing the frequency of flights and size of aircraft used in markets we currently serve, and expanding the number of markets we serve where our low cost structure would likely be successful. Effectively implementing our growth strategy is critical for our business to achieve economies of scale and to sustain or increase our profitability. We face numerous challenges in implementing our growth strategy, including our ability to:

- maintain profitability;
- acquire delivery positions of and/or financing for new or used aircraft;
- access airports located in our targeted geographic markets where we can operate routes in a manner that is consistent with our cost strategy;
- acquire new and used aircraft in accordance with our intended delivery schedule, and obtain sufficient spare parts or related support services from our suppliers on a timely basis;
- gain access to international routes;
- access sufficient gates and other services at airports we currently serve or may seek to serve; and

- maintain efficient utilization and capacity of our existing aircraft.

Our growth is dependent upon our ability to maintain a safe and secure operation and requires additional personnel, equipment and facilities. An inability to hire and retain personnel, timely secure the required equipment and facilities in a cost-effective manner, efficiently operate our expanded facilities or obtain the necessary regulatory approvals may adversely affect our ability to achieve our growth strategy, which could harm our business. In addition, expansion to new markets may have other risks due to factors specific to those markets. We may be unable to foresee all of the existing risks upon entering certain new markets or respond adequately to these risks, and our growth strategy and our business may suffer as a result. In addition, our competitors may reduce their fares and/or offer special promotions to deter our entry into a new market or to stop our growth into existing markets or new markets. We cannot assure you that we will be able to profitably expand our existing markets or establish new markets.

Some of our target growth markets in the Caribbean and Latin America include countries with less developed economies that may be vulnerable to unstable economic and political conditions, such as significant fluctuations in gross domestic product, interest and currency exchange rates, high inflation, civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by governments. The occurrence of any of these events in markets served by us and the resulting instability may adversely affect our ability to implement our growth strategy.

In 2008, in response to record high fuel prices and rapidly deteriorating economic conditions, we modified our growth plans by terminating our leases for seven aircraft. We incurred significant expenses relating to our lease terminations, and have incurred additional expenses to acquire new aircraft in place of those under the terminated leases as we expanded our network. We may in the future determine to reduce further our future growth plans from previously announced levels, which may impact our business strategy and future profitability.

We rely heavily on technology and automated systems to operate our business and any failure of these technologies or systems or failure by their operators could harm our business.

We are highly dependent on technology and automated systems to operate our business and achieve low operating costs. These technologies and systems include our computerized airline reservation system, flight operations system, financial planning, management and accounting system, telecommunications systems, website, maintenance systems and check-in kiosks. The performance and reliability of our technology are critical to our ability to operate and compete effectively. In 2015, our Board of Directors approved a significant technology upgrade initiative meant to address our aging IT infrastructure. This initiative has and will continue to upgrade, replace, and enhance multiple older and outdated legacy systems and hardware. The execution of our strategic plans could be negatively affected by (i) our ability to timely and effectively implement, transition, and maintain related information technology systems and infrastructure; (ii) our ability to effectively balance our investment of incremental operating expenses and capital expenditures related to our strategies against the need to effectively control cost; and (iii) our dependence on third parties with respect to our ability to implement our strategic plans. We cannot assure you that our security measures, change control procedures, and disaster recovery plans will be adequate to prevent disruptions or delays. Disruption in or changes to these systems could result in an interruption to our operations or loss of important data. Any of the foregoing could result in a material adverse effect on our business, reputation, results of operations and financial condition.

In order for our operations to work efficiently, our website and reservation system must be able to accommodate a high volume of traffic, maintain secure information and deliver flight information with a high degree of reliability. Substantially all of our tickets are issued to passengers as electronic tickets. We depend on our reservation system, which is hosted and maintained under a long-term contract by a third-party service provider, to be able to issue, track and accept these electronic tickets. If our reservation system fails or experiences interruptions, and we are unable to book seats for any period of time, we could lose a significant amount of revenue as customers book seats on competing airlines. We have experienced short duration reservation system outages from time to time and may experience similar outages in the future. For example, in November 2010, we experienced a significant service outage with our third-party reservation service provider on the day before Thanksgiving, one of the industry's busiest travel days and in August 2013, we experienced a 13-hour outage that affected our sales and customer service response times. We also rely on third-party service providers of our other automated systems for technical support, system maintenance and software upgrades. If our automated systems are not functioning or if the current providers were to fail to adequately provide technical support or timely software upgrades for any one of our key existing systems, we could experience service disruptions, which could harm our business and result in the loss of important data, increase our expenses and decrease our revenues. In the event that one or more of our primary technology or systems' vendors goes into bankruptcy, ceases operations or fails to perform as promised, replacement services may not be readily available on a timely basis, at competitive rates or at all and any transition time to a new system may be significant.

In addition, our automated systems cannot be completely protected against events that are beyond our control, including natural disasters, cyber attacks, disruption of electrical grid or telecommunications failures. Substantial or sustained system

failures could cause service delays or failures and result in our customers purchasing tickets from other airlines. We have implemented security measures and change control procedures and have disaster recovery plans; however, we cannot assure you that these measures are adequate to prevent disruptions. Disruption in, changes to or a breach of, these systems could result in a disruption to our business and the loss of important data. Moreover, in the event of system outages or interruptions, we may not be able to recover from our information technology and software providers all or any portion of the costs or business losses we may incur. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

We are subject to cyber security risks and may incur increasing costs in an effort to minimize those risks.

Our business employs systems and websites that allow for the secure storage and transmission of proprietary or confidential information regarding our customers, employees, suppliers and others, including personal identification information, credit card data and other confidential information. Security breaches could expose us to a risk of loss or misuse of this information, litigation and potential liability. Although we take steps to secure our management information systems, and although auditors review and approve the security configurations and management processes of these systems, including our computer systems, intranet and internet sites, email and other telecommunications and data networks, the security measures we have implemented may not be effective, and our systems may be vulnerable to theft, loss, damage and interruption from a number of potential sources and events, including unauthorized access or security breaches, natural or man-made disasters, cyber attacks (including ransom attacks in which malicious persons encrypt our systems, steal data, or both, and demand payment for decryption of systems or to avoid public release of data), computer viruses, power loss, or other disruptive events. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber attacks. Attacks may be targeted at us, our customers and suppliers, or others who have entrusted us with information. In addition, attacks not targeted at us, but targeted solely at suppliers, may cause disruption to our computer systems or a breach of the data that we maintain on customers, employees, suppliers and others.

Actual or anticipated attacks may cause us (and at times have caused us) to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants, or costs incurred in connection with the notifications to employees, suppliers or the general public as part of our notification obligations to the various governments that govern our business. Advances in computer capabilities, new technological discoveries, or other developments may result in the breach or compromise of technology used by us to protect transaction or other data. In addition, data and security breaches can also occur as a result of non-technical issues, including breaches by us or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. Our reputation, brand and financial condition could be adversely affected if, as a result of a significant cyber event or other security issues: our operations are disrupted or shut down; our confidential, proprietary information is stolen or disclosed; we incur costs or are required to pay fines in connection with stolen customer, employee or other confidential information; we must dedicate significant resources to system repairs or increase cyber security protection; or we otherwise incur significant litigation or other costs.

Our processing, storage, use and disclosure of personal data could give rise to liabilities as a result of governmental regulation.

In the processing of our customer transactions, we receive, process, transmit and store a large volume of identifiable personal data, including financial data such as credit card information. This data is increasingly subject to legislation and regulation, such as the California Consumer Privacy Act and the Fair Accurate Credit Transparency Act and Payment Card Industry legislation, typically intended to protect the privacy of personal data that is collected, processed and transmitted. More generally, we rely on consumer confidence in the security of our system, including our website on which we sell the majority of our tickets. Our business, results of operations and financial condition could be adversely affected if we are unable to comply with existing privacy obligations or legislation or regulations are expanded to require changes in our business practices.

We may not be able to maintain or grow our non-ticket revenues.

Our business strategy includes expanding our portfolio of ancillary products and services. There can be no assurance that passengers will pay for additional ancillary products and services or that passengers will continue to choose to pay for the ancillary products and services we currently offer. Further, regulatory initiatives could adversely affect ancillary revenue opportunities. Failure to maintain our non-ticket revenues would have a material adverse effect on our results of operations and financial condition. Furthermore, if we are unable to maintain and grow our non-ticket revenues, we may not be able to execute our strategy to continue to lower base fares to address an underserved market. Please see "—Restrictions on or increased taxes applicable to charges for ancillary products and services paid by airline passengers and burdensome consumer protection regulations or laws could harm our business, results of operations and financial condition."

Our inability to expand or operate reliably or efficiently out of our key airports where we maintain a large presence could have a material adverse effect on our business, results of operations and financial condition.

We are highly dependent on markets served from airports where we maintain a large presence. Our results of operations may be affected by actions taken by governmental or other agencies or authorities having jurisdiction over our operations at airports, including, but not limited to:

- increases in airport rates and charges;
- limitations on take-off and landing slots, airport gate capacity or other use of airport facilities;
- termination of our airport use agreements, some of which can be terminated by airport authorities with little notice to us;
- increases in airport capacity that could facilitate increased competition;
- international travel regulations such as customs and immigration;
- increases in taxes;
- changes in the law that affect the services that can be offered by airlines in particular markets and at particular airports;
- restrictions on competitive practices;
- the adoption of statutes or regulations that impact customer service standards, including security standards; and
- the adoption of more restrictive locally-imposed noise regulations or curfews.

In general, any changes in airport operations could have a material adverse effect on our business, results of operations and financial condition.

We rely on third-party service providers to perform functions integral to our operations.

We have entered into agreements with third-party service providers to furnish certain facilities and services required for our operations, including ground handling, catering, passenger handling, engineering, maintenance, refueling, reservations and airport facilities as well as administrative and support services. We are likely to enter into similar service agreements in new markets we decide to enter, and there can be no assurance that we will be able to obtain the necessary services at acceptable rates.

Although we seek to monitor the performance of third parties that provide us with our reservation system, ground handling, catering, passenger handling, engineering, maintenance services, refueling and airport facilities, the efficiency, timeliness and quality of contract performance by third-party service providers are often beyond our control, and any failure by our service providers to perform their contracts may have an adverse impact on our business and operations. For example, in 2008, our call center provider went bankrupt. Though we were able to quickly switch to an alternative vendor, we experienced a significant business disruption during the transition period and a similar disruption could occur in the future if we changed call center providers or if an existing provider ceased to be able to serve us. We expect to be dependent on such third-party arrangements for the foreseeable future.

We rely on third-party distribution channels to distribute a portion of our airline tickets.

We rely on third-party distribution channels, including those provided by or through global distribution systems, or GDSs, conventional travel agents and online travel agents, or OTAs, to distribute a portion of our airline tickets, and we expect in the future to rely on these channels to an increasing extent to collect ancillary revenues. These distribution channels are more expensive and at present have less functionality in respect of ancillary revenues than those we operate ourselves, such as our call centers and our website. Certain of these distribution channels also effectively restrict the manner in which we distribute our products generally. To remain competitive, we will need to successfully manage our distribution costs and rights, and improve the functionality of third-party distribution channels, while maintaining an industry-competitive cost structure. Negotiations with key GDSs and OTAs designed to manage our costs, increase our distribution flexibility, and improve functionality could be contentious, could result in diminished or less favorable distribution of our tickets, and may not provide the functionality we require to maximize ancillary revenues. Any inability to manage our third-party distribution costs, rights and functionality at a competitive level or any material diminishment in the distribution of our tickets could have a material adverse effect on our competitive position and our results of operations. Moreover, our ability to compete in the markets we

serve may be threatened by changes in technology or other factors that may make our existing third-party sales channels impractical, uncompetitive, or obsolete.

We rely on a single service provider to manage the majority of our fuel supply.

As of December 31, 2020, we had a single fuel service contract with World Fuel Services Corporation to manage the majority of the sourcing and contracting of our fuel supply. A failure by this provider to fulfill its obligations could have a material adverse effect on our business, results of operations and financial condition.

Our reputation and business could be materially adversely affected in the event of an emergency, accident or similar incident involving our aircraft.

We are exposed to potential significant losses in the event that any of our aircraft is subject to an emergency, accident, terrorist incident or other similar incident, and significant costs related to passenger claims, repairs or replacement of a damaged aircraft and its temporary or permanent loss from service. There can be no assurance that we will not be affected by such events or that the amount of our insurance coverage will be adequate in the event such circumstances arise and any such event could cause a substantial increase in our insurance premiums. Please see "—Increases in insurance costs or significant reductions in coverage could have a material adverse effect on our business, financial condition and results of operations." In addition, any future aircraft emergency, accident or similar incident, even if fully covered by insurance or even if it does not involve our airline, may create a public perception that our airline or the equipment we fly is less safe or reliable than other transportation alternatives, or could cause us to perform time consuming and costly inspections on our aircraft or engines which could have a material adverse effect on our business, results of operations and financial condition.

Negative publicity regarding our customer service or otherwise could have a material adverse effect on our business.

In the past, we have experienced a relatively high number of customer complaints related to, among other things, our customer service and reservations and ticketing systems. In particular, we generally experience a higher volume of complaints when we make changes to our unbundling policies, such as charging for baggage. In addition, in 2009, we entered into a consent order with the DOT for our procedures for bumping passengers from oversold flights and our handling of lost or damaged baggage. Under the consent order, we were assessed a civil penalty of $375,000, of which we were required to pay $215,000 based on an agreement with the DOT and not having similar violations in the year after the date of the consent order. Further, media reports about incidents on our aircraft unrelated to customer complaints could negatively impact our reputation and our operations. If we do not meet our customers' expectations with respect to reliability and service, customers could decide not to fly with us, which would materially adversely affect our business and reputation.

We depend on a limited number of suppliers for our aircraft and engines.

One of the elements of our business strategy is to save costs by operating a single-family aircraft fleet - currently Airbus A320-family, single-aisle aircraft, powered by engines manufactured by IAE and Pratt & Whitney. If any of Airbus, IAE, or Pratt & Whitney become unable to perform its contractual obligations, or if we are unable to acquire or lease aircraft or engines from these or other owners, operators or lessors on acceptable terms, we would have to find other suppliers for a similar type of aircraft or engine. If we have to lease or purchase aircraft from another supplier, we would lose the significant benefits we derive from our current single fleet composition. We may also incur substantial transition costs, including costs associated with retraining our employees, replacing our manuals and adapting our facilities and maintenance programs. Our operations could also be harmed by the failure or inability of aircraft, engine and parts suppliers to provide sufficient spare parts or related support services on a timely basis, particularly in connection with new-generation introductory technology. Our business would be significantly harmed if a design defect or mechanical problem with any of the types of aircraft, engines or components currently on order or that we operate were discovered that would halt or delay our aircraft delivery stream or that would ground any of our aircraft while the defect or problem was corrected, assuming it could be corrected at all. Since the addition of A320neo aircraft in 2016, we have experienced introductory issues with the new-generation PW1100G-JM engines, designed and manufactured by Pratt & Whitney, which has resulted in diminished service availability of such aircraft. We continuously work with Pratt & Whitney to secure support and relief in connection with possible engine related operation disruptions. As of December 31, 2020, we operated 32 A320neo aircraft with PW 1100G-JM engines. We cannot be certain that the new generation PW1100G-JM issues that were previously identified will be adequately corrected or if the defect will require the grounding of any of our A320neos. However, modifications have been designed and will be incorporated into our PW1100G-JM engine fleet over the next three years. Should appropriate design or mechanical modifications not be implemented or not be effective, this could materially adversely affect our business, results of operations and financial condition. These types of events, if appropriate design or mechanical modifications cannot be implemented, could materially adversely affect our business, results of operations and financial condition. Moreover, the use of our aircraft could be suspended or restricted by regulatory authorities in the event of actual or perceived mechanical or design problems. Our business would also be significantly harmed if the public began to avoid flying with us due to an adverse perception of the types of aircraft, engines or

components that we operate stemming from safety concerns or other problems, whether real or perceived, or in the event of an accident involving those types of aircraft, engines or components. Carriers that operate a more diversified fleet are better positioned than we are to manage such events.

Reduction in demand for air transportation, or governmental reduction or limitation of operating capacity, in the domestic U.S., Caribbean or Latin American markets could harm our business, results of operations and financial condition.

A significant portion of our operations are conducted to and from the domestic U.S., Caribbean or Latin American markets. Our business, results of operations and financial condition could be harmed if we lost our authority to fly to these markets, by any circumstances causing a reduction in demand for air transportation, or by governmental reduction or limitation of operating capacity, in these markets, such as adverse changes in local economic or political conditions, negative public perception of these destinations, unfavorable weather conditions, public health concerns or terrorist related activities. Furthermore, our business could be harmed if jurisdictions that currently limit competition allow additional airlines to compete on routes we serve. Many of the countries we serve are experiencing either economic slowdowns or recessions, which may translate into a weakening of demand and could harm our business, results of operations and financial condition.

Increases in insurance costs or significant reductions in coverage could have a material adverse effect on our business, financial condition and results of operations.

We carry insurance for third-party liability, passenger liability, property damage and all-risk coverage for damage to our aircraft. As a result of the September 11, 2001 terrorist attacks, aviation insurers significantly reduced the amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war risk insurance). Accordingly, our insurance costs increased significantly and our ability to continue to obtain certain types of insurance remains uncertain. While the price of commercial insurance has declined since the period immediately after the terrorist attacks, in the event commercial insurance carriers further reduce the amount of insurance coverage available to us, or significantly increase its cost, we would be adversely affected. We currently maintain commercial airline insurance with several underwriters. However, there can be no assurance that the amount of such coverage will not be changed, or that we will not bear substantial losses from accidents. We could incur substantial claims resulting from an accident in excess of related insurance coverage that could have a material adverse effect on our results of operations and financial condition. Renewing coverage may result in higher premiums and more restrictive terms. Our business, results of operations and financial condition could be materially adversely affected if we are unable to obtain adequate insurance.

Failure to comply with applicable environmental regulations could have a material adverse effect on our business, results of operations and financial condition.

We are subject to increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment, including those relating to emissions to the air, discharges to surface and subsurface waters, safe drinking water and the management of hazardous substances, oils and waste materials. Compliance with all environmental laws and regulations can require significant expenditures and any future regulatory developments in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. For example, climate change legislation was previously introduced in Congress and such legislation could be re-introduced in the future by Congress and state legislatures, and could contain provisions affecting the aviation industry, compliance with which could result in the creation of substantial additional costs to us. Similarly, the Environmental Protection Agency issued a rule that regulates larger emitters of greenhouse gases. Future operations and financial results may vary as a result of such regulations. Compliance with these regulations and new or existing regulations that may be applicable to us in the future could increase our cost base and could have a material adverse effect on our business, results of operations and financial condition.

There is also an increasing international focus on climate change, carbon emissions and environmental regulation. The incoming principal deputy assistant secretary for aviation and international affairs at the DOT spent the last 25 years working on international aviation climate change policy at Environmental Defense Fund. This may signal increased emphasis on new environmental regulation on commercial aviation.

Members of the International Civil Aviation Organization ("ICAO") have been negotiating a global agreement in greenhouse gas emissions for the aviation industry. In October 2016, the ICAO adopted the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which is a global, market-based emissions offset program designed to encourage carbon-neutral growth beyond 2020. Further, in June 2018 the ICAO adopted standards pertaining to the collection and sharing of information in international aviation emissions beginning in 2019. We are a participant in the CORSIA program. The CORSIA will increase operating costs for Spirit and other U.S. airlines that operate internationally. The CORSIA is expected to be implemented in phases beginning with a voluntary pilot from 2021 through 2023. The COVID-19 pandemic has

depressed international aviation such that 2020 emissions will not be included in setting a baseline. CORSIA's voluntary pilot phase is still expected to run from 2021 through 2023, and airlines will have until January 2025 to cancel eligible emissions units to comply with their total offsetting requirements for the pilot phase. Certain details are still being developed and the impact cannot be fully predicted. Compliance with CORSIA could significantly increase our operating costs. The potential impact of CORSIA or other emissions-related requirements on our costs will ultimately depend on a number of factors, including baseline emissions, the price of emission allowances or offsets that we would need to acquire, the efficiency of our fleet and the number of flights subject to these requirements. These costs have not been completely defined and could fluctuate.

Governmental authorities in several U.S. and foreign cities are also considering or have already implemented aircraft noise reduction programs, including the imposition of nighttime curfews and limitations on daytime take-offs and landings. We have been able to accommodate local noise restrictions imposed to date, but our operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

If we are unable to attract and retain qualified personnel or fail to maintain our company culture, our business, results of operations and financial condition could be harmed.

Our business is labor intensive. We require large numbers of pilots, flight attendants, maintenance technicians and other personnel. The airline industry has from time to time experienced a shortage of qualified personnel, particularly with respect to pilots and maintenance technicians. In addition, we may face high employee turnover. We may be required to increase wages and/or benefits in order to attract and retain qualified personnel. If we are unable to hire, train and retain qualified employees, our business could be harmed and we may be unable to implement our growth plans.

In addition, as we hire more people and grow, we believe it may be increasingly challenging to continue to hire people who will maintain our company culture. Our company culture, which we believe is one of our competitive strengths, is important to providing high-quality customer service and having a productive, accountable workforce that helps keep our costs low. As we continue to grow, we may be unable to identify, hire or retain enough people who meet the above criteria, including those in management or other key positions. Our company culture could otherwise be adversely affected by our growing operations and geographic diversity. If we fail to maintain the strength of our company culture, our competitive ability and our business, results of operations and financial condition could be harmed.

Our business, results of operations and financial condition could be materially adversely affected if we lose the services of our key personnel.

Our success depends to a significant extent upon the efforts and abilities of our senior management team and key financial and operating personnel. In particular, we depend on the services of our senior management team. Competition for highly qualified personnel is intense. For example, the executive compensation limitations under the PSP and PSP2 programs (valid through March 24, 2022 and October 1, 2022, respectively) may hinder our ability to retain our executive officers or other key employees. The loss of any executive officer or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, results of operations and financial condition. We do not maintain key-person life insurance on our management team.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we incur significant legal, accounting and other expenses, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with the Sarbanes-Oxley Act of 2002, as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act and related rules implemented or to be implemented by the SEC and the New York Stock Exchange. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees, or as our executive officers and may divert management's attention. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

We are required to assess our internal control over financial reporting on an annual basis and our management identified a material weakness which has since been remediated. If we identify additional material weaknesses or other adverse findings in the future, we may not be able to report our financial condition or results of operations accurately or

timely, which may result in a loss of investor confidence in our financial reports, significant expenses to remediate any internal control deficiencies, and ultimately have an adverse effect on the market price of our common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended, our management is required to report on, and our independent registered public accounting firm is required to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Annually, we perform activities that include reviewing, documenting and testing our internal control over financial reporting. During the performance of these activities, we may encounter problems or delays in completing the implementation of any changes necessary to make a favorable assessment of our internal control over financial reporting. In connection with the attestation process by our independent registered public accounting firm, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation. In addition, if we fail to maintain the adequacy of our internal control over financial reporting we will not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could harm our operating results and lead to a decline in our stock price. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the New York Stock Exchange, regulatory investigations, civil or criminal sanctions and class action litigation.

Management identified errors in its previously filed statements of cash flows for the year ended December 31, 2019. Management, along with its independent registered public accounting firm identified a material weakness in the internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness management identified specifically related to the operation of certain review controls over the preparation of the 2019 statements of cash flows. The deficiency resulted in the restatement of the Company’s statement of cash flows for the year ended December 31, 2019. Management also revised the related Liquidity section of the Company’s Management's Discussion and Analysis of Financial Condition and Results of Operations.

In order to remediate the material weakness, with the oversight of our Audit Committee, Management completed remediation activities including, but not limited to, the following:

- Enhanced cash flow templates to facilitate the preparation and review of the related cash flows;

- Enhanced roll forward reconciliation and management review controls of the capital expenditures amounts included in the statements of cash flows; and

- More detailed reconciliation process and management review of each line in the consolidated statements of cash flows.

Management is committed to maintaining a strong internal control environment and believes this remediation effort represents an improvement in the related controls around the consolidated statement of cash flows. Based on the testing performed during the first, second and third quarters of 2020 on these newly implemented controls around the review of the consolidated statement of cash flows, which was completed in the third quarter of 2020, we have concluded that these controls have been designed appropriately and are operating effectively. As a result, Management considers this material weakness to have been remediated as of September 30, 2020.

If additional material weaknesses in internal controls are discovered in the future, they may adversely affect our ability to record, process, summarize and report financial information timely and accurately and, as a result our financial statements may contain material misstatements or omissions.

Risks Related to Our Programs

The success of the Free Spirit Program and the $9 Fare Club™ program depend on the success of the Company.

The Free Spirit Program and the $9 Fare Club™ program depend on the Company's continued success as a commercial airline and our continued performance under certain Free Spirit Agreements. The success or failure of the Company's business will have a direct impact the success and the value of the Free Spirit Program and the $9 Fare Club™ program.

Business decisions made by the Company, including with respect to ticket prices, routes, the location of hubs, cabin designs, safety procedures, any initiatives to retain customers and otherwise, could have an adverse impact on our appeal to air travelers, which could negatively affect participation in the Free Spirit Program and the $9 Fare Club™ program, damage our reputation or harm our relationships with the Free Spirit Partners. For instance, certain business decisions may negatively adjust the rate at which miles are purchased by third parties under the terms of the applicable Free Spirit Agreement, and decisions by the Company with respect to mergers, divestitures or other corporate events may provide for termination rights of third parties under Free Spirit Agreements, each of which could have a material adverse effect on the financial and operational success, as well as the appraised value of the Free Spirit Program and the $9 Fare Club™ program.

The success of the Free Spirit Program and the $9 Fare Club™ program may be harmed by decisions or actions of our partners that are beyond our control.

The Free Spirit Program and the $9 Fare Club™ program depend in part on the decisions or actions of our partners. For example, issuers of our co-branded credit cards have certain rights to alter terms and conditions of the credit card accounts of their customers, including finance charges and other fees and required minimum monthly payments, in order to maintain their competitive position in the credit card industry or to comply with, among other things, regulatory guidelines, relevant law or prudent business practices. Changes in the terms of such credit card accounts may reduce the number of new accounts, the volume of credit card spend or negatively impact account retention, which in turn may reduce the number of miles accrued and sold or impact the Free Spirit Program. Although issuers of our co-branded credit cards may consult the Company prior to implementing any such changes, no assurance can be given that issuers of our co-branded credit cards will not take actions that adversely affect the success of Free Spirit Program and the $9 Fare Club™ program.

Covenant restrictions on the Free Spirit Program and the $9 Fare Club™ program in our debt agreements will impose restrictions on our operations, and if we are not able to comply with such covenants, our creditors could accelerate our indebtedness or exercise other remedies.

The covenants in the indenture governing the Secured Notes contains a number of provisions that impose restrictions on the Free Spirit Program and the $9 Fare Club™ program which, subject to certain exceptions, limit the ability the Company to, among other things, amend the policies and procedures of the Free Spirit Program and the $9 Fare Club™ program in a manner that would be reasonably expected to have a material adverse effect, compete with the Free Spirit Program and the $9 Fare Club™ by establishing another mileage or loyalty program (subject to certain exceptions) and sell pre-paid miles in excess of $25 million annually and $125 million in the aggregate. The indenture contains additional restrictions on the Free Spirit Program and the $9 Fare Club™ program, including the ability to terminate or modify certain licenses and certain material Free Spirit Agreements. The indenture also requires Spirit to maintain a minimum liquidity of at least $400 million on a daily basis. Such covenants are in addition to the other restrictions in the indenture, such as restrictions on the ability of the issuers and guarantors of the Secured Notes to make restricted payments, incur additional indebtedness, enter into certain transactions with affiliates, create or incur certain liens on the collateral, merge, consolidate, or sell assets, sell, transfer or otherwise convey the collateral and designate certain subsidiaries as unrestricted.

Complying with these covenants and other restrictive covenants that may be contained in any future debt agreements will limit the Company's ability to operate our business and may limit our ability to take advantage of business opportunities that are in our long-term interest.

The failure to comply with any of these covenants or restrictions could result in a default under the indenture governing the Secured Notes or any future debt agreement, which could lead to an acceleration of the debt under such instruments and, in some cases, the acceleration of debt under other instruments that contain cross-default or cross-acceleration provisions, each of

which could have a material adverse effect on the Company. In the case of an event of default, or in the event of a cross-default or cross-acceleration, we may not have sufficient funds available to make the required payments under our debt agreements.

Risks Related to Our Leverage and Liquidity

We have a significant amount of aircraft-related fixed obligations and we have incurred, and may incur in the future, significant additional debt, that could impair our liquidity and thereby harm our business, results of operations and financial condition.

The airline business is capital intensive and, as a result, many airline companies are highly leveraged. As of December 31, 2020, our 157 aircraft fleet consisted of 56 aircraft financed under operating leases, 72 aircraft financed under debt arrangements, and 29 aircraft purchased off lease and currently unencumbered. In 2020 and 2019, we paid the lessors rent of $172.0 million and $181.0 million, respectively. In connection with our aircraft and engines, in 2020, we received maintenance deposits, net of payments, of $23.7 million and in 2019, we received maintenance deposits, net of payments, of $22.5 million. As of December 31, 2020, we had future aircraft and spare engine operating lease obligations of approximately $1.9 billion. In 2020 and 2019, we made scheduled principal payments of $254.3 million and $246.8 million on our outstanding debt obligations, respectively. As of December 31, 2020, we had future principal debt obligations of $3.6 billion, of which $290.0 million is due in 2021. In addition, we have significant obligations for aircraft and spare engines that we have ordered from Airbus, International Aero Engines AG, or IAE, and Pratt & Whitney for delivery over the next several years. Further, we entered into an agreement to amend our revolving credit facility. The amendment extended the final maturity date from December 30, 2020 to March 31, 2021. Upon execution of the amended agreement, the maximum borrowing capacity decreased from $160.0 million to $111.2 million, which will continue to decrease as we take delivery of the related aircraft that collateralize the facility. As of December 31, 2020, we had drawn the full amount of $95.1 million available under the revolving credit facility due in 2021. In addition, we entered into a new $180 million senior secured revolving credit facility. As of December 31, 2020, we had drawn the full amount of $180.0 million available under the revolving credit facility due in 2022. Also in April 2020, we reached an agreement with the Treasury for which we received $344.4 million in funding through the payroll support program, in the form of a grant and a low-interest 10-year note and we expect to receive an additional $184.5 million from the Treasury under PSP2. The funding from the Treasury subjected us to certain restrictions and limitations. In May 2020, we issued $175.0 million of our 4.75% Convertible Senior Notes due 2025 (the "Convertible Notes"). In September 2020, we issued $850 million of our 8.00% Senior Secured Notes due 2025 (the "Secured Notes"). Our ability to pay the fixed and other costs associated with our contractual obligations will depend on our operating performance, cash flow and our ability to secure adequate financing, which will in turn depend on, among other things, the success of our current business strategy, fuel price volatility, weakening or improvement in the U.S. economy, as well as general economic and political conditions and other factors that are beyond our control. The amount of our aircraft related fixed obligations, our obligations under our other debt arrangements, and the related need to obtain financing could have a material adverse effect on our business, results of operations and financial condition and could:

- require a substantial portion of cash flow from operations for operating lease and maintenance deposit payments, and principal and interest on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to make required pre-delivery deposit payments, or PDPs, including those payable to our aircraft and engine manufacturers for our aircraft and spare engines on order;
- limit our ability to obtain additional financing to support our expansion plans and for working capital and other purposes on acceptable terms or at all;
- make it more difficult for us to pay our other obligations as they become due during adverse general economic and market industry conditions because any related decrease in revenues could cause us to have insufficient cash flows from operations to make our scheduled payments;
- reduce our flexibility in planning for, or reacting to, changes in our business and the airline industry and, consequently, place us at a competitive disadvantage to our competitors with fewer fixed payment obligations or which are subject to fewer limitations or restrictions; and
- cause us to lose access to one or more aircraft and forfeit our rent deposits if we are unable to make our required aircraft lease rental and debt payments and our lessors or lenders exercise their remedies under the lease and debt agreements, including cross default provisions in certain of our leases and mortgages.

A failure to pay our operating lease, debt and other fixed cost obligations or a breach of our contractual obligations could result in a variety of adverse consequences, including the exercise of remedies by our creditors and lessors. In such a situation,

it is unlikely that we would be able to cure our breach, fulfill our obligations, make required lease or debt payments or otherwise cover our fixed costs, which would have a material adverse effect on our business, results of operations and financial condition.

Despite our current indebtedness levels, we may incur additional indebtedness in the future, which could further increase the risks associated with our leverage.

We may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. Our debt agreements do not prohibit us from incurring additional unsecured indebtedness or certain secured indebtedness. If other such indebtedness is incurred in the future, our debt service obligations will increase. The more leveraged we become, the more we will be exposed to the risks created by our current substantial indebtedness.

Our ability to incur secured indebtedness is subject to compliance with certain covenants in the indenture governing the Secured Notes and, in certain circumstances, the liens securing such additional indebtedness will be permitted to be pari passu with the liens securing the Secured Notes.

To the extent that the terms of our current or future debt agreements would prevent us from incurring additional indebtedness, we may be able to obtain amendments to those agreements that would allow us to incur such additional indebtedness, and such additional indebtedness could be material.

We are highly dependent upon our cash balances and operating cash flows.

As of December 31, 2020, we had access to lines of credit from our physical fuel delivery and derivative counterparties and our purchase credit card issuer aggregating $44.6 million and a cash collateralized standby letter of credit facility of $30.0 million. In addition, we have a revolving credit facility, maturing in 2021, for which we had drawn the full amount of $95.1 million as of December 31, 2020, and a new senior secured revolving credit facility, maturing in 2022, for up to $180.0 million which was fully drawn as of December 31, 2020. For additional information, refer to “Management's Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to Consolidated Financial Statements—14. Debt and Other Obligations.” These credit facilities are not adequate to finance our operations, and we will continue to be dependent on our operating cash flows and cash balances to fund our operations and to make scheduled payments on our aircraft related fixed obligations. In addition, we have sought, and may continue to seek, financing from other available sources to fund our operations in order to mitigate the impact of COVID-19 on our financial position and operations, including through the payroll support program or loan program with the Treasury and offerings of our common stock, Secured Notes and Convertible Notes. For example, in July 2020, we established an “at-the-market offering” program (“ATM Program”) pursuant to which we were permitted to issue and sell up to 9,000,000 shares of our common stock, which amount was fully sold as of September 2020. In addition, our credit card processors are entitled to withhold receipts from customer purchases from us, under certain circumstances. Although our credit card processors currently do not have a right to hold back credit card receipts to cover repayment to customers, if we fail to maintain certain liquidity and other financial covenants, their rights to holdback would be reinstated, which would result in a reduction of unrestricted cash that could be material. In addition, we are required by some of our aircraft lessors to fund reserves in cash in advance for scheduled maintenance, and a portion of our cash is therefore unavailable until after we have completed the scheduled maintenance in accordance with the terms of the operating leases. If we fail to generate sufficient funds from operations to meet our operating cash requirements or do not obtain a line of credit, other borrowing facility or equity financing, we could default on our operating lease and fixed obligations. Our inability to meet our obligations as they become due would have a material adverse effect on our business, results of operations and financial condition.

Our liquidity and general level of capital resources impact our ability to hedge our fuel requirements.

From time to time, we may enter into fuel derivative contracts in order to mitigate the risk to our business from future volatility in fuel prices, refining risk between the price of crude oil and the price of refined jet fuel, and to manage the risk of increasing fuel prices. As of December 31, 2020, we had no outstanding jet fuel derivatives and we have not engaged in fuel derivative activity since 2015. There can be no assurance that we will be able to enter into fuel derivative contracts in the future if we are required or choose to do so. In the past, we have not had and in the future we may not have sufficient creditworthiness or liquidity to post the collateral necessary to hedge our fuel requirements. Even if we are able to hedge portions of our future fuel requirements, we cannot guarantee that our derivative contracts will provide any particular level of protection against increased fuel costs or that our counterparties will be able to perform under our derivative contracts, such as in the case of a counterparty’s insolvency. In a falling fuel price environment, we may be required to make cash payments to our counterparties which may impair our liquidity position and increase our costs.

Our net operating losses may be limited for U.S. federal income tax purposes under Section 382 of the U.S. Internal Revenue Code.

If a corporation with net operating losses ("NOLs") undergoes an "ownership change" within the meaning of Section 382 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), then such corporation's use of such "pre-change" NOLs to offset income incurred following such ownership change generally will be subject to an annual limitation specified in Section 382 of the Code. Such limitation also may apply to certain losses or deductions that are "built-in" (i.e., attributable to periods prior to the ownership change, but not yet taken into account for tax purposes) as of the date of the ownership change that are subsequently recognized. An ownership change generally occurs when there is either (i) a shift in ownership involving one or more "5% shareholders," or (ii) an "equity structure shift" and, as a result, the percentage of stock of the corporation owned by one or more 5% shareholders (based on value) has increased by more than 50 percentage points over the lowest percentage of stock of the corporation owned by such shareholders during the "testing period" (generally the three years preceding the testing date). If the use of our net operating losses to offset our income is subject to such an annual limitation, it is possible that our cash flows, business operations or financial conditions could be adversely affected.

Risks Related to Our Securities

The issuance or sale of shares of our common stock, or rights to acquire shares of our common stock, or warrants issued to the Treasury under the PSP or PSP2, could depress the trading price of our common stock and Convertible Notes.

We may conduct future offerings of our common stock, preferred stock or other securities that are convertible into or exercisable for our common stock to finance our operations or fund acquisitions, or for other purposes. In connection with our participation in the PSP, we issued to the Treasury 520,797 warrants which may be exercised for shares of our common stock in consideration for the receipt of funding from the Treasury and we will issue 103,761 additional warrants in connection with our participation in PSP2. See "—We have agreed to certain restrictions on our business by accepting financing under the legislation enacted in response to the COVID-19 pandemic." Additionally, we issued 9,000,000 shares pursuant to our ATM Program. Further, we reserve shares of our common stock for future issuance under our equity incentive plans, which shares are eligible for sale in the public market to the extent permitted by the provisions of various agreements and, to the extent held by affiliates, the volume and manner of sale restrictions of Rule 144. If these additional shares are sold, or if it is perceived that they will be sold, into the public market, the price of our common stock could decline substantially. The indenture for the Convertible Notes does not restrict our ability to issue additional equity securities in the future. If we issue additional shares of our common stock or rights to acquire shares of our common stock, if any of our existing stockholders sells a substantial amount of our common stock, or if the market perceives that such issuances or sales may occur, then the trading price of our common stock, and, accordingly, the Convertible Notes, may significantly decline. In addition, any issuance of additional shares of common stock will dilute the ownership interests of our existing common stockholders, including holders of our Convertible Notes who have received shares of our common stock upon conversion of their Convertible Notes.

Conversion of the Convertible Notes may dilute the ownership interest of existing stockholders, including holders of the Convertible Notes who have previously converted their Convertible Notes

At our election, we may settle Convertible Notes tendered for conversion entirely or partly in shares of our common stock. As a result, the conversion of some or all of the Convertible Notes may dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such conversion of the Convertible Notes could adversely affect prevailing market prices of our common stock and, in turn, the price of the Convertible Notes. In addition, the existence of the Convertible Notes may encourage short selling by market participants because the conversion of the Convertible Notes could depress the price of our common stock.

Provisions in the indenture governing the Convertible Notes could delay or prevent an otherwise beneficial takeover of us.

Certain provisions in the Convertible Notes and the indenture governing the Convertible Notes could make a third party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then holders of the Convertible Notes will have the right to require us to repurchase their notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the Convertible Notes and the indenture governing the Convertible Notes could increase the

cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that holders of the Convertible Notes or holders of our common stock may view as favorable.

The market price of our common stock may be volatile, which could cause the value of an investment in our stock to decline.

The market price of our common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, including:

- the severity, extent and duration of the ongoing COVID-19 pandemic and its impact on our business, results of operations, financial condition and credit ratings, as well as on the travel industry and consumer spending more broadly, the actions taken to reduce the spread of the virus, the effectiveness of our cost reduction and liquidity preservation measures, and the speed and extent of the recovery across the broader travel industry;
- announcements concerning our competitors, the airline industry or the economy in general;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- increased price competition;
- media reports and publications about the safety of our aircraft or the aircraft type we operate;
- new regulatory pronouncements and changes in regulatory guidelines;
- changes in the price of aircraft fuel;
- announcements concerning the availability of the type of aircraft we use;
- general and industry-specific economic conditions;
- changes in financial estimates or recommendations by securities analysts or failure to meet analysts' performance expectations;
- sales of our common stock or other actions by investors with significant shareholdings;
- trading strategies related to changes in fuel or oil prices; and
- general market, political and economic conditions, including as a result of the efficacy of, ability to administer and extent of adoption of any COVID-19 vaccines domestically and globally.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. These types of broad market fluctuations may adversely affect the trading price of our common stock.

In the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources and harm our business or results of operations.

We may be unable to purchase the Secured Notes or the Convertible Notes upon the occurrence of an applicable change of control or other event.

Upon the occurrence of a Parent Change of Control, as defined in the indenture governing the Secured Notes, the issuers of the Secured Notes would be required to offer to purchase such notes for cash at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to, but not including, the repurchase date. Additionally, holders of the Convertible Notes may require us to repurchase their notes following a fundamental change, as defined in the indenture governing the Convertible Notes, at a cash repurchase price generally equal to the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion, we will satisfy part or all of our conversion obligation in cash unless we elect to settle conversions solely in shares of our common stock.

Applicable law, regulatory authorities and the agreements governing our other indebtedness may restrict our ability to repurchase the Secured Notes or Convertible Notes or pay the cash amounts due upon conversion of the Convertible Notes.

Moreover, the exercise by holders of the Secured Notes or Convertible Notes of the right to require the issuers to repurchase their respective notes, or the failure to repurchase such notes, could cause a default under our other debt, even if the event itself does not result in a default under such debt, due to the financial effect of such repurchase. In addition, we may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Convertible Notes or the Secured Notes, or pay the cash amounts due upon conversion of the Convertible Notes. Therefore, we cannot assure you that sufficient funds will be available when necessary to make any required repurchases.

In addition, the indenture governing the Secured Notes sets forth certain Mandatory Prepayment Events, as defined in the indenture governing the Secured Notes. Upon the occurrence of any such Mandatory Prepayment Event, we would be required to prepay the Secured Notes pro rata to the extent of any net cash proceeds received in connection with such event, at a price equal to 100% of the principal amount to be redeemed plus an applicable premium and accrued and unpaid interest, if any, thereon to, but excluding, the prepayment date. Our failure to complete any such mandatory prepayment would result in a default under the indenture governing the Secured Notes. Such a default may, in turn, constitute a default under any other of our debt agreements that may then be outstanding.

Finally, the indenture governing the Secured Notes sets forth certain Mandatory Repurchase Offer Events, as defined in the indenture governing the Secured Notes. Upon the occurrence of any such Mandatory Repurchase Offer Event, we would be required to offer to repurchase the Secured Notes pro rata to the extent of any net cash proceeds received in connection with such event, at a price equal to 100% of the principal amount to be repurchased plus accrued and unpaid interest thereon to, but excluding, the repurchase date. Our failure to discharge this obligation would result in a default under the indenture governing the Secured Notes. Such a default may, in turn, constitute a default under other of our debt agreements that may then be outstanding.

The indenture governing the Secured Notes impose certain restrictions which may adversely affect our business and liquidity.

The indenture governing the Secured Notes imposes certain restrictions on the issuers of the Secured Notes and certain guarantors. These restrictions limit their ability to, among other things: (i) make restricted payments, (ii) incur additional indebtedness, (iii) create certain liens on the collateral, (iv) sell or otherwise dispose of the collateral and (v) consolidate, merge, sell or otherwise dispose of all or substantially all of the issuers' assets, among other restrictions. As a result of these restrictions, we may be limited in how we conduct our business, in our ability to compete effectively or in our ability to implement changes or take advantage of business opportunities—including by making strategic acquisitions, investments or alliances, restructuring our organization or financing capital needs—that would be in our interest. We may also be unable to raise additional indebtedness or equity financing to operate during general economic or business downturns.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

Our anti-takeover provisions may delay or prevent a change of control, which could adversely affect the price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make it difficult to remove our board of directors and management and may discourage or delay "change of control" transactions, which could adversely affect the price of our common stock. These provisions include, among others:

- our board of directors is divided into three classes, with each class serving for a staggered three-year term, which prevents stockholders from electing an entirely new board of directors at an annual meeting;
- actions to be taken by our stockholders may only be effected at an annual or special meeting of our stockholders and not by written consent;
- special meetings of our stockholders can be called only by the Chairman of the Board or by our corporate secretary at the direction of our board of directors;

- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors and propose matters to be brought before an annual meeting of our stockholders may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company; and

- our board of directors may, without stockholder approval, issue series of preferred stock, or rights to acquire preferred stock, that could dilute the interest of, or impair the voting power of, holders of our common stock or could also be used as a method of discouraging, delaying or preventing a change of control.

On March 29, 2020, the board of directors adopted a Rights Agreement (the "Rights Agreement") and declared a dividend of one preferred stock purchase right (a "Right") for each outstanding share of our common stock to stockholders of record as of the close of business on April 9, 2020. In addition, each share issued upon conversion of the Convertible Notes and any shares of common stock issued through March 29, 2021 will have such Right. Our board of directors has adopted the Rights Agreement to reduce the likelihood that a potential acquirer would gain (or seek to influence or change) control of us by open market accumulation or other tactics without paying an appropriate premium for our shares. In general terms and subject to certain exceptions, it works by imposing a significant penalty upon any person or group (including a group of persons that are acting in concert with each other) that acquires 10% or more of our outstanding common stock without the approval of our board of directors. The Rights Agreement may make it difficult to remove our board of directors and management and may discourage or delay "change of control" transactions, which could adversely affect the price of our common stock.

Our corporate charter and bylaws include provisions limiting voting by non-U.S. citizens and specifying an exclusive forum for stockholder disputes.

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our amended and restated certificate of incorporation and amended and restated bylaws restrict voting of shares of our common stock by non-U.S. citizens. The restrictions imposed by federal law currently require that no more than 25% of our stock be voted, directly or indirectly, by persons who are not U.S. citizens, and that our president and at least two-thirds of the members of our board of directors and senior management be U.S. citizens. Our amended and restated bylaws provide that the failure of non-U.S. citizens to register their shares on a separate stock record, which we refer to as the "foreign stock record," would result in a suspension of their voting rights in the event that the aggregate foreign ownership of the outstanding common stock exceeds the foreign ownership restrictions imposed by federal law.

Our amended and restated bylaws further provide that no shares of our common stock will be registered on the foreign stock record if the amount so registered would exceed the foreign ownership restrictions imposed by federal law. If it is determined that the amount registered in the foreign stock record exceeds the foreign ownership restrictions imposed by federal law, shares will be removed from the foreign stock record in reverse chronological order based on the date of registration therein, until the number of shares registered therein does not exceed the foreign ownership restrictions imposed by federal law. As of December 31, 2020, we believe we were in compliance with the foreign ownership rules.

As of December 31, 2020, there are no shares of non-voting common stock outstanding. When shares of non-voting common stock are outstanding, the holders of such stock may convert such shares, on a share-for-share basis, in the order reflected on our foreign stock record as shares of common stock are sold or otherwise transferred by non-U.S. citizens to U.S. citizens.

Our amended and restated certificate of incorporation also specifies that the Court of Chancery of the State of Delaware shall be the exclusive forum for substantially all disputes between us and our stockholders. Because the applicability of the exclusive forum provision is limited to the extent permitted by applicable law, we do not intend for the exclusive forum provision to apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, and acknowledge that federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act. We note that there is uncertainty as to whether a court would enforce the provision as it applies to the Securities Act and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. This provision may have the effect of discouraging lawsuits against our directors and officers.

We do not intend to pay cash dividends for the foreseeable future.

We have never declared or paid cash dividends on our common stock. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and fund share repurchases under programs approved by our Board of Directors. We do not intend to pay cash dividends in the foreseeable future. As described herein, our Board of Directors is prohibited from declaring dividends until March 31, 2022, pursuant to the terms of our participation in the PSP and

PSP2. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in current or future financing instruments, business prospects and such other factors as our Board of Directors deems relevant. The timing of any share repurchases under share repurchase programs will depend upon market conditions, our capital allocation strategy and other factors, subject to the limitations pursuant to our participation in the PSP and PSP2.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Aircraft

As of December 31, 2020, we operated a fleet of 157 aircraft as detailed in the following table:

Aircraft Type	Seats	Average Age (years)	Number of Aircraft	Number Owned	Number Leased
A319	145	14.3	31	25	6
A320ceo	182	6.2	64	36	28
A320neo	182	1.7	32	10	22
A321	228	4.0	30	30	—
		6.5	**157**	**101**	**56**

On December 20, 2019, we entered into an A320 NEO Family Purchase Agreement with Airbus for the purchase of 100 new Airbus A320neo family aircraft, with options to purchase up to 50 additional aircraft. This agreement includes a mix of Airbus A319neo, A320neo and A321neo aircraft with such aircraft scheduled for delivery through 2027. As of December 31, 2020, our firm aircraft orders consisted of 126 A320 family aircraft with Airbus, including A319neos, A320neos and A321neos, with deliveries expected through 2027. In addition, we had 10 direct operating leases for A320neos with third-party lessors, with deliveries expected through 2021. We also have one spare engine order for a V2500 SelectTwo engine with IAE and two spare engine orders for PurePower PW 1100G-JM engines with Pratt & Whitney. Spare engines are scheduled for delivery from 2021 through 2023.

Ground Facilities

We lease all of our facilities at each of the airports we serve, with the exception of our aircraft maintenance hangar in Detroit, which we own and operate on leased land. Our leases for terminal passenger service facilities, which include ticket counter and gate space, operations support areas and baggage service offices, generally have a term ranging from month-to-month to 16 years, and contain provisions for periodic adjustments of lease rates. We also are responsible for maintenance, insurance and other facility-related expenses and services. We also have entered into use agreements at the airports we serve that provide for the non-exclusive use of runways, taxiways and other airfield facilities. Landing fees paid under these agreements are based on the number of landings and weight of the aircraft.

As of December 31, 2020, Ft. Lauderdale/Hollywood International Airport (FLL) remained our single largest airport served, with approximately 26% of our capacity operating from FLL during 2020. We operate primarily out of Terminals 3 & 4 at FLL. We currently use up to thirteen gates simultaneously at Terminal 3 and Terminal 4. We have preferential access to six of the Terminal 4 gates, preferential access to four of the Terminal 3 gates, common use access to the four airport controlled Terminal 4 gates, and common use access to the one airport controlled Terminal 3 gate. Other airports through which we conduct significant operations include Orlando International Airport (MCO), McCarran International Airport (LAS), Detroit Metropolitan Wayne County Airport (DTW), Hartsfield-Jackson Atlanta International Airport (ATL), and Chicago O'Hare International Airport (ORD).

Our largest maintenance facility is a hangar currently located at DTW. This hangar is owned and operated on leased land. The lease with the airport authority expires in September 2032. We also conduct additional maintenance operations in leased facilities in Fort Lauderdale, Florida; Chicago, Illinois; Atlantic City, New Jersey; Dallas, Texas; Houston, Texas; Las Vegas, Nevada; Orlando, Florida; Atlanta, Georgia; Myrtle Beach, South Carolina; Fort Myers, Florida; and Philadelphia, Pennsylvania.

Our principal executive offices and headquarters are located in a leased facility at 2800 Executive Way, Miramar, Florida 33025, consisting of approximately 56,000 square feet. The lease for this facility expires in January 2025. In January 2014, we expanded our principal executive offices and headquarters by leasing an additional facility located at 2844 Corporate Way, Miramar, Florida 33025, consisting of approximately 15,000 square feet. The lease for this facility expires in January 2025. In March 2018, we added approximately 26,000 square feet of office space at 2877-2899 N Commerce Parkway, Miramar, FL 33025 to further support the corporate headquarters. In July 2019, the lease on this space was extended on substantially the same terms and expires on February 28, 2023.

During the fourth quarter of 2019, we purchased an 8.5-acre parcel of land and entered into a 99-year lease agreement for the lease of a 2.6-acre parcel of land, in Dania Beach, Florida, where we intend to build a new headquarters campus. In connection with the lease agreement, we are expected to build a 200-unit residential building.

ITEM 3. LEGAL PROCEEDINGS

We are subject to commercial litigation claims and to administrative and regulatory proceedings and reviews that may be asserted or maintained from time to time. We believe the ultimate outcome of pending lawsuits, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on our financial position, liquidity, or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of our common stock

Our common stock is listed and traded on the NYSE under the symbol "SAVE." The following table shows, for the periods indicated, the high and low closing per share sales prices for our common stock.

	High	Low
Fiscal year ended December 31, 2019		
First Quarter	$ 63.06	$ 51.55
Second Quarter	58.30	45.95
Third Quarter	55.05	36.03
Fourth Quarter	41.37	33.10
Fiscal year ended December 31, 2020		
First Quarter	$ 44.58	$ 8.39
Second Quarter	25.56	8.01
Third Quarter	19.36	15.37
Fourth Quarter	27.03	15.56

As of January 28, 2021, there were approximately 84 holders of record of our common stock. Because many of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by the holders.

The information under the caption “Equity Compensation Plan Information” in our 2021 Proxy Statement is incorporated herein by reference.

Dividend Policy

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our common stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Our Repurchases of Equity Securities

The following table reflects our repurchases of our common stock during the fourth quarter of 2020. Repurchases of equity securities during the period include repurchases made from employees who received restricted stock. All employee stock repurchases were made at the election of each employee pursuant to an offer to repurchase by us. In each case, the shares repurchased constituted the portion of vested shares necessary to satisfy tax withholding requirements.

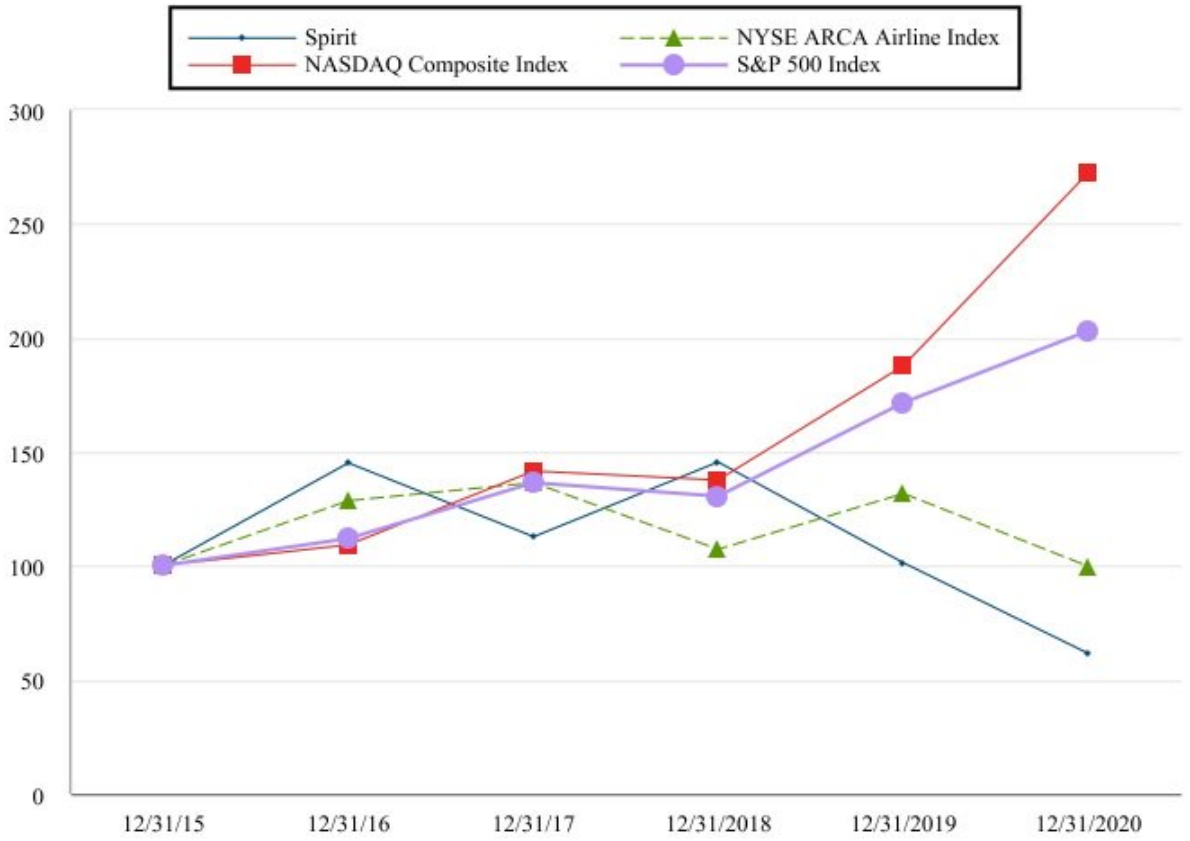
ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs
October 1-31, 2020	370	$ 16.64	—	$ —
November 1-30, 2020	2,004	17.69	—	—
December 1-31, 2020	1,156	27.02	—	—
Total	3,530	$ 20.63	—	

During the first three quarters of 2020, we repurchased 41 thousand shares for a total of $1.6 million. Repurchases of equity securities during this period include repurchases made from employees who received restricted stock awards.

Stock Performance Graph

The following graph compares the cumulative total stockholder return on our common stock with the cumulative total return on the NASDAQ Composite Index, the NYSE ARCA Airline Index and the S&P 500 Index for the period beginning on December 31, 2015 and ending on December 31, 2020. The graph assumes an investment of $100 in our stock and the three indices, respectively, on December 31, 2015, and further assumes the reinvestment of all dividends. We have historically presented the stock performance graph by comparing our cumulative total shareholder return against the cumulative total return of a published airline industry index, the NYSE Arca Airline Index, and the Nasdaq Composite Index. We have decided to change from the Nasdaq Composite Index to the S&P 500 Index due to its broader scope. Beginning with our Annual Report on Form 10-K for 2021, we will only present the cumulative total return of the S&P 500 Index and the NYSE Arca Airline Index. Stock price performance, presented for the period from December 31, 2015 to December 31, 2020, is not necessarily indicative of future results.



	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Spirit	$ 100.00	$ 145.19	$ 112.55	$ 145.35	$ 101.15	$ 61.36
NYSE ARCA Airline Index	$ 100.00	$ 128.53	$ 136.47	$ 107.26	$ 131.65	$ 99.75
NASDAQ Composite Index	$ 100.00	$ 108.97	$ 141.36	$ 137.39	$ 187.87	$ 272.51
S&P 500 Index	$ 100.00	$ 111.95	$ 136.38	$ 130.39	$ 171.44	$ 202.96

ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected historical financial and operating data below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes and other financial information included in this annual report. The selected financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included in this annual report.

We derived the selected consolidated statements of operations data for the years ended December 31, 2020, 2019 and 2018 and the consolidated balance sheet data as of December 31, 2020 and 2019 from our audited consolidated financial statements included in this annual report. We derived the selected statements of operations data for the years ended December 31, 2017 and 2016 and the balance sheet data as of December 31, 2018, 2017 and 2016 from our audited financial statements not included in this annual report. Our historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(in thousands, except share and per-share data)				
Operating revenues:					
Passenger	$ 1,765,533	$ 3,757,605	$ 3,260,015	$ 2,572,887	$ 2,257,801
Other	44,489	72,931	63,019	70,665	62,220
Total operating revenue	1,810,022	3,830,536	3,323,034	2,643,552	2,320,021
Operating expenses:					
Salaries, wages and benefits	909,834	865,019	719,635	527,959	472,471
Aircraft fuel (1)	431,000	993,478	939,324	615,581	447,553
Depreciation and amortization	278,588	225,264	176,727	140,152	101,136
Landing fees and other rents	251,028	256,275	214,677	180,655	151,679
Aircraft rent	196,359	182,609	177,641	205,852	201,675
Maintenance, materials and repairs	111,227	143,575	129,078	110,439	98,587
Distribution	85,059	153,770	137,001	113,472	96,895
Loss on disposal of assets	2,264	17,350	9,580	4,168	4,187
Special charges (credits) (2)	(302,761)	717	88,921	12,629	37,189
Other operating	355,186	491,432	379,536	347,820	267,191
Total operating expenses	2,317,784	3,329,489	2,972,120	2,258,727	1,878,563
Operating income	(507,762)	501,047	350,914	384,825	441,458
Other (income) expense:					
Interest expense (3)	134,520	101,350	83,777	57,302	41,654
Capitalized interest (4)	(15,995)	(12,471)	(9,841)	(13,793)	(12,705)
Interest income	(6,314)	(25,133)	(19,107)	(8,736)	(5,276)
Other expense	211	875	752	366	528
Special charges, non-operating (5)	—	—	90,357	—	—
Total other (income) expense	112,422	64,621	145,938	35,139	24,201
Income before income taxes	(620,184)	436,426	204,976	349,686	417,257
Provision (benefit) for income taxes (6)	(191,484)	101,171	49,227	(65,836)	153,774
Net income (loss)	$ (428,700)	$ 335,255	$ 155,749	$ 415,522	$ 263,483
Earnings (Loss) Per Share:					
Basic	$ (5.06)	$ 4.90	$ 2.28	$ 6.00	$ 3.75
Diluted	$ (5.06)	$ 4.89	$ 2.28	$ 5.99	$ 3.74
Weighted average shares outstanding:					
Basic	84,692,113	68,428,528	68,248,931	69,220,750	70,343,935
Diluted	84,692,113	68,558,629	68,430,832	69,376,930	70,507,596

(1) Aircraft fuel expense is the sum of (i) "into-plane fuel cost," which includes the cost of jet fuel and certain other charges such as fuel taxes and oil, (ii) realized gains and losses related to fuel derivative contracts, if any, and (iii) unrealized gains and losses related to fuel derivative contracts, if any. The following table summarizes the components of aircraft fuel expense for the periods presented:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(in thousands)				
Into-plane fuel cost	$ 431,000	$ 993,478	$ 939,324	$ 615,581	$ 447,533
Realized losses (gains) related to fuel derivatives contracts, net	—	—	—	—	—
Unrealized losses (gains) related to fuel derivative contracts, net	—	—	—	—	—
Aircraft fuel expense	$ 431,000	$ 993,478	$ 939,324	$ 615,581	$ 447,533

(2) Special charges (credits) include: (i) for 2016, $37.2 million related to lease termination charges recognized in connection with the purchase of 7 aircraft formerly financed under operating lease agreements; (iii) for 2017, $12.6 million related to lease termination charges recognized in connection with the purchase of one engine and one aircraft formerly financed under operating lease agreements; (iv) for 2018, $88.7 million related to the ratification incentive payment made in connection with the new collective bargaining agreement with our pilots; (v) for 2019, $0.7 million related to the write-off of aircraft related credits resulting from the exchange of credits negotiated under the new purchase agreement with Airbus; (vi) for 2020, $302.8 million in credits related to: (a) the grant component of the PSP funds received from the Treasury of $266.8 million, net of the related costs, and (b) CARES Act Employee Retention credit of $38.5 million, which were partially offset by (c) charges related to the Company's voluntary and involuntary employee separation programs of $2.5 million. Please see "Notes to Consolidated Financial Statements—5. Special Charges and Credits" for further discussion.

(3) Interest expense in 2016, 2017, 2018, 2019, and 2020 primarily relates to interest related to financing of purchasing aircraft. In 2020, interest expense also includes interest and accretion related to our convertible notes and 8.00% senior secured notes.

(4) Interest attributable to funds used to finance the acquisition of new aircraft, including PDPs is capitalized as an additional cost of the related asset. In 2016, 2017, 2018, 2019, and 2020, capitalized interest primarily represents interest related to the financing of purchased aircraft.

(5) In 2018, special charges, non-operating of $90.4 million represents interest related to an aircraft purchase agreement for the acquisition of 14 A319 aircraft previously operated under operating leases. The contract was deemed a lease modification which resulted in a change of classification from operating leases to finance leases. Please see "Notes to Consolidated Financial Statements—5. Special Charges and Credits" for further discussion.

(6) During the twelve months ended December 31, 2017, we recorded a non-recurring income tax benefit of $196.7 million ($2.84 and $2.84 per basic and diluted share, respectively) due to the enactment of the Tax Cuts and Jobs Act of 2017. During the twelve months ended December 31, 2020, we recorded a non-recurring discrete federal tax benefit of $56.1 million ($0.66 and $0.66 per basic and diluted share, respectively) related to the passage of the CARES Act, which allows for carryback of net operating losses generated at a 21% tax rate to recover taxes paid at a 35% tax rate.

The following table presents consolidated balance sheet data for the periods presented:

	As of December 31,				
	2020	2019	2018	2017	2016
Balance Sheet Data:	(in thousands)				
Cash and cash equivalents	$ 1,789,723	$ 978,957	$ 1,004,733	$ 800,849	$ 700,900
Restricted cash	71,401	—	—	—	—
Short-term investment securities	106,339	105,321	102,789	100,937	100,155
Total assets (7)	8,398,825	7,043,412	5,165,457	4,145,800	3,153,629
Long-term debt and finance leases, including current portion	3,450,832	2,219,305	2,188,331	1,502,928	981,713
Shareholders' equity	2,249,695	2,261,332	1,928,504	1,762,574	1,385,184

(7) Amounts prior to 2019 do not reflect the adoption of ASU No. 2016-02, "Leases (Topic 842)," completed in the first quarter of 2019.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Operating Statistics (unaudited) (A)					
Average aircraft	153.0	135.2	118.9	103.6	86.2
Aircraft at end of period	157	145	128	112	95
Average daily aircraft utilization (hours)	6.9	12.3	12.1	11.6	12.4
Average stage length (miles)	1,030	1,002	1,032	999	979
Block hours	387,814	607,055	526,343	438,728	389,914
Departures	144,272	227,041	192,845	165,449	149,514
Passenger flight segments (thousands)	18,444	34,537	29,312	24,183	21,618
Revenue passenger miles (RPMs) (thousands)	19,319,410	35,245,285	30,623,379	24,605,512	21,581,611
Available seat miles (ASMs) (thousands)	27,718,387	41,783,001	36,502,982	29,592,819	25,494,645
Load factor (%)	69.7	84.4	83.9	83.1	84.7
Fare revenue per passenger flight segment ($)	41.00	54.63	58.14	56.38	55.42
Non-ticket revenue per passenger flight segment ($)	57.14	56.28	55.23	52.94	51.90
Total revenue per passenger flight segment ($)	98.14	110.91	113.37	109.32	107.32
Average yield (cents)	9.37	10.87	10.85	10.74	10.75
Total operating revenue per ASM (TRASM) (cents)	6.53	9.17	9.10	8.93	9.10
CASM (cents)	8.36	7.97	8.14	7.63	7.37
Adjusted CASM (cents) (B)	9.45	7.93	7.87	7.59	7.21
Adjusted CASM ex fuel (cents) (C)	7.89	5.55	5.30	5.51	5.45
Fuel gallons consumed (thousands)	289,401	470,939	412,256	343,709	302,781
Average fuel cost per gallon ($)	1.49	2.11	2.28	1.79	1.48

(A) See “Glossary of Airline Terms” elsewhere in this annual report for definitions of terms used in this table.

(B) Reconciliation of CASM to Adjusted CASM:

	Year Ended December 31,									
	2020		2019		2018		2017		2016	
	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM
CASM (cents)		8.36		7.97		8.14		7.63		7.37
Less:										
Loss on disposal of assets	2.3	0.01	17.4	0.04	9.6	0.03	4.2	0.01	4.2	0.02
Special charges (credits)	(302.8)	(1.09)	0.7	—	88.9	0.24	12.6	0.04	37.2	0.15
Supplemental rent adjustments	2.3	0.01	(0.5)	—	—	—	(4.1)	(0.01)	—	—
Federal excise tax recovery	(3.1)	(0.01)	—	—	—	—	—	—	—	—
Adjusted CASM (cents)		9.45		7.93		7.87		7.59		7.21

(C) Excludes aircraft fuel expense, loss on disposal of assets, special charge (credits), supplemental rent adjustments and federal excise tax recovery adjustments.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this annual report. Our discussion and analysis of fiscal year 2020 compared to fiscal year 2019 is included herein. Unless expressly stated otherwise, for discussion and analysis of fiscal year 2018 items and fiscal year 2019 compared to fiscal year 2018, please refer to Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2019, which was filed with the United States Securities and Exchange Commission on April 16, 2020 and is incorporated herein by reference.

2020 Year in Review

We experienced healthy passenger booking and revenue trends for the first two months of 2020 and year-over-year increases that were in line with our expectations. However, as a result of the COVID-19 pandemic, we experienced sharp declines in passenger demand and bookings beginning in March 2020, which continued through the remainder of the year, and we had unprecedented levels of cancellations and capacity reductions. As a result, our operations for 2020 were adversely affected by this reduction in air travel demand.

With the sudden and significant reduction in air travel demand resulting from the COVID-19 pandemic, our load factor significantly decreased beginning in the latter part of March 2020 and remained as such through the remainder of the year. Load factor for 2020 was 69.7% as compared to 84.4% for the prior year. We continued to experience weak passenger demand and bookings during the last three quarters of 2020 driving a decrease in operating revenues of 52.7%, year over year, and a decrease in capacity of 33.7%, year over year. As the COVID-19 pandemic continues to evolve, our financial and operational outlook remains subject to change. We continue to monitor the impact of the pandemic on our operations and financial condition, and to implement and adapt mitigation strategies while working to preserve our cash and protect our long-term sustainability.

We have implemented measures for the safety of our Guests and Team Members as well as to mitigate the impact of COVID-19 on our financial position and operations.

Caring for Guests and Team Members

Our Operations and Task Force teams remain in constant contact with authorities, continuing to evolve its response to ensure the safety of Guests and Team Members. In addition to previously existing procedures including utilization of hospital-grade disinfectants and state-of-the-art HEPA filters that capture 99.97% of airborne particles on board the aircraft, we have implemented and continued the following steps to protect our Guests and Team Members:

- Secured and distributed additional supplies of gloves and sanitizer across our network and augmented the contents of onboard supply kits to contain additional cleaning and sanitizing materials;
- Secured and provided face coverings for all crew and Guest facing team members;
- Required all Guests to complete a Health Acknowledgement at check-in;
- Expanded cleaning protocols at airports and other facilities, including the use of EPA-registered disinfectants in all check-in and gate areas and the use of electrostatic sprayers at high-traffic airports;
- Expanded aircraft turn and overnight cleaning protocols focusing on high frequency touch points as well as enhanced cockpit cleaning and the use of ultra-low volume ("ULV") fogging process to apply a safe, high-grade EPA-registered airborne disinfectant that is effective against coronaviruses;
- Launched a new antimicrobial fogging tool in our facilities and aircraft that uses a product that forms an invisible barrier on all surfaces killing bacteria and viruses on contact for 30 days;
- Split the Company's Operational Control Center ("OCC") into multiple units to enable social distancing and prepared the OCC to work remotely to minimize potential operational disruption;
- Implemented a remote work policy for the Support Center teams to maintain support of our operations;
- Automated the Team Member screening process upon entry to all Company-operated facilities by installing an automatic temperature scanner which is activated and monitored 24 hours a day;
- Required all Guests and Guest-facing Team Members to wear an appropriate face covering when traveling through the airport or onboard aircraft;
- Limited face to face interaction through automated baggage systems and biometric photo-matching check in;

- Offered future flight credits with extended expiration dates to Guests with impacted travel plans and waived change and cancellation fees for Guests who booked travel to occur by February 28, 2021. As the COVID-19 pandemic continues to evolve, we will evaluate any continued impact to travel plans and may decide to further extend credit shell expiration dates and/or waive change and cancellation fees in the future.

Supporting Communities

During this unprecedented time, many travelers have been stranded abroad with bans and other restrictions on travel implemented globally and domestically. We worked with embassies and local governments in Aruba, Colombia, Dominican Republic, Ecuador, Haiti, Honduras, Panama, Costa Rica, St. Martin and the U.S. to operate special flights for stranded travelers in such countries. During 2020, we provided over 260 flights to more than 30,000 stranded travelers. In addition, during 2020, we pledged $250,000 in vouchers for flights to U.S. organizations advocating for social justice and civil rights.

We have also made efforts to address the growing needs of its communities through The Spirit Airlines Charitable Foundation (the "Foundation"). As part of the its focus on supporting families, the Foundation partnered with other non-profit organizations including the YMCA and Jack and Jill Children's Center to provide food to seniors and families struggling during this time and supported organizations creating face coverings for healthcare workers. In addition, we have partnered to offer Guests face coverings for a small contribution to the Red Cross.

Capacity Reductions

At the onset of the COVID-19 pandemic in March 2020, in response to government restrictions on travel and drastically reduced consumer demand, we began to significantly reduce capacity each month with the largest capacity reduction in May 2020 at approximately 94%, year over year. In response to modest demand recovery, we strategically added back capacity during certain peak travel periods. During the holiday months of November and December, capacity was reduced to a lesser extent with reductions of 20.8% and 20.1%, year over year. We continue to closely monitor demand and will make adjustments to the flight schedule as appropriate.

The COVID-19 pandemic and its effects continue to evolve with recent developments including the uptick in the rate of infections following the 2020 holiday season, the emergency use authorization issued by the U.S. Food and Drug Administration for certain COVID-19 vaccines in late 2020, and the requirement, effective January 26, 2021, that all U.S. inbound international travelers provide a negative COVID-19 test prior to flying. We currently estimate that air travel demand will continue to be volatile and will fluctuate in the upcoming months as the lingering effects of COVID-19 continue to develop. We expect that air travel demand will continue to gradually recover in 2021. However, the situation continues to be fluid and actual capacity adjustments may be different than what we currently expect. Refer to "Notes to the Consolidated Financial Statements—Note 4, Revenue Disaggregation" for discussion of the impact of COVID-19 on our air traffic liability, credit shells and refunds.

COVID-19 Legislation

On March 27, 2020, President Donald Trump signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") into law. The CARES Act was a relief package intended to assist many aspects of the American economy, including providing the airline industry with up to $25 billion in grants to be used for employee salaries, wages and benefits and up to $25 billion in secured loans.

In April 2020, we entered into a Payroll Support Program ("PSP") Agreement with the United States Department of the Treasury ("Treasury"), pursuant to which we received a total of $344.4 million, used exclusively to pay for salaries, wages and benefits for our Team Members through September 30, 2020. Of that amount, $73.3 million is in the form of a low-interest 10-year loan. In addition, in connection with its participation in the PSP, we issued to Treasury warrants pursuant to a warrant agreement to purchase up to 520,797 shares of our common stock at a strike price of $14.08 per share (the closing price for the shares of our common stock on April 9, 2020) with a fair value of $3.9 million. The remaining amount of $267.2 million is in the form of a grant and was recognized in special charges and credits, net of related costs, in our consolidated statement of operations. Refer to "Notes to the Consolidated Financial Statements—Note 5, Special Charges and Credits" for additional information.

Pursuant to the warrant agreement with the Treasury, we registered the resale of the warrants and the 520,797 shares of common stock issuable upon exercise of such warrants in September and October 2020. Total warrants issued represent less

than 1% of the outstanding shares of our common stock as of December 31, 2020. Refer to “Notes to the Consolidated Financial Statements—14, Debt and Other Obligations" for additional information on the notes issued and “Notes to the Consolidated Financial Statements—11, Common Stock and Preferred Stock" for additional information on the warrants.

In connection with our participation in the PSP, we were, and continue to be, subject to certain restrictions and limitations, including, but not limited to:

- Restrictions on payment of dividends and stock buybacks through September 30, 2021;
- Limits on certain executive compensation including limiting pay increases and severance pay or other benefits upon terminations, through March 24, 2022;
- Requirements to maintain certain levels of scheduled services (including to destinations where there may currently be significantly reduced or no demand) through September 30, 2020;
- A prohibition on involuntary terminations or furloughs of our employees (except for health, disability, cause, or certain disciplinary reasons) through September 30, 2020;
- A prohibition on reducing the salaries, wages, or benefits of our employees (other than our executive officers or independent contractors, or as otherwise permitted under the terms of the PSP) through September 30, 2020;
- Limitations on the use of the grant funds exclusively for the continuation of payment of employee wages, salaries and benefits; and
- Additional reporting and recordkeeping requirements relating to the CARES Act funds.

On April 29, 2020, we applied for additional funds under the Treasury's loan program under the CARES Act (“Loan Program”). On July 1, 2020, we executed a non-binding letter of intent with the Treasury which summarized the principal terms of the financing request submitted by us to the Treasury. In September 2020, we decided that we would not participate in the Treasury's loan program as we were able to secure other forms of financing described below.

On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law. This new legislation provides an extension or additional benefits designed to address the continuing economic fallout from the COVID-19 pandemic. The bill extends the PSP program of the CARES Act through March 31, 2021 ("PSP2") and provides an additional $15 billion to fund the PSP2 program for employees of passenger air carriers. In late December, we notified the Treasury of our intent to participate in the PSP2 agreement. We entered into a new payroll support program agreement with Treasury on January 15, 2021. We expect to receive approximately $184.5 million pursuant to our participation in the PSP2 program. In January 2021, we received the first installment of $92.2 million in the form of a grant. Of the remaining amount, we expect that approximately $25 million will be in the form of a low-interest 10-year loan. In addition, in connection with our participation in the PSP2, we expect to issue to Treasury warrants to purchase up to 103,761 shares of our common stock at a strike price of $24.42 (the closing price of the shares of our common stock on December 24, 2020).

In connection with our participation in the PSP2, we are subject to certain restrictions and limitations, including, but not limited to:

- Restrictions on payment of dividends and stock buybacks through March 31, 2022;
- Limits on executive compensation through October 1, 2022;
- Restrictions from conducting involuntary furloughs or reducing pay rates and benefits until March 31, 2021;
- Requirements to maintain certain levels of scheduled services through March 1, 2022;
- Reporting requirements; and
- A recall of all employees that were involuntarily furloughed or terminated between October 1, 2020 and the date the carrier enters into the new payroll support agreement with the Treasury. Such employees, if returning to work, must be compensated for lost pay and benefits between December 1, 2020 and the date of such new payroll support agreement.

The CARES Act also provided an employee retention credit (“CARES Employee Retention credit”) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages through year end. We qualified for the credit beginning on April 1, 2020 and received additional credits for qualified wages through December 31, 2020. During the twelve months ended December 31, 2020, we recorded $38.5 million related to the CARES Employee Retention credit within special charges (credits) on our consolidated statements of operations. Refer to “Notes to the Consolidated Financial Statements—5, Special Charges and Credits" for additional information.

The Consolidated Appropriations Act, 2021 also extends and expands the availability of the CARES Employee Retention credit through June 30, 2021, however, certain provisions apply only after December 31, 2020. This new legislation amends the employee retention credit to be equal to 70% of qualified wages paid to employees after December 31, 2020, and before July 1, 2021. During the first two quarters of 2021, a maximum of $10,000 in qualified wages for each employee per calendar quarter may be counted in determining the 70% credit. Therefore, the maximum tax credit that can be claimed by an eligible employer in 2021 is $7,000 per employee per calendar quarter for the first and second quarters of 2021.

The CARES Act also provides for certain tax loss carrybacks and a waiver on federal fuel taxes through December 31, 2020. As of December 31, 2020, we had recognized $142.0 million in federal related tax loss carrybacks and $6.5 million in federal fuel tax savings reflected within aircraft fuel in our consolidated statements of operations.

Finally, the CARES Act also provides for deferred payment of the employer portion of social security taxes through the end of 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of December 31, 2020, we had deferred $23.2 million in social security tax payments. The deferred amounts are recorded within other current liabilities and within deferred gains and other long-term liabilities on our consolidated balance sheet.

Income Taxes

Our effective tax rate for the twelve months ended December 31, 2020 was 30.9% compared to 23.2% for the twelve months ended December 31, 2019. The increase in tax rate, as compared to the prior year period, is primarily due to a $56.1 million discrete federal tax benefit recorded during the twelve months ended December 31, 2020 related to the passage of the CARES Act. The CARES Act allows for carryback of net operating losses generated at a 21% tax rate to recover taxes paid at a 35% tax rate. Excluding this discrete tax benefit, our effective tax rate for the twelve months ended December 31, 2020 would have been 21.8%. While we expect our tax rate to be fairly consistent in the near term, it will tend to vary depending on recurring items such as the amount of income we earn in each state and the state tax rate applicable to such income. Discrete items particular to a given year may also affect our effective tax rates. Refer to “Notes to the Consolidated Financial Statements—17, Income Taxes" for additional information.

Balance Sheet, Cash Flow and Liquidity

Since the onset of the spread of COVID-19 in the U.S. in the first quarter of 2020, we have taken several actions to increase liquidity and strengthen our financial position. As a result of these actions, as of December 31, 2020, we had unrestricted cash and cash equivalents and short-term investment securities of $1,896.1 million.

In March 2020, we entered into a senior secured revolving credit facility (the "2022 revolving credit facility") for an initial commitment amount of $110.0 million, and subsequently, in the second quarter of 2020, increased its commitment amount to $180.0 million. As of December 31, 2020, we had fully drawn the available amount of $180.0 million under the 2022 revolving credit facility. The 2022 revolving credit facility matures on March 30, 2022. Refer to “Notes to the Consolidated Financial Statements—14, Debt and Other Obligations" for additional information on our 2022 revolving credit facility.

On May 12, 2020, we completed the public offering of $175.0 million aggregate principal amount of 4.75% convertible senior notes due 2025 (the “convertible notes”). The convertible notes will bear interest at the rate of 4.75% per year and will mature on May 15, 2025. Interest on the convertible notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2020. We received proceeds of $168.3 million, net of total issuance costs of $6.7 million, and recorded $95.6 million in long-term debt and finance leases, net of debt issuance costs of $3.8 million, on our consolidated balance sheets, related to the debt component of our convertible notes, and $72.7 million in additional paid-in-capital ("APIC"), net of issuance costs of $2.9 million on our consolidated balance sheets, related to the equity component of the convertible notes. Refer to “Notes to the Consolidated Financial Statements—14, Debt and Other Obligations" for additional information on our convertible debt.

Also on May 12, 2020, we completed the public offering of 20,125,000 shares of our voting common stock, which includes full exercise of the underwriters’ option to purchase an additional 2,625,000 shares of common stock, at a public offering price of $10.00 per share (the “common stock offering”). We received proceeds of $192.4 million, net of issuance costs of $8.9 million. Refer to “Notes to the Consolidated Financial Statements—11, Common Stock and Preferred Stock" for further information on our common stock offering.

In June 2020, we entered into an agreement to amend our revolving credit facility entered into in 2018 to finance aircraft pre-delivery payments. The agreement amends the revolving credit facility to extend the final maturity date from December 30, 2020 to March 31, 2021. Upon execution of the amended agreement, the maximum borrowing capacity decreased from

$160.0 million to $111.2 million. This facility is secured by the collateral assignment of certain of our rights under the purchase agreement with Airbus. As of December 31, 2020, collateralized amounts were related to 11 Airbus A320neo aircraft scheduled to be delivered between June 2021 and April 2022. The maximum borrowing capacity of $95.1 million, as of December 31, 2020, decreased from $111.2 million due to the delivery of aircraft during the third and fourth quarters of 2020 and will continue to decrease as we take delivery of the related aircraft. The amendment provides approximately $54 million in additional liquidity through March 2021. Refer to “Notes to the Consolidated Financial Statements—14, Debt and Other Obligations" for further information.

Also, in June 2020, we entered into an agreement to defer certain aircraft deliveries originally scheduled in 2020 and 2021, as well as the related pre-delivery deposit payments. We may elect to supplement these deliveries by additional acquisitions from the manufacturer or in the open market if demand conditions merit. We also may adjust or defer deliveries, or change models of aircraft in our delivery stream, from time to time, as a means to match our future capacity with anticipated demand and growth trends. During the twelve months ended December 31, 2020, we took delivery of 12 aircraft. In addition, the Company has 16 aircraft scheduled for delivery in 2021. Refer to “Notes to the Consolidated Financial Statements—18, Commitments and Contingencies" for further information on our future aircraft deliveries.

On July 22, 2020, we entered into an equity distribution agreement relating to the issuance and sale from time to time of up to 9,000,000 shares of our common stock in sales deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"). During the third quarter of 2020, we completed the sale of all 9,000,000 shares under our "at-the-market offering" program ("ATM program") and had received proceeds of $156.7 million, net of $5.0 million in related issuance costs. Refer to “Notes to the Consolidated Financial Statements—11, Common Stock and Preferred Stock" for further information.

On September 17, 2020, we announced the completion of the private offering by Spirit IP Cayman Ltd., an indirect wholly-owned subsidiary of the Company and Spirit Loyalty Cayman Ltd., an indirect wholly-owned subsidiary of the Company of an aggregate of $850 million principal amount of 8.00% senior secured notes due 2025 (the “8.00% senior secured notes”). The 8.00% senior secured notes are guaranteed by the Company, Spirit Finance Cayman 1 Ltd. (“HoldCo 1”), a direct wholly owned subsidiary of the Company and Spirit Finance Cayman 2 Ltd., a direct subsidiary of HoldCo 1 and indirect wholly owned subsidiary of the Company (“HoldCo 2”). The 8.00% senior secured notes will be secured by, among other things, a first priority lien on the core assets of the Company’s loyalty programs, comprised of cash proceeds from its Free Spirit co-branded credit card programs, its $9 Fare Club™ program membership fees, and certain intellectual property required or necessary to operate the loyalty programs, as well as the Company’s brand intellectual property. Refer to Note 4, Revenue Disaggregation, for further information on the Company's loyalty programs. The 8.00% senior secured notes will mature on September 20, 2025. The 8.00% senior secured notes bear interest at a rate of 8.00% per annum, payable in quarterly installments on January 20, April 20, July 20 and October 20 of each year, beginning January 20, 2021. We received proceeds of $823.9 million, net of issuance costs of $17.4 million and original issue discount of $8.7 million, related to this private offering. Refer to “Notes to the Consolidated Financial Statements—14, Debt and Other Obligations" for further information.

In addition, since the onset of the COVID-19 pandemic, we have taken additional action, including:

- Reduced planned discretionary non-aircraft capital spend in 2020 by approximately $70 million;
- Deferred approximately $25 million in heavy maintenance events from 2020 to 2021;
- Reduced planned non-fuel operating costs for 2020 by approximately $30 million, excluding savings related to reduced capacity;
- Suspended hiring across the Company except to fill essential roles;
- Entered into agreements to defer payments in 2020 related to facility rents and other airport services contracts at certain locations;
- Entered into agreements with lessors to temporarily defer aircraft rent payments;
- Continued to work with service providers to temporarily defer maintenance and service contract payments;
- Continued to work with unionized and non-unionized employees to create voluntary leave programs;
- Continued to pursue additional financing secured by its unencumbered assets.

We continue to engage in discussions with our significant stakeholders and vendors regarding financial support or contract adjustments, including extensions of payment terms, during this transition period.

For purposes of assessing our liquidity needs, we estimate that demand will continue to be volatile as we recover through 2021, but remain well below 2019 levels. We believe the actions described above, along with the expected funds of the PSP2 program, sufficiently address our future liquidity needs. However, we anticipate we may implement further discretionary changes, cost reduction and liquidity preservation and/or enhancement measures, as needed, to address the volatility and

changing dynamics of passenger demand and the impact of revenue changes, regulatory and public health directives and prevailing government policy and financial market conditions.

Workforce Actions

In July 2020, we distributed a letter to employees, including approximately 2,500 U.S.-based union represented employees, regarding the possibility of a workforce reduction at their work location. Throughout the second and third quarters of 2020, we worked with unionized employees and the related unions to create voluntary leave programs for pilots, flight attendants and other unionized employee groups. We also created voluntary leave programs for certain non-unionized employee groups. In August 2020, we announced a voluntary separation program for non-unionized employees. Due to the high level of support and acceptance of the voluntary programs offered, no unionized employees were involuntarily furloughed and the total number of non-unionized employees involuntarily separated as of October 1, 2020 was reduced by more than 95%. In the year ended December 31, 2020, we recorded $2.5 million in expenses related to the voluntary and involuntary employee separations. These expenses were recorded within special credits (charges) on our consolidated statement of operations. Expenses related to voluntary leave programs were recorded within salaries, wages and benefits on our consolidated statement of operations. With our expected participation in the PSP2 program, we will comply with any related restrictions and limitations on any workforce actions.

Summary of Results

During 2020, we had a net loss of $428.7 million ($5.06 per share, diluted), compared to a net income of $335.3 million ($4.89 per share, diluted) in 2019. The decrease in earnings was primarily driven by a 45.2% decrease in our traffic and a 13.8% decrease in average yield, year over year. Due to reduced air travel demand resulting from the COVID-19 pandemic, in 2020 we decreased our capacity by 33.7%, as compared to the prior year period. Partially offsetting the net loss incurred in the period was a $302.8 million special credit recorded within special charges (credits), operating. Refer to “Notes to the Consolidated Financial Statements—5. Special Charges and Credits" for additional information.

For the year ended December 31, 2020, we had a negative operating margin of 28.1% on $1,810.0 million in operating revenues. TRASM in 2020 was 6.53 cents, a decrease of 28.8% compared to the prior year. Total revenue per passenger flight segment decreased 11.5%, year over year, from $110.91 to $98.14. Fare revenue per passenger flight segment decreased 24.9% partially offset by a 1.5% increase in non-ticket revenue per passenger flight segment, as compared to the prior year. The decrease in total fare revenue per passenger flight segment was primarily due to a decrease of 13.8% in average yield, year over year.

Our operating cost structure is a primary area of focus and is at the core of our ULCC business model. Our unit operating costs continue to be among the lowest of any airline in the United States. During 2020, our adjusted CASM ex-fuel increased by 42.2% to 7.89 cents. The increase on a per-ASM basis was primarily due to increases in salaries, wages and benefits expense, depreciation and amortization expense, landing fees and other rents expense and aircraft rent expense on a per-ASM basis. These increases on a per-ASM basis were mostly driven by the semi-fixed nature of many of these costs combined with a decrease in capacity of 33.7%, compared to the same period in the prior year, driven by reduced air travel demand resulting from the COVID-19 pandemic.

During 2020, we added 4 new destinations: Barranquilla, Colombia; Bucaramanga, Colombia; Cap-Haitien, Haiti; Orange County, California. During 2020, we grew our fleet of Airbus single-aisle aircraft from 145 to 157 aircraft as we took delivery of 8 new aircraft financed under secured debt arrangements, 1 aircraft under a sale-leaseback transaction and 3 aircraft under direct operating leases. In addition, we purchased 2 previously leased aircraft. We also took delivery of 2 new engines through cash purchases. As of December 31, 2020, our 157 Airbus A320-family aircraft fleet was comprised of 31 A319ceos, 64 A320ceos, 32 A320neos and 30 A321ceos of which 72 aircraft are financed through secured debt, 56 are financed under operating leases, and 29 are unencumbered. As of December 31, 2020, our aircraft orders consisted of 136 A320 family aircraft scheduled for delivery through 2027.

Operating Revenues

Our operating revenues are comprised of passenger revenues and other revenues.

Passenger revenues

Fare revenues. Tickets sold are initially deferred within air traffic liability on the Company's consolidated balance sheet. Passenger fare revenues are recognized at time of departure when transportation is provided. Generally, all tickets sold by the Company are nonrefundable. An unused ticket expires at the date of scheduled travel and is recognized as revenue at the date of

scheduled travel. Fare revenues are recorded within passenger revenues on the Company's consolidated statement of operations. Refer to our disaggregated revenue table within “Notes to the Consolidated Financial Statements— 4. Revenue Disaggregation."

Non-fare revenues. Our most significant non-fare revenues generally include revenues generated from air travel-related services paid for baggage, passenger usage fees, advance seat selection, itinerary changes, and loyalty programs. These ancillary items are deemed part of the single performance obligation of providing passenger transportation and as such, are recognized in non-fare revenues within passenger revenues on the Company's consolidated statement of operations. Refer to our disaggregated revenue table within “Notes to the Consolidated Financial Statements— 4. Revenue Disaggregation." The majority of our passenger non-fare revenues are recognized at time of departure when transportation is provided.

Passenger revenues are recognized once the related flight departs. Accordingly, the value of tickets and non-fare revenues sold in advance of travel is included under our current liabilities as “air traffic liability,” or ATL, until the related air travel is provided.

Revenue generated from the FREE SPIRIT credit card affinity program and other loyalty programs are recognized in accordance with the criteria as set forth in Accounting Standards Update ASU 2014-09. Guests may earn mileage credits based on their spending with the co-branded credit card company with which we have an agreement to sell mileage credits. The contract to sell mileage credits under this agreement has multiple performance obligations, as discussed below.

Our co-branded credit card agreement provides for joint marketing where cardholders earn mileage credits for making purchases using co-branded cards. During 2020, we extended our agreement with the administrator of the FREE SPIRIT affinity credit card program to extend through March 31, 2024. In connection with the extension of the agreement, in January 2021, we launched a new loyalty program with extended mileage expiration, additional benefits based on status tiers, and other changes. We account for this agreement consistently with the accounting method that allocates the consideration received to the individual products and services delivered. The value is allocated based on the relative selling prices of those products and services, which generally consists of (i) travel miles to be awarded, (ii) licensing of brand and access to member lists and (iii) advertising and marketing efforts. We determined the best estimate of the selling prices by considering discounted cash flow analysis using multiple inputs and assumptions, including: (1) the expected number of miles awarded and number of miles redeemed, (2) ETV for the award travel obligation, (3) licensing of brand and access to member lists and (4) advertising and marketing efforts. The new program terms will require updated estimates of the allocation of future revenues to the performance obligations described above.

Other revenues

Other revenues primarily consist of the marketing component of the sale of frequent flyer miles to our credit card partner and commissions revenue from the sale of various items such as hotels and rental cars.

Substantially all of our revenues are denominated in U.S. dollars. We recognize revenues net of certain taxes and airport passenger fees, which are collected by us on behalf of airports and governmental agencies and remitted to the applicable governmental entity or airport on a periodic basis. These taxes and fees include U.S. federal transportation taxes, federal security charges, airport passenger facility charges and foreign arrival and departure taxes. These items are collected from customers at the time they purchase their tickets, but are not included in our revenues. Upon collection from the customer, we record a liability within other current liabilities on our consolidated balance sheets and relieve the liability when payments are remitted to the applicable governmental agency or airport.

Operating Expenses

Our operating expenses consist of the following line items.

Salaries, Wages and Benefits. Salaries, wages and benefits expense includes the salaries, hourly wages, bonuses and equity compensation paid to employees for their services, as well as the related expenses associated with employee benefit plans and employer payroll taxes.

Aircraft Fuel. Aircraft fuel expense includes the cost of jet fuel, related federal taxes, fueling into-plane fees and transportation fees. It also includes realized and unrealized gains and losses arising from activity on our fuel derivatives, if any.

Depreciation and Amortization. Depreciation and amortization expense includes the depreciation of fixed assets we own and leasehold improvements. It also includes the amortization of capitalized software costs and heavy maintenance. Under the deferral method, the cost of our heavy maintenance is capitalized and amortized on a straight-line or usage basis until the earlier of the next estimated heavy maintenance event or the remaining lease term.

Landing Fees and Other Rents. Landing fees and other rents include both fixed and variable facilities expenses, such as the fees charged by airports for the use or lease of airport facilities, overfly fees paid to other countries and the monthly rent paid for our headquarters facility.

Aircraft Rent. Aircraft rent expense consists of all minimum lease payments under the terms of our aircraft and spare engine lease agreements recognized on a straight-line basis. Aircraft rent expense also includes supplemental rent. Supplemental rent is made up of maintenance reserves paid to aircraft lessors in advance of the performance of major maintenance activities that are not probable of being reimbursed and probable and estimable return condition obligations. Prior to the adoption of Topic 842 that became effective for the Company on January 1, 2019, aircraft rent expense was net of the amortization of gains and losses on sale leaseback transactions on our flight equipment. Refer to "Notes to the Consolidated Financial Statements—15. Leases and Prepaid Maintenance Deposits" for information regarding the Company's accounting policy on sale-leaseback transactions after the adoption of Topic 842. As of December 31, 2020, 56 of our 157 aircraft and 8 of our 24 spare engines are financed under operating leases.

Maintenance, Materials and Repairs. Maintenance, materials and repairs expense includes parts, materials, repairs and fees for repairs performed by third-party vendors and in-house mechanics required to maintain our fleet. It excludes direct labor cost related to our own mechanics, which is included under salaries, wages and benefits. It also excludes the amortization of heavy maintenance expenses, which we defer under the deferral method of accounting and amortize as a component of depreciation and amortization expense.

Distribution. Distribution expense includes all of our direct costs, including the cost of web support, our third-party call center, travel agent commissions and related GDS fees and credit card transaction fees, associated with the sale of our tickets and other products and services.

Loss on Disposal of Assets. Loss on disposal of assets includes the net losses on the disposal of our fixed assets. In addition, subsequent to the adoption of Topic 842 that became effective for the Company on January 1, 2019, it includes net losses or gains resulting from our aircraft and engine sale-leaseback transactions.

Special Charges (Credits). Special charges and credits include recognition of the grant component of the Payroll Support Program ("PSP") with the Treasury, the CARES Act Employee Retention credit, amounts paid in connection with our voluntary and involuntary employee separation programs, ratification incentive payouts related to the collective bargaining agreements with our pilots and dispatchers and the write-off of aircraft related credits.

Other Operating Expenses. Other operating expenses include airport operations expense and fees charged by third-party vendors for ground handling services and food and liquor supply service expenses, passenger re-accommodation expense, the cost of passenger liability and aircraft hull insurance, all other insurance policies except for employee related insurance, travel and training expenses for crews and ground personnel, professional fees, personal property taxes and all other administrative and operational overhead expenses. No individual item included in this category represented more than 5% of our total operating expenses.

Other (Income) Expense

Interest Expense. Interest expense in 2020 primarily related to the financing of purchased aircraft as well as the interest and accretion related to our convertible notes and 8.00% senior secured notes. Interest expense in 2019 and 2018 was primarily related to the financing of purchased aircraft.

Capitalized Interest. The Company capitalizes the interest that is primarily attributable to the outstanding PDP balances as a percentage of the related debt on which interest is incurred. Capitalized interest represents interest cost incurred during the acquisition period of a long-term asset and is the amount which theoretically could have been avoided had we not paid PDPs for the related aircraft or engines. Capitalization of interest ceases when the asset is ready for service. Capitalized interest for 2020, 2019 and 2018 primarily relates to the interest incurred on long-term debt.

Interest Income. For 2020, interest income represents interest income earned on cash, cash equivalents and short-term investments as well as interest earned on income tax refunds. For 2019, interest income represents interest income earned on cash, cash equivalents and short-term investments. For 2018, interest income represents interest income earned on cash, cash

equivalents, short-term investments and on funds required to be held in escrow in accordance with the terms of our Series 2017-1 EETC.

Other Expense. Other expense primarily includes realized gains and losses related to foreign currency transactions.

Special Charges, Non-operating. We had no special charges, non-operating in 2020 and 2019. For 2018, special charges, non-operating represents interest related to an aircraft purchase agreement for the acquisition of 14 A319 aircraft previously operated under operating leases. The contract was deemed a lease modification which resulted in a change of classification from operating leases to finance leases, until the purchase date of the aircraft. Please see "Notes to the Consolidated Financial Statements—5. Special Charges and Credits" for further discussion.

Income Taxes

We account for income taxes using the asset and liability method. We record a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred taxes are recorded based on differences between the financial statement basis and tax basis of assets and liabilities and available tax loss and credit carryforwards. In assessing the realizability of the deferred tax assets, we consider whether it is more likely than not that some or all of the deferred tax assets will be realized. In evaluating the ability to utilize our deferred tax assets, we consider all available evidence, both positive and negative, in determining future taxable income on a jurisdiction by jurisdiction basis.

Trends and Uncertainties Affecting Our Business

We believe our operating and business performance is driven by various factors affecting airlines and their markets, trends affecting the broader travel industry and trends affecting the specific markets and customer base that we target. The following key factors may affect our future performance.

Ability to Execute our Growth Strategy. Over recent years, we have pursued a high-growth strategy, which we expect to continue. Execution of such a strategy requires us to effectively deploy new flying into our network, as new routes or increased frequency of existing routes develop. New flying may not perform as well as expected or may result in a competitive reaction. Moreover, our growth strategy depends on the timely delivery of aircraft and engines in accordance with the intended delivery schedule in accordance with the applicable agreement. Delivery delays, as we have experienced from time to time in recent years, may cause us to scale back our growth, unless we are able to replace delayed aircraft in the secondary market or otherwise. Finally, our growth strategy relies in part on our ability to obtain additional facilities in airports, some of which are constrained, as well as additional flight crew, maintenance, and other personnel. We expect to experience an increase in our compensation expense to attract and retain qualified personnel.

Ability to Maintain or Grow Capacity. We pursue a high-growth strategy that expands revenue and maintains lower cost due to economies of scale and lower initial expense for aircraft and labor. Execution of such a strategy depends on the ability to maintain efficient utilization of existing capacity and the timely delivery of new aircraft and engines. In recent years, we have experienced aircraft operational reliability and delivery delays particularly regarding our A320neo aircraft. The new generation aircraft provide fuel burn and other efficiencies, as compared to the older A320ceo aircraft, and the ability to serve additional markets with greater operating range. However, ongoing or expanded reliability and delivery issues could materially impact our operations, costs and net results.

Impact of COVID-19. During 2020, we experienced sharp declines in passenger demand and bookings beginning in March 2020 due to the impact of the COVID-19 pandemic. In addition, we had unprecedented levels of cancellations and refunds. Our operations for 2020 were adversely affected by the reduction in air travel demand resulting from the COVID-19 pandemic. With the sudden and significant reduction in air travel demand, our load factor significantly decreased beginning in the latter part of March 2020 and remained as such through the remainder of the year. We continued to experience weak passenger demand and bookings during the last three quarters of 2020 driving a significant decrease in capacity and operating revenues, year over year. As the COVID-19 pandemic continues to evolve, our financial and operational outlook remains subject to change. We continue to monitor the impact of the pandemic on our operations and financial condition, and to implement and adapt mitigation strategies while working to preserve our cash and protect our long-term sustainability. For more detailed information on the impact of COVID-19, please refer to "Notes to Consolidated Financial Statements—2. Impact of COVID-19."

Competition. The airline industry is highly competitive. The principal competitive factors in the airline industry are fare pricing, total price, flight schedules, aircraft type, passenger amenities, number of routes served from a city, customer service, safety record, reputation, code-sharing relationships, frequent flyer programs and redemption opportunities. Price competition occurs on a market-by-market basis through price discounts, changes in pricing structures, fare matching, target

promotions and frequent flyer initiatives. Airlines typically use discount fares and other promotions to stimulate traffic during normally slower travel periods in efforts to maximize unit revenue. The prevalence of discount fares can be particularly acute when a competitor has excess capacity that it is under financial pressure to sell.

Moreover, the network carriers have developed a fare-class pricing approach, in which a portion of available seats may be sold at or near ULCC prices, but without most product features available to their passengers paying at higher fare levels on the same flight. Broad fare discounting may have the effect of diluting the profitability of revenues of high-cost carriers but the fare-class approach may allow network carriers to continue offering a competitive price to ULCCs on some flights or routes, while maintaining higher pricing to their traditional constituencies of corporate and less price-sensitive travelers. Refer to “Risk Factors—Risks Related to Our Industry—We operate in an extremely competitive industry."

Seasonality and Volatility. Our results of operations for any interim period are not necessarily indicative of those for the entire year because the air transportation business is subject to significant seasonal fluctuations. We generally expect demand to be greater in the second and third quarters compared to the rest of the year. The air transportation business is also volatile and highly affected by economic cycles and trends. Consumer confidence and discretionary spending, fear of terrorism or war, weakening economic conditions, fare initiatives, fluctuations in fuel prices, labor actions, changes in governmental regulations on taxes and fees, weather, outbreaks of pandemic or contagious diseases, and other factors have resulted in significant fluctuations in revenues and results of operations in the past. We believe demand for business travel historically has been more sensitive to economic pressures than demand for low-price travel. Finally, a significant portion of our operations are concentrated in markets such as South Florida, the Caribbean, Latin America and the Northeast and northern Midwest regions of the United States, which are particularly vulnerable to weather, airport traffic constraints and other delays.

Aircraft Fuel. Fuel costs represents one of our largest operating expenses, as it does for most airlines. Fuel costs have been subject to wide price fluctuations in recent years. Fuel availability and pricing are also subject to refining capacity, periods of market surplus and shortage and demand for heating oil, gasoline and other petroleum products, as well as meteorological, economic and political factors and events occurring throughout the world, which we can neither control nor accurately predict. We source a significant portion of our fuel from refining resources located in the southeast United States, particularly facilities adjacent to the Gulf of Mexico. Gulf Coast fuel is subject to volatility and supply disruptions, particularly in hurricane season when refinery shutdowns have occurred, or when the threat of weather-related disruptions has caused Gulf Coast fuel prices to spike above other regional sources. Our fuel hedging practices are dependent upon many factors, including our assessment of market conditions for fuel, our access to the capital necessary to support margin requirements, the pricing of hedges and other derivative products in the market, our overall appetite for risk and applicable regulatory policies. As of December 31, 2020, we had no outstanding jet fuel derivatives and we have not engaged in fuel derivative activity since 2015. As of December 31, 2020, we purchased a majority of our aircraft fuel under a single fuel service contract. The cost and future availability of jet fuel cannot be predicted with any degree of certainty.

Labor. The airline industry is heavily unionized. The wages, benefits and work rules of unionized airline industry employees are determined by collective bargaining agreements, or CBAs. Relations between air carriers and labor unions in the United States are governed by the RLA. Under the RLA, CBAs generally contain “amendable dates” rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the NMB. This process continues until either the parties have reached agreement on a new CBA, or the parties have been released to “self-help” by the NMB. In most circumstances, the RLA prohibits strikes; however, after release by the NMB, carriers and unions are free to engage in self-help measures such as strikes and lockouts.

We have five union-represented employee groups comprising approximately 82% of our employees at December 31, 2020. Our pilots are represented by the Air Line Pilots Association, International, or ALPA, our flight attendants are represented by the Association of Flight Attendants, or AFA-CWA, our dispatchers are represented by the Professional Airline Flight Control Association, or PAFCA, our ramp service agents are represented by the International Association of Machinists and Aerospace Workers, or IAMAW, and our passenger service agents are represented by the Transport Workers Union, or TWU. Conflicts between airlines and their unions can lead to work slowdowns or stoppages.

During 2017, we experienced operational disruption from pilot-related work action which adversely impacted our results. We obtained a temporary restraining order to enjoin further illegal labor action. In January 2018, under the guidance of the NMB assigned mediators, the parties reached a tentative agreement. In February 2018, the pilot group voted to approve the current five-year agreement with us. In connection with the current agreement, we incurred a one-time ratification incentive of $80.2 million, including payroll taxes, and an $8.5 million adjustment related to other contractual provisions. These amounts were recorded in special charges (credits) within operating expenses in the consolidated statement of operations for the year ended December 31, 2018.

In March 2016, under the supervision of the NMB, we reached a tentative agreement for a five-year contract with our flight attendants. In May 2016, we entered into a five-year agreement with our flight attendants, which becomes amendable May 2021.

Our dispatchers are represented by the PAFCA. In June 2018, we commenced negotiations with PAFCA for an amended agreement with our dispatchers. In October 2018, PAFCA and the Company reached a tentative agreement for a new five-year agreement, which was ratified by the PAFCA members in October 2018.

In July 2014, certain ramp service agents directly employed by us voted to be represented by the IAMAW. In May 2015, we entered into a five-year interim collective bargaining agreement with the IAMAW, including material economic terms. In June 2016, we reached an agreement on the remaining terms of the collective bargaining agreement. In February 2020, the IAMAW notified us, as required by the Railway Labor Act, that it intends to submit proposed changes to the collective bargaining agreement covering our ramp service agents, which became amendable in June 2020. The parties expect to schedule meeting dates for negotiations soon.

In June 2018, our passenger service agents voted to be represented by the TWU, but the representation only applies to our Fort Lauderdale station where we have direct employees in the passenger service classification. We began meeting with the TWU in late October 2018 to negotiate an initial collective bargaining agreement. As of December 31, 2020, we continued to negotiate with the TWU.

We believe the five-year term of our CBAs is valuable in providing stability to our labor costs and provide us with competitive labor costs compared to other U.S.-based low-cost carriers. If we are unable to reach agreement with any of our unionized work groups in current or future negotiations regarding the terms of their CBAs, we may be subject to work interruptions or stoppages, such as the strike by our pilots in June 2010. A strike or other significant labor dispute with our unionized employees is likely to adversely affect our ability to conduct business. Any agreement we do reach could increase our labor and related expenses.

In 2010, the Patent Protection and Affordable Care Act was passed into law. This law may be repealed in its entirety or certain aspects may be changed or replaced. If the law is repealed or modified or if new legislation is passed, such action could potentially increase our operating costs, with healthcare costs increasing at a higher rate than our employee headcount.

Maintenance Expense. Maintenance expense generally increases each year mainly as a result of a growing fleet and the gradual increase of required maintenance for the older aircraft in our fleet. However, in 2020, maintenance expense decreased year over year mainly as a result of decreased aircraft utilization due to the impact of the COVID-19 pandemic. As our fleet ages, we expect that maintenance costs will increase in absolute terms. The amount of total maintenance costs and related amortization of heavy maintenance (included in depreciation and amortization expense) is subject to many variables such as future utilization rates, average stage length, the interval between heavy maintenance events, the size and makeup of the fleet in future periods and the level of unscheduled maintenance events and their actual costs. Accordingly, we cannot reliably quantify future maintenance expenses for any significant period of time particularly in the current period given the impact of the COVID-19 pandemic on our airline.

As a result of a majority of our fleet being acquired over a relatively short period of time, heavy maintenance scheduled on certain aircraft will overlap, meaning we will incur our most expensive scheduled maintenance obligations on certain aircraft at roughly the same time. These more significant maintenance activities will result in out-of-service periods during which our aircraft will be dedicated to maintenance activities and unavailable to fly revenue service. When accounting for maintenance expense under the deferral method, heavy maintenance is amortized over the shorter of either the remaining lease term or the next estimated heavy maintenance event. As a result, deferred maintenance events occurring closer to the end of the lease term will generally have shorter amortization periods than those occurring earlier in the lease term. This will create higher depreciation and amortization expense specific to any aircraft related to heavy maintenance during the final years of the lease as compared to earlier periods.

Maintenance Reserve Obligations. The terms of some of our aircraft lease agreements require us to post deposits for future maintenance, also known as maintenance reserves, to the lessor in advance of and as collateral for the performance of major maintenance events, resulting in our recording significant prepaid deposits on our consolidated balance sheet. As a result, the cash costs of scheduled major maintenance events are paid in advance of the recognition of the maintenance event in our results of operations.

Critical Accounting Policies and Estimates

The following discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities at the date of our consolidated financial statements. For a detailed discussion of our significant accounting policies, refer to "Notes to the Consolidated Financial Statements—1. Summary of Significant Accounting Policies."

Critical accounting policies are defined as those policies that reflect significant judgments or estimates about matters both inherently uncertain and material to our financial condition or results of operations.

Loyalty Mileage Credits earned with Co-branded credit card. Customers may earn mileage credits based on their spending with our co-branded credit card company with which we have an agreement to sell mileage credits. The contract to sell mileage credits under this agreement has multiple performance obligations. The agreement provides for joint marketing and we account for this agreement consistently with the accounting method that allocates the consideration received to the individual products and services delivered. The value is allocated based on the relative selling prices of those products and services, which generally consists of (i) travel miles to be awarded, (ii) licensing of brand and access to member lists and (iii) advertising and marketing efforts. We determined the best estimate of the selling prices by considering discounted cash flow analysis using multiple inputs and assumptions, including: (1) the expected number of miles awarded and number of miles redeemed, (2) equivalent ticket value ("ETV") for the award travel obligation, (3) licensing of brand and access to member lists and (4) advertising and marketing efforts.

We defer the amount for award travel obligation as part of loyalty deferred revenue within air traffic liability on our consolidated balance sheet and recognize loyalty travel awards in passenger revenue as the mileage credits are used for travel. Revenue allocated to the remaining performance obligations, primarily marketing components, is recorded in other revenue as miles are delivered. During the year ended December 31, 2020 and 2019, total cash sales from this agreement were $33.2 million and $48.1 million, respectively, which are allocated to travel and other performance obligations.

Aircraft Maintenance Deposits. Some of our aircraft and engine master lease agreements provide that we pay maintenance reserves to aircraft lessors to be held as collateral in advance of our performance of major maintenance activities. These lease agreements generally provide that maintenance reserves are reimbursable to us upon completion of the maintenance event. A majority of these maintenance reserve payments are calculated based on a utilization measure, such as flight hours or cycles, and are used solely to collateralize the lessor for maintenance time run off the aircraft until the completion of the maintenance of the aircraft.

Maintenance reserve payments are reflected as aircraft maintenance deposits in the accompanying consolidated balance sheets. We make certain assumptions to determine the recoverability of maintenance deposits. These assumptions are based on various factors such as the estimated time between the maintenance events and the utilization of the aircraft is estimated before it is returned to the lessor. When it is not probable we will recover amounts currently on deposit with a lessor, such amounts are expensed as supplemental rent.

Supplemental rent is made up of maintenance reserves paid to aircraft lessors that are not probable of being reimbursed and probable and estimable return condition obligations. We expensed $3.3 million and $4.8 million of supplemental rent recorded within aircraft rent during 2020 and 2019, respectively. We did not expense any paid maintenance reserves as supplemental rent in 2020. During 2019, we expensed $0.5 million of paid maintenance reserves as supplemental rent. As of December 31, 2020 and 2019, we had aircraft maintenance deposits of $126.3 million and $170.6 million, respectively, on our consolidated balance sheets.

Leased Aircraft Return Costs. Our aircraft lease agreements often contain provisions that require us to return aircraft airframes and engines to the lessor in a certain condition or pay an amount to the lessor based on the airframe and engine's actual return condition. Lease return costs include all costs that would be incurred at the return of the aircraft, including costs incurred to repair the airframe and engines to the required condition as stipulated by the lease. Lease return costs are recognized beginning when it is probable that such costs will be incurred and they can be estimated. When costs become both probable and estimable, they are accrued as a component of supplemental rent, through the remaining lease term.

When determining the need to accrue lease return costs, there are various factors which need to be considered such as the contractual terms of the lease agreement, current condition of the aircraft, the age of the aircraft at lease expiration, and projected number of hours run on the engine at the time of return, among others. In addition, typically near the lease return date, the lessors may allow reserves to be applied as return condition consideration or pass on certain return provisions if they do not align with their current plans to remarket the aircraft. As a result of the different factors listed above, management assesses the need to accrue lease return costs periodically throughout the year or whenever facts and circumstances warrant an assessment.

Lease return costs will generally be estimable closer to the end of the lease term but may be estimable earlier in the lease term depending on the contractual terms of the lease agreement and the timing of maintenance events for a particular aircraft. As a result of COVID-19, we are currently operating our aircraft at lower utilization levels. If we continue flying our aircraft at lower utilization levels beyond our current projections, the timing of future maintenance events may change such that we will be required to accrue lease return costs and/or record reserves against our maintenance deposits earlier than we would have expected and such amounts could be significant. We expect lease return costs and unrecoverable maintenance deposits will increase as individual aircraft lease agreements approach their respective termination dates and we begin to accrue the estimated cost of return conditions for the corresponding aircraft. Upon a termination of the lease due to a breach by us, we would be liable for standard contractual damages, possibly including damages suffered by the lessor in connection with remarketing the aircraft or while the aircraft is not leased to another party.

Results of Operations

In 2020, we generated operating revenues of $1,810.0 million and had an operating loss of $507.8 million resulting in a negative operating margin of 28.1% and a net loss of $428.7 million. In 2019, we generated operating revenues of $3,830.5 million and operating income of $501.0 million resulting in a 13.1% operating margin and net income of $335.3 million. The decrease in operating revenues, year over year, is primarily due to reduced air travel demand resulting from the COVID-19 pandemic, beginning in March and continuing through the remainder of the year. The length and severity of the reduction in air travel demand due to the COVID-19 pandemic continue to be uncertain. We expect air travel demand recovery will continue to be volatile and will fluctuate in the upcoming months until the global pandemic has moderated and demand for air travel returns.

As of December 31, 2020, our cash and cash equivalents was $1,789.7 million, an increase of $810.8 million compared to the prior year. Cash and cash equivalents is generally driven by cash from our operating activities offset by cash used to fund PDPs and capital expenditures. In 2020, as a result of the COVID-19 pandemic, the increase in cash and cash equivalents was mostly driven by cash provided from financing activities primarily through the issuance of long-term debt, common stock and warrants as well as funds received in connection with the PSP. In addition to cash and cash equivalents, as of December 31, 2020, we had $106.3 million in short-term investment securities.

Operating Revenues

	Year Ended 2020	% change 2020 versus 2019	Year Ended 2019
Operating revenues:			
Fare (thousands)	$ 756,225	(59.9)%	$ 1,886,855
Non-fare (thousands)	1,009,308	(46.0)%	1,870,750
Passenger (thousands)	1,765,533	(53.0)%	3,757,605
Other (thousands)	44,489	(39.0)%	72,931
Total operating revenue (thousands)	$ 1,810,022	(52.7)%	$ 3,830,536
Total operating revenue per ASM (TRASM) (cents)	6.53	(28.8)%	9.17
Fare revenue per passenger flight segment	$ 41.00	(24.9)%	$ 54.63
Non-ticket revenue per passenger flight segment	57.14	1.5%	56.28
Total revenue per passenger flight segment	$ 98.14	(11.5)%	$ 110.91

Operating revenues decreased by $2,020.5 million, or 52.7%, to $1,810.0 million in 2020 compared to 2019, primarily due to a decrease in traffic of 45.2%, and a decrease in average yield of 13.8%, year over year, driven by reduced air travel demand as a result of the impact of the COVID-19 pandemic.

TRASM for 2020 was 6.53 cents, a decrease of 28.8% compared to 2019. This decrease was primarily a result of a 13.8% decrease in operating yields and a load factor decrease of 14.7 percentage points, year over year.

Total revenue per passenger flight segment decreased 11.5% from $110.91 in 2019 to $98.14 in 2020. Fare revenue per passenger flight segment decreased 24.9% and non-ticket revenue per passenger flight segment increased 1.5%. The decrease in fare revenue per passenger flight segment was primarily due to a decrease of 13.8% in average yield, year over year. For the year ended December 31, 2020, breakage, brand-related and other revenues (typically not directly driven by the number of passenger flight segments) as a percentage of total revenue was 14.1%, as compared to 8.8% for the same period in prior year. Breakage revenue is comprised of estimated unredeemed flight credits that expired unused, no-show revenue, and cancellation fees. Brand-related revenue is comprised of revenues associated with $9 Fare Club™ membership and the marketing component of our co-branded credit card revenue.

Operating Expenses

Since adopting our ULCC model, we have continuously sought to reduce our unit operating costs and have created one of the industry's lowest cost structures in the United States. The table below presents our unit operating costs (CASM) and year-over-year changes.

	Year Ended 2020	Change 2020 versus 2019		Year Ended 2019
	CASM	Per-ASM Change	Percent change	CASM
Operating expenses:				
Salaries, wages and benefits	$3.28	$1.21	58.5%	2.07
Aircraft fuel	1.55	(0.83)	(34.9)	2.38¢
Depreciation and amortization	1.01	0.47	87.0	0.54
Landing fees and other rentals	0.91	0.30	49.2	0.61
Aircraft rent	0.71	0.27	61.4	0.44
Maintenance, materials and repairs	0.40	0.06	17.6	0.34
Distribution	0.31	(0.06)	(16.2)	0.37
Loss on disposal of assets	0.01	(0.03)	NM	0.04
Special charges (credits)	(1.09)	(1.09)	NM	—
Other operating expenses	1.28	0.10	8.5	1.18
Total operating expense				
CASM	8.36	0.39	4.9	7.97
Adjusted CASM (1)	9.45	1.52	19.2	7.93
Adjusted CASM ex fuel (2)	7.89	2.34	42.2	5.55

(1) Reconciliation of CASM to Adjusted CASM:

	Year Ended December 31,			
	2020		2019	
	(in millions)	Per ASM	(in millions)	Per ASM
CASM (cents)		8.36		7.97
Less:				
Loss on disposal of assets	$ 2.3	0.01	$ 17.4	0.04
Special charges (credits)	(302.8)	(1.09)	0.7	—
Supplemental rent adjustments	2.3	0.01	(0.5)	—
Federal excise tax recovery	(3.1)	(0.01)	—	—
Adjusted CASM (cents)		9.45		7.93

(2) Excludes aircraft fuel expense, loss on disposal of assets, special charges (credits), supplemental rent adjustments and federal excise tax recovery adjustments.

Operating expenses decreased by $1,011.7 million, or 30.4%, in 2020 primarily due to a decrease in operations as reflected by a 33.7% reduction in capacity, as compared to the prior year.

Our adjusted CASM ex fuel for 2020 increased by 42.2% as compared to 2019. The increase on a per-ASM basis was primarily due to increases in salaries, wages and benefits expense, depreciation and amortization expense, landing fees and other rents expense and aircraft rent expense on a per-ASM basis. These increases on a per-ASM basis were mostly driven by the semi-fixed nature of many of these costs combined with a decrease in capacity of 33.7%, compared to the same period in the prior year due to reduced air travel demand resulting from the COVID-19 pandemic.

Aircraft fuel expenses includes both into-plane expense (as defined below) and realized and unrealized net gains or losses from fuel derivatives, if any. Into-plane fuel expense is defined as the price that we generally pay at the airport, including taxes and fees. Into-plane fuel prices are affected by the global oil market, refining costs, transportation taxes and fees, which can vary by region in the United States and other countries where we operate. Into-plane fuel expense approximates cash paid to the supplier and does not reflect the effect of any fuel derivatives. We had no activity related to fuel derivative instruments during 2020 and 2019.

Aircraft fuel expense decreased by 56.6% from $993.5 million in 2019 to $431.0 million in 2020. This decrease was due to a 38.5% decrease in fuel gallons consumed, primarily driven by a 36.1% decrease in block hours, and a 29.4% decrease in fuel price per gallon.

The elements of the changes in aircraft fuel expense are illustrated in the following table:

	Year Ended December 31,		
	2020	2019	
	(in thousands, except per-gallon amounts)		Percent Change
Fuel gallons consumed	289,401	470,939	(38.5)%
Into-plane fuel cost per gallon	$ 1.49	$ 2.11	(29.4)%
Aircraft fuel expense (per consolidated statements of operations)	**$ 431,000**	**$ 993,478**	**(56.6)%**

Gulf Coast Jet indexed fuel is the basis for a substantial majority of our fuel consumption and is impacted by both the price of crude oil as well as increases or decreases in refining margins associated with the conversion of crude oil to jet fuel.

Labor costs in 2020 increased by $44.8 million, or 5.2%, compared to 2019. The increase was primarily driven by a 8.9% increase in our pilot and flight attendant workforce prior to the onset of the COVID-19 pandemic in the U.S., resulting from an increase to our aircraft fleet of 12 aircraft in 2020. In March 2020, we suspended hiring across the Company except to fill essential roles. On both a dollar and per-ASM basis, labor costs increased due to the rate increase our pilots received in connection with the collective bargaining agreement that became effective on March 1, 2018 and which provides for annual increases on each anniversary of the effective date. Additionally, the increase on a per-ASM basis was partially due to a decrease in capacity of 33.7%, as compared to the same period in prior year. In addition, beginning March 2020, we paid salaries and wages to our unionized employees at a guaranteed volume greater than what we actually operated due to the reduced demand resulting from COVID-19, and the requirements of the PSP under the CARES Act. For more detailed information on the impact of COVID-19, please refer to "Notes to Consolidated Financial Statements—2. Impact of COVID-19."

Depreciation and amortization increased by $53.3 million, or 23.7%, compared to the prior year. The increase in depreciation expense on both a dollar and per-ASM basis was primarily due to the purchase of 8 new aircraft and the purchase of 2 previously leased aircraft during 2020. Since depreciation and amortization expense is generally a fixed cost, the decrease in capacity of 33.7% compared to the prior year period also impacted the increase on a per-ASM basis.

Landing fees and other rents for 2020 decreased by $5.2 million, or 2.0%, compared to 2019 primarily due to a decrease in landing fees and overfly fees driven by a 36.5% decrease in departures as a result of the impact of COVID-19 on air travel demand. This decrease was partially offset by an increase in facility rent and gate charges as well as a decrease in signatory adjustment credits received, as compared to the prior year. This decrease in signatory adjustment credits, year over year, is due to airports recovering operating losses from lower utilization fees as well as increased market share at certain airports where other airlines have decreased flying due to the impact of COVID-19 on air travel demand.

Aircraft rent expense in 2020 increased by $13.8 million, or 7.5%, compared to 2019. The increase in aircraft rent expense was primarily driven by an increase in the number of aircraft financed under operating leases throughout 2020, as compared to the prior year. During 2020, we have acquired 4 new aircraft financed under operating leases. The increases generated by the new leased aircraft were partially offset by the purchase of 2 aircraft off lease during 2020. On a per-ASM basis, aircraft rent expense also increased due to a change in the composition of our aircraft fleet between leased aircraft (for which rent expense is recorded under aircraft rent) and purchased aircraft (for which depreciation expense is recorded under depreciation and amortization). During the year ended December 31, 2020, we took delivery of eight new purchased aircraft, which increased capacity but had no effect on aircraft rent expense, as these assets were purchased and are being depreciated over their useful life.

We account for heavy maintenance under the deferral method. Under the deferral method, the cost of heavy maintenance is capitalized and amortized as a component of depreciation and amortization expense in the consolidated statements of operations until the earlier of the next heavy maintenance event or end of the lease term. The amortization of heavy maintenance costs was $88.9 million and $63.4 million for the year ended December 31, 2020 and 2019, respectively. The increase in amortization of heavy maintenance was primarily due to the timing and number of maintenance events in the current year, as compared to the prior year. This increase in heavy maintenance amortization also contributed to the per-ASM increase in depreciation and amortization expense, year over year. As our fleet continues to age, we expect that the amount of deferred

heavy maintenance events will increase and will result in an increase in the amortization of those costs. If heavy maintenance events were amortized within maintenance, materials and repairs expense in the consolidated statements of operations, our maintenance, materials and repairs expense would have been $200.2 million and $206.9 million for the year ended December 31, 2020 and 2019, respectively.

Distribution expense decreased by $68.7 million, or 44.7%, in 2020, compared to 2019. The decrease on a dollar and per-ASM basis was primarily due to decreased sales volume as a result of the impact of COVID-19 on air travel demand which impacts our variable distribution costs such as credit card fees and GDS fees.

The following table shows our distribution channel usage:

	Year Ended December 31,		
	2020	2019	Change
Website	68.1 %	66.6 %	1.5
Third-party travel agents	25.6	26.8	(1.2)
Call center	6.3	6.6	(0.3)

Maintenance, materials and repairs expense decreased by $32.3 million, or 22.5%, in 2020, as compared to 2019. This decrease is mainly due to fewer aircraft maintenance events as a result of lower utilization in the current year compared to the prior year as a result of the impact of COVID-19 on air travel demand. On a per-ASM basis, the increase is primarily related to a decrease in capacity of 33.7% with no associated decrease in the fixed maintenance, material and repairs costs.

Loss on disposal of assets totaled $2.3 million for the year ended 2020. This loss on disposal of assets mainly consists of $1.5 million related to the write-off of certain unrecoverable costs previously capitalized with a project to upgrade our enterprise accounting software which was subsequently suspended and $0.8 million related to the disposal of excess and obsolete inventory. Loss on disposal of assets totaled $17.4 million for the year ended 2019. This loss consisted of $13.4 million related to the disposal of excess and obsolete inventory, $3.1 million related to the write-down of certain held-for-sale assets to fair value less cost to sell and $2.4 million related to the write-off of certain unrecoverable costs previously capitalized with the project to upgrade our enterprise accounting software which was subsequently suspended. These losses on disposal of assets were partially offset by a $1.5 million gain on sale leaseback transactions for 6 aircraft delivered during the year ended December 31, 2019.

Special charges (credits) for the year ended 2020 consisted of a $266.8 million credit of deferred salaries, wages and benefits, net of the related costs, recognized in connection with the grant component of the PSP with the Treasury and $38.5 million related to the CARES Employee Retention credit. These special credits were partially offset by $2.5 million in special charges recorded in the third and fourth quarters of 2020 related to our voluntary and involuntary employee separation programs. For additional information, refer to "Notes to Consolidated Financial Statements—5. Special Charges and Credits." Special charges (credits) for the year ended ended 2019 consisted of a $0.7 million write-off of aircraft related credits resulting from the exchange of credits negotiated under the new purchase agreement with Airbus executed during the fourth quarter of 2019.

Other operating expenses in 2020 decreased by $136.2 million, or 27.7%, compared to 2019 primarily due to a decrease in overall operations as a result of the impact of COVID-19 on air travel demand. As compared to the prior year, departures decreased by 36.5% and we had 46.6% less passenger flight segments, which drove decreases in other variable operating expenses. In addition, we had lower passenger reaccommodation expense, year over year, due to fewer storm-related flight disruptions during the year ended December 31, 2020.

Other (Income) Expense

Other (income) expense, net increased from $64.6 million in 2019 to $112.4 million in 2020 primarily driven by an increase in interest expense of $33.2 million which primarily consisted of interest related to the financing of purchased aircraft as well as the interest and accretion related to our convertible notes and 8.00% senior secured notes. As of December 31, 2020 and 2019, we had 72 and 64 purchased aircraft financed through secured long-term debt arrangements, respectively. Refer to “Notes to Consolidated Financial Statements—14. Debt and Other Obligations” for additional information. In addition, the increase in other (income) expense was attributed to a decrease in interest income of $18.8 million primarily due lower interest rates partially offset by an increase in capitalized interest of $3.5 million.

Income Taxes

In 2020, our effective tax rate was 30.9% compared to 23.2% in 2019. The increase in the effective tax rate is primarily related to the tax benefit of the federal net operating loss carry back filed in 2020. While we expect our tax rate to be fairly consistent in the near term, it will tend to vary depending on recurring items such as the amount of income we earn in each state and the state tax rate applicable to such income. Discrete items particular to a given year may also affect our effective tax rates.

Quarterly Financial Data (unaudited)

	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(in thousands, except share and per-share amounts)							
Operating revenues:								
Fare	$ 416,345	$ 515,696	$ 493,376	$ 461,438	$ 321,447	$ 63,769	$ 164,432	$ 206,577
Non-fare	421,720	478,734	479,977	490,319	432,103	67,048	228,312	281,845
Total passenger revenues	$ 838,065	$ 994,430	$ 973,353	$ 951,757	$ 753,550	$ 130,817	$ 392,744	$ 488,422
Other revenues	17,731	18,526	18,615	18,059	17,531	7,712	9,178	10,068
Total operating revenues	$ 855,796	$ 1,012,956	$ 991,968	$ 969,816	$ 771,081	$ 138,529	$ 401,922	$ 498,490
Operating income (loss)	87,804	163,938	124,681	124,624	(57,992)	(190,384)	(99,471)	(159,915)
Net income (loss)	$ 56,076	$ 114,501	$ 83,464	$ 81,214	$ (27,828)	$ (144,428)	$ (99,140)	$ (157,304)
Earnings (loss) per share:								
Basic	$ 0.82	$ 1.67	$ 1.22	$ 1.19	$ (0.41)	$ (1.81)	$ (1.07)	$ (1.61)
Diluted	$ 0.82	$ 1.67	$ 1.22	$ 1.18	$ (0.41)	$ (1.81)	$ (1.07)	$ (1.61)
Weighted average shares outstanding:								
Basic	68,379,707	68,439,261	68,441,899	68,452,317	68,520,872	79,601,406	92,731,012	97,684,053
Diluted	68,515,454	68,620,330	68,544,690	68,553,114	68,520,872	79,601,406	97,731,012	97,684,053

Interim results are not necessarily indicative of the results that may be expected for other interim periods or for the full year. The air transportation business is subject to significant seasonal fluctuations as demand is generally greater in the second and third quarters of each year. The air transportation business is also volatile and highly affected by economic cycles and trends.

	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Other operating statistics								
Aircraft at end of period	133	135	136	145	151	154	155	157
Average daily Aircraft utilization (hours)	12.2	12.8	12.5	11.7	11.8	2.0	6.9	7.2
Average stage length (miles)	1,029	1,004	979	998	1,021	960	1,037	1,057
Departures	52,175	58,517	59,314	57,035	58,174	10,754	37,120	38,224
Passenger flight segments (thousands)	7,820	8,953	9,004	8,760	7,653	900	4,623	5,267
Revenue passenger miles (RPMs) (thousands)	8,133,030	9,157,488	9,057,574	8,897,193	7,948,963	894,900	4,879,334	5,596,213
Available seat miles (ASMs) (thousands)	9,829,044	10,775,878	10,686,246	10,491,833	10,913,934	1,809,874	7,164,634	7,829,944
Load factor (%)	82.7	85.0	84.8	84.8	72.8	49.4	68.1	71.5
Fare revenue per passenger flight segment ($)	53.24	57.60	54.80	52.68	42.00	70.82	35.57	39.22
Non-ticket revenue per passenger flight segment ($)	56.20	55.54	55.37	58.03	58.75	83.03	51.37	55.42
Total operating revenue per ASM (TRASM) (cents)	8.71	9.40	9.28	9.24	7.07	7.65	5.61	6.37
CASM (cents)	7.81	7.88	8.12	8.06	7.60	18.17	7.00	8.41
Adjusted CASM (cents) (1)	7.79	7.86	8.03	8.01	7.60	26.57	9.07	8.34
Adjusted CASM ex fuel (cents) (2)	5.46	5.41	5.66	5.67	5.64	25.47	7.75	7.06
Fuel gallons consumed (thousands)	109,828	122,447	122,072	116,591	117,944	18,997	74,222	78,237
Average fuel cost per gallon ($)	2.09	2.16	2.08	2.10	1.81	1.05	1.27	1.32

(1) Reconciliation of CASM to Adjusted CASM:

	Three Months Ended															
	March 31, 2019		June 30, 2019		September 30, 2019		December 31, 2019		March 31, 2020		June 30, 2020		September 30, 2020		December 31, 2020	
	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM	(in millions)	Per ASM
CASM (cents)		7.81		7.88		8.12		8.06		7.60		18.17		7.00		8.41
Less:																
Loss on disposal of assets	1.9	0.02	1.6	0.01	13.4	0.13	0.5	—	—	—	—	—	—	—	2.3	0.03
Special charges (credits)	—	—	—	—	—	—	0.7	0.01	—	—	(151.9)	(8.39)	(148.3)	(2.07)	(2.5)	(0.03)
Supplemental rent adjustments	—	—	—	—	(4.3)	(0.04)	3.8	0.04	—	—	—	—	—	—	2.3	0.03
Federal excise tax recovery	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(3.1)	(0.04)
Adjusted CASM (cents)		7.79		7.86		8.03		8.01		7.60		26.57		9.07		8.34

(2) Excludes aircraft fuel expense, loss on disposal of assets, special charges (credits), supplemental rent adjustments and federal excise tax recovery adjustments.

Liquidity and Capital Resources

Since its initial onset in early 2020, the COVID-19 pandemic has evolved throughout the year and continues to be fluid. Therefore, our financial and operational outlook still remains subject to change and fluctuation. We continue to monitor the impacts of the pandemic on our liquidity and financial condition, and to implement and adapt mitigation strategies while working to preserve cash and protect our long-term sustainability. As a result of the COVID-19 pandemic, we have taken, and are continuing to take, certain actions to increase liquidity and strengthen our financial position. Please refer to "Notes to Consolidated Financial Statements—2. Impact of COVID-19," "Notes to Consolidated Financial Statements—Note 11. Common Stock and Preferred Stock," and "Notes to Consolidated Financial Statements—Note 14. Debt and Other Obligations" for additional information on the PSP and the measures we have implemented to focus on the safety of our Guests and employees as well as the impact on our liquidity, financial position and operations. As of December 31, 2020, we had $1,896.1 million in liquid assets comprised of unrestricted cash and cash equivalents and short-term investment securities.

Generally, our primary sources of liquidity are cash on hand, cash provided by operations and capital from debt and equity financing. Primary uses of liquidity are for working capital needs, capital expenditures, aircraft and engine pre-delivery deposit payments and debt and lease obligations and maintenance reserves. Our total unrestricted cash and cash equivalents at December 31, 2020 was $1,789.7 million, an increase of $810.8 million from December 31, 2019. In addition to unrestricted cash and cash equivalents, as of December 31, 2020, we had $106.3 million in short-term investment securities. We expect to meet our cash needs for the next twelve months primarily with cash and cash equivalents, financing arrangements and funds to be received in connection with the PSP2.

Refer to the section “Balance Sheet, Cash Flow and Liquidity” within our Year in Review above for further information about actions we have taken to increase liquidity and strengthen our financial position in response to the impact of the COVID-19 pandemic. These actions include the private offering of $850 million of the 8.00% senior secured notes, the public offering of $175.0 million in convertible notes, the public offering of 20,125,000 shares of our voting common stock for which we received net proceeds of $192.4 million, the issuance and sale of 9,000,000 shares of our voting common stock through our ATM Program for which we received net proceeds of $156.7 million and the execution of a revolving credit facility with a total commitment of $180.0 million as of December 31, 2020, among others. During the twelve months ended December 31, 2020, we made $84.8 million in debt payments (principal, interest and fees) on our outstanding non-aircraft debt obligations. Refer to "Notes to Consolidated Financial Statements—Note 11. Common Stock and Preferred Stock" and "Notes to Consolidated Financial Statements—Note 14. Debt and Other Obligations" for additional information.

As of December 31, 2020, we had $109.0 million recorded within current maturities of long-term debt and finance leases on our consolidated balance sheets related to our convertible debt. As of December 31, 2020, the convertible notes may be converted by noteholders through March 31, 2021. No notes were converted during the year ended December 31, 2020. Upon conversion and at our election, we may satisfy part or all of our conversion obligation in either cash or shares of our common stock.

Currently, one of our largest capital expenditure needs is funding the acquisition costs of our aircraft. Aircraft are acquired through debt financing, cash purchases, direct leases or sale leaseback transactions. During the twelve months ended December 31, 2020, we purchased 8 aircraft through debt financing transactions and made $261.7 million in debt payments (principal, interest and fees) on our outstanding aircraft debt obligations. The debt entered into during the current year solely to finance aircraft acquisition costs has maturity dates ranging from 2030 to 2032 and interest rates ranging from 1.90% to 3.32%. During 2020, we entered into 1 new aircraft sale leaseback transaction. In addition, during the twelve months ended December 31, 2020, we took delivery of 3 aircraft financed through direct operating leases and purchased 2 aircraft previously financed under operating leases. We also purchased 2 spare engines through cash purchases.

Under our agreements with Airbus for aircraft, and International Aero Engines AG ("IAE") and Pratt & Whitney for engines, we are required to pay PDPs relating to future deliveries at various times prior to each delivery date. During 2020, we paid $143.2 million in PDPs, net of refunds, and $12.2 million of capitalized interest for future deliveries of aircraft and spare engines. As of December 31, 2020, we had $356.3 million of pre-delivery deposits on flight equipment, including capitalized interest, on our consolidated balance sheet.

As of December 31, 2020, we had secured financing for 10 aircraft to be leased directly from third-party lessors, scheduled for delivery in 2021. As of December 31, 2020, we did not have financing commitments in place for the 126 Airbus firm aircraft orders, scheduled for delivery through 2027. However, we have signed a financing letter of agreement with Airbus which provides backstop financing for a majority of the aircraft included in the A320 NEO Family Purchase Agreement. The agreement provides a standby credit facility in the form of senior secured mortgage debt financing. Future aircraft deliveries

may be paid in cash, leased or otherwise financed based on market conditions, our prevailing level of liquidity, and capital market availability.

As of December 31, 2020, we were compliant with our credit card processing agreements, and not subject to any credit card holdbacks. The maximum potential exposure to cash holdbacks by our credit card processors, based upon advance ticket sales and $9 Fare Club™ memberships, as of December 31, 2020 and December 31, 2019, was $423.7 million and $342.3 million, respectively.

Net Cash Flows Provided (Used) By Operating Activities. Operating activities in 2020 used $225.3 million in cash compared to $551.3 million provided in 2019. Cash provided by operating activities decreased, year over year, primarily due to a net loss during the twelve months ended December 31, 2020. In addition, we had decreases in income tax receivable, deferred income tax expense and deferred heavy maintenance, net, offset by increases in accounts receivable, net, and air traffic liability, as well as a higher non-cash expense of depreciation and amortization, as compared to the prior year. Due to the impact of COVID-19 on our operations, we may continue to experience negative cash flows from operations.

Operating activities in 2019 provided $551.3 million in cash compared to $506.5 million provided in 2018. Cash provided by operating activities increased, year over year, primarily due to higher net income year over year. In addition, we had higher non-cash expenses of depreciation and amortization and deferred income tax expense, as compared to the prior year. Partially offsetting this increase was a decrease in cash provided by income tax receivable, year over year, as we had a decrease of $69.8 million income tax receivable during 2018 as compared to an increase in income tax receivable of $21.0 million recorded during 2019. In addition, there was a decrease in cash, year over year, provided by other working capital accounts.

Net Cash Flows Used In Investing Activities. During 2020, investing activities used $554.0 million, compared to $456.9 million used in 2019. The increase was mainly due to an increase in purchases of property and equipment, year over year, as well as an increase in PDPs paid, net of refunds, driven by timing of future aircraft deliveries.

During 2019, investing activities used $456.9 million, compared to $783.7 million used in 2018. This decrease was mainly driven by a decrease in the purchase of property and equipment, year over year, as well as a decrease in PDPs paid, net of refunds, driven by timing of future aircraft deliveries.

Net Cash Provided (Used) By Financing Activities. During 2020, financing activities provided $1,661.4 million. We received $1,585.7 million, net of issuance costs, primarily related to the debt financing of 8 aircraft delivered during 2020, the revolving credit facilities, the unsecured term loan in connection with the PSP, the issuance of convertible notes and the issuance of the 8.00% senior secured notes. In addition, during 2020, we received an additional $353.0 million, net of issuance costs, in connection with the issuance of common stock and issuance of warrants in connection with the PSP. We paid $254.3 million in debt principal payment obligations and $25.4 million in finance lease obligations. The payments on finance lease obligations were primarily related to an aircraft purchase agreement for the purchase of two A319 aircraft. Refer to "Notes to Consolidated Financial Statements - 15. Leases and Prepaid Maintenance Deposits" for more information on these two aircraft.

During 2019, financing activities used $120.2 million. We received $225.9 million primarily related to the debt financing of 4 aircraft delivered during 2019. In addition, we paid $246.8 million in debt principal payment obligations and $96.5 million in finance lease obligations. The payments on finance lease obligations are primarily related to an aircraft purchase agreement for the purchase of four A320ceo aircraft which were previously financed under operating leases.

Commitments and Contractual Obligations

Our contractual purchase commitments consist primarily of aircraft and engine acquisitions through manufacturers and aircraft leasing companies. As of December 31, 2020, our firm aircraft orders consisted of 126 A320 family aircraft with Airbus, including A319neos, A320neos and A321neos, with deliveries expected through 2027. In addition, we had 10 direct operating leases for A320neos with third-party lessors, with deliveries expected through 2021.

On December 20, 2019, we entered into an A320 NEO Family Purchase Agreement with Airbus for the purchase of 100 new Airbus A320neo family aircraft, with options to purchase up to 50 additional aircraft. This agreement includes a mix of Airbus A319neo, A320neo and A321neo aircraft with such aircraft scheduled for delivery through 2027. We also have one spare engine order for a V2500 SelectTwo engine with IAE and two spare engine orders for PurePower PW 1100G-JM engines with Pratt & Whitney. Spare engines are scheduled for delivery from 2021 through 2023. As of December 31, 2020, committed expenditures for these aircraft and spare engines, including estimated amounts for contractual price escalations and aircraft PDPs, are expected to be $415.7 million in 2021, $849.1 million in 2022, $676.0 million in 2023, $1,001.6 million in 2024, $1,209.1 million in 2025, and $2,367.8 million in 2026 and beyond. During the third quarter of 2019, the United States

announced its decision to levy tariffs on certain imports from the European Union, including commercial aircraft and related parts. These tariffs include aircraft and other parts that we are already contractually obligated to purchase including those reflected above. The imposition of these tariffs may substantially increase the cost of new Airbus aircraft and parts required to service our Airbus fleet. For further discussion on this topic, please refer to "Risk Factors - Risks Related to Our Business - Any tariffs imposed on commercial aircraft and related parts imported from outside the United States may have a material adverse effect on our fleet, business, financial condition and our results of operations."

We have significant obligations for aircraft and spare engines as 56 of our aircraft and 8 of our spare engines are financed under operating leases. These leases expire between 2022 and 2038. Aircraft rent payments were $172.0 million and $181.0 million for 2020 and 2019, respectively.

We have contractual obligations and commitments primarily with regard to future purchases of aircraft and engines, payment of debt, and lease arrangements. The following table discloses aggregate information about our contractual obligations as of December 31, 2020 and the periods in which payments are due (in millions):

	Total	2021	2022 - 2023	2024 - 2025	2026 and beyond
Long-term debt (1)	$ 3,581	$ 290	$ 708	$ 1,433	$ 1,150
Interest and fee commitments (2)	789	162	287	237	103
Finance and operating lease obligations	2,109	242	416	332	1,119
Flight equipment purchase obligations	6,520	416	1,525	2,211	2,368
Other (3)	113	18	30	30	35
Total future payments on contractual obligations	$ 13,112	$ 1,128	$ 2,966	$ 4,243	$ 4,775

(1) Includes principal only associated with our 8.00% senior secured notes, senior term loans, fixed-rate loans, unsecured term loans, Class A, Class B, and Class C Series 2015-1 EETCs, Class AA, Class A, Class B, and Class C Series 2017-1 EETCs, convertible notes and our revolving credit facilities. Refer to “Notes to the Consolidated Financial Statements—14. Debt and Other Obligations.”

(2) Related to our 8.00% senior secured notes, senior term loans, fixed-rate loans, unsecured term loans and Class A, Class B, and Class C Series 2015-1 EETCs, and Class AA, Class A, Class B, and Class C Series 2017-1 EETCs and convertible debt. Includes interest accrued as of December 31, 2020 related to our variable-rate revolving credit facilities.

(3) Primarily related to our reservation system and other miscellaneous subscriptions and services. Refer to “Notes to the Consolidated Financial Statements —18. Commitments and Contingencies.”

Some of our master lease agreements require that we pay maintenance reserves to aircraft lessors to be held as collateral in advance of our required performance of major maintenance activities. Some maintenance reserve payments are fixed contractual amounts, while others are based on utilization.

As of December 31, 2020, we had secured financing for 10 aircraft to be leased directly from third-party lessors, scheduled for delivery in 2021. We did not have financing commitments in place for the 126 Airbus aircraft currently on firm order, which are scheduled for delivery through 2027. However, we have signed a financing letter of agreement with Airbus which provides backstop financing for a majority of the aircraft included in the A320 NEO Family Purchase Agreement. The agreement provides a standby credit facility in the form of senior secured mortgage debt financing.

As of December 31, 2020, aircraft rent commitments for future aircraft deliveries to be financed under direct leases from third-party lessors are expected to be approximately $18.1 million in 2021, $34.2 million in 2022, $34.2 million in 2023, $34.2 million in 2024, $34.2 million in 2025, and $255.5 million in 2026 and beyond. These future commitments are not included in the table above.

During the fourth quarter of 2019, we purchased an 8.5-acre parcel of land for $41.0 million and entered into a 99-year lease agreement for the lease of a 2.6-acre parcel of land, in Dania Beach, Florida, where we intend to build a new headquarters campus. Operating lease commitments related to this lease are included in the table above under the caption "Finance and operating lease obligations." For more detailed information, please refer to “Notes to Consolidated Financial Statements— 15. Leases and Aircraft Maintenance Deposits."

Off-Balance Sheet Arrangements

As of December 31, 2020 and 2019, we had a line of credit for $3.1 million and $33.6 million related to corporate credit cards. As of December 31, 2020 and 2019, we had drawn $0.6 million and $4.6 million, respectively, which is included within accounts payable on our consolidated balance sheets.

As of December 31, 2020, we had lines of credit with counterparties for both physical fuel delivery and derivatives in the amount of $41.5 million. As of December 31, 2020, we had drawn $3.7 million on these lines of credit for physical fuel delivery. We are required to post collateral for any excess above the lines of credit if the derivatives, if any, are in a net liability position and make periodic payments in order to maintain an adequate undrawn portion for physical fuel delivery. As of December 31, 2020, we did not hold any derivatives.

As of December 31, 2020, we had $11.5 million in uncollateralized surety bonds and a $30.0 million cash collateralized standby letter of credit facility, representing an off balance-sheet commitment, of which $23.6 million had been drawn upon for issued letters of credit.

GLOSSARY OF AIRLINE TERMS

Set forth below is a glossary of industry terms:

“Adjusted CASM” means operating expenses, excluding unrealized gains or losses related to fuel derivative contracts, out of period fuel federal excise tax, loss on disposal of assets, special charges (credits), supplemental rent adjustments and federal excise tax recovery adjustments, divided by ASMs.

“Adjusted CASM ex fuel” means operating expenses excluding aircraft fuel expense, loss on disposal of assets, special charges (credits), supplemental rent adjustments and federal excise tax recovery adjustments, divided by ASMs.

“AFA-CWA” means the Association of Flight Attendants-CWA.

“Air traffic liability” or “ATL” means the value of tickets sold in advance of travel.

“ALPA” means the Air Line Pilots Association, International.

“ASIF” means an Aviation Security Infrastructure Fee assessed by the TSA on each airline.

“Available seat miles” or “ASMs” means the number of seats available for passengers multiplied by the number of miles the seats are flown, also referred to as "capacity."

“Average aircraft” means the average number of aircraft in our fleet as calculated on a daily basis.

“Average daily aircraft utilization” means block hours divided by number of days in the period divided by average aircraft.

“Average fuel cost per gallon” means total aircraft fuel expense divided by the total number of fuel gallons consumed.

“Average stage length” represents the average number of miles flown per flight.

“Average yield” means average operating revenue earned per RPM, calculated as total revenue divided by RPMs, also referred to as "passenger yield."

“Block hours” means the number of hours during which the aircraft is in revenue service, measured from the time of gate departure before take-off until the time of gate arrival at the destination.

“CASM” or “unit costs” means operating expenses divided by ASMs.

“CBA” means a collective bargaining agreement.

“CBP” means United States Customs and Border Protection.

“DOT” means the United States Department of Transportation.

“EPA” means the United States Environmental Protection Agency.

"EETC" means enhanced equipment trust certificate.

“FAA” means the United States Federal Aviation Administration.

“Fare revenue per passenger flight segment” means total fare passenger revenue divided by passenger flight segments.

“FCC” means the United States Federal Communications Commission.

"FLL Airport" means the Fort Lauderdale Hollywood International Airport.

“GDS” means Global Distribution System (e.g., Amadeus, Galileo, Sabre and Worldspan).

"IAMAW" means the International Association of Machinists and Aerospace Workers.

“Into-plane fuel cost per gallon” means into-plane fuel expense divided by number of fuel gallons consumed.

“Into-plane fuel expense” represents the cost of jet fuel and certain other charges such as fuel taxes and oil.

“Load factor” means the percentage of aircraft seats actually occupied on a flight (RPMs divided by ASMs).

“NMB” means the National Mediation Board.

"Non-ticket revenue" means total non-fare passenger revenue and other revenue.

“Non-ticket revenue per passenger flight segment” means total non-fare passenger revenue and other revenue divided by passenger flight segments.

“OTA” means Online Travel Agent (e.g., Orbitz and Travelocity).

"PAFCA" means the Professional Airline Flight Control Association.

“Passenger flight segments” means the total number of passengers flown on all flight segments.

“PDP” means pre-delivery deposit payment.

“Revenue passenger mile” or “RPM” means one revenue passenger transported one mile. RPMs equals revenue passengers multiplied by miles flown, also referred to as "traffic."

“RLA” means the United States Railway Labor Act.

“Total operating revenue per ASM,” “TRASM” or “unit revenue” means operating revenue divided by ASMs.

“TWU” means the Transport Workers Union of America.

“TSA” means the United States Transportation Security Administration.

“ULCC” means “ultra low-cost carrier.”

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk-Sensitive Instruments and Positions

We are subject to certain market risks, including commodity prices (specifically aircraft fuel) and interest rates. We purchase the majority of our jet fuel at prevailing market prices and seek to manage market risk through execution of our hedging strategy and other means. However, we do not currently hold any derivative financial instruments. We have market-sensitive instruments in the form of fixed-rate debt instruments. The adverse effects of changes in these markets could pose a potential loss as discussed below. The sensitivity analysis provided below does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

Aircraft Fuel. Our results of operations can vary materially due to changes in the price and availability of aircraft fuel. Aircraft fuel expense for the years ended December 31, 2020, 2019 and 2018 represented approximately18.6%, 29.8% and 31.6% of our operating expenses, respectively. Volatility in aircraft fuel prices or a shortage of supply could have a material adverse effect on our operations and operating results. We source a significant portion of our fuel from refining resources located in the southeast United States, particularly facilities adjacent to the Gulf of Mexico. Gulf Coast fuel is subject to volatility and supply disruptions, particularly during hurricane season when refinery shutdowns have occurred, or when the threat of weather related disruptions has caused Gulf Coast fuel prices to spike above other regional sources. Gulf Coast Jet indexed fuel is the basis for a substantial majority of our fuel consumption. Based on our annual fuel consumption, a hypothetical 10% increase in the average price per gallon of aircraft fuel would have increased into-plane aircraft fuel cost for 2020 by $43.1 million.

Interest Rates. We have market risk associated with our short-term investment securities, which had a fair market value of $106.3 million and $105.3 million as of December 31, 2020 and December 31, 2019, respectively.

Fixed-Rate Debt. As of December 31, 2020, we had $2,207.1 million outstanding in fixed-rate debt related to the purchase of 42 Airbus A320 aircraft and 30 Airbus A321 aircraft, which had a fair value of $2,235.3 million. In addition, as of December 31, 2020, we had $850.0 million and $73.3 million outstanding in fixed-rate debt related to our 8.00% senior secured notes and our unsecured term loans, respectively, which had fair values of $886.0 million and $83.1 million. As of December 31, 2020, we also had $175.0 million outstanding in convertible debt which had a fair value of $380.3 million. As of December 31, 2019, we had $2,053.6 million outstanding in fixed-rate debt related to the purchase of 34 Airbus A320 aircraft and 30 Airbus A321 aircraft, which had a fair value of $2,143.0 million.

Variable-Rate Debt. As of December 31, 2020, we had $275.1 million outstanding in variable-rate long-term debt, which had a fair value of $275.1 million. As of December 31, 2019, we had $160.0 million outstanding in variable-rate long-term debt, which had a fair value of $160.0 million. A hypothetical increase of 100 basis points in average annual interest rates would have increased the annual interest expense on our variable-rate long-term debt by $2.3 million in 2020.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Spirit Airlines, Inc.
Consolidated Statements of Operations
(In thousands, except per-share data)

	Year Ended December 31,		
	2020	**2019**	**2018**
Operating revenues:			
Passenger	$ 1,765,533	$ 3,757,605	$ 3,260,015
Other	44,489	72,931	63,019
Total operating revenues	**1,810,022**	**3,830,536**	**3,323,034**
Operating expenses:			
Salaries, wages and benefits	909,834	865,019	719,635
Aircraft fuel	431,000	993,478	939,324
Depreciation and amortization	278,588	225,264	176,727
Landing fees and other rents	251,028	256,275	214,677
Aircraft rent	196,359	182,609	177,641
Maintenance, materials and repairs	111,227	143,575	129,078
Distribution	85,059	153,770	137,001
Loss on disposal of assets	2,264	17,350	9,580
Special charges (credits)	(302,761)	717	88,921
Other operating	355,186	491,432	379,536
Total operating expenses	**2,317,784**	**3,329,489**	**2,972,120**
Operating income (loss)	**(507,762)**	**501,047**	**350,914**
Other (income) expense:			
Interest expense	134,520	101,350	83,777
Capitalized interest	(15,995)	(12,471)	(9,841)
Interest income	(6,314)	(25,133)	(19,107)
Other (income) expense	211	875	752
Special charges, non-operating	—	—	90,357
Total other (income) expense	**112,422**	**64,621**	**145,938**
Income (loss) before income taxes	(620,184)	436,426	204,976
Provision (benefit) for income taxes	(191,484)	101,171	49,227
Net income (loss)	**$ (428,700)**	**$ 335,255**	**$ 155,749**
Basic earnings (loss) per share	**$ (5.06)**	**$ 4.90**	**$ 2.28**
Diluted earnings (loss) per share	**$ (5.06)**	**$ 4.89**	**$ 2.28**

See accompanying Notes to Consolidated Financial Statements.

Spirit Airlines, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Year Ended December 31,		
	2020	**2019**	**2018**
Net income (loss)	$ (428,700)	$ 335,255	$ 155,749
Unrealized gain (loss) on short-term investment securities and cash and cash equivalents, net of deferred taxes of $(1), $38 and $44	(20)	167	30
Interest rate derivative loss reclassified into earnings, net of taxes of $63, $76 and $75	189	239	241
Other comprehensive income (loss)	**$ 169**	**$ 406**	**$ 271**
Comprehensive income (loss)	**$ (428,531)**	**$ 335,661**	**$ 156,020**

See accompanying Notes to Consolidated Financial Statements.

Spirit Airlines, Inc.
Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 1,789,723	$ 978,957
Restricted cash	71,401	—
Short-term investment securities	106,339	105,321
Accounts receivable, net	42,940	73,807
Aircraft maintenance deposits, net	73,134	102,906
Income tax receivable	147,460	21,013
Prepaid expenses and other current assets	124,983	103,439
Total current assets	**2,355,980**	**1,385,443**
Property and equipment:		
Flight equipment	4,177,631	3,730,751
Ground property and equipment	334,167	291,998
Less accumulated depreciation	(680,230)	(492,447)
	3,831,568	3,530,302
Operating lease right-of-use assets	1,417,823	1,369,555
Pre-delivery deposits on flight equipment	356,262	291,930
Long-term aircraft maintenance deposits	53,158	67,682
Deferred heavy maintenance, net	347,907	361,603
Other long-term assets	36,127	36,897
Total assets	**$ 8,398,825**	**$ 7,043,412**
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 28,454	$ 43,601
Air traffic liability	401,966	315,408
Current maturities of long-term debt and finance leases	384,197	258,852
Current maturities of operating leases	133,791	120,662
Other current liabilities	393,614	373,521
Total current liabilities	**1,342,022**	**1,112,044**
Long-term debt and finance leases, less current maturities	3,066,635	1,960,453
Operating leases, less current maturities	1,248,519	1,218,014
Deferred income taxes	439,894	469,292
Deferred gains and other long-term liabilities	52,060	22,277
Shareholders' equity:		
Common stock: Common stock, $0.0001 par value, 240,000,000 shares authorized at December 31, 2020 and 2019, respectively; 99,427,203 and 70,148,386 issued and 97,689,583 and 68,455,011 outstanding as of December 31, 2020 and 2019, respectively	10	7
Additional paid-in-capital	799,549	379,380
Treasury stock, at cost: 1,737,620 and 1,693,375 as of December 31, 2020 and 2019, respectively	(74,124)	(72,455)
Retained earnings	1,524,878	1,955,187
Accumulated other comprehensive income (loss)	(618)	(787)
Total shareholders' equity	**2,249,695**	**2,261,332**
Total liabilities and shareholders' equity	**$ 8,398,825**	**$ 7,043,412**

See accompanying Notes to Consolidated Financial Statements.

Spirit Airlines, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2020	Restated 2019	2018
Operating activities:			
Net income (loss)	$ (428,700)	$ 335,255	$ 155,749
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Losses reclassified from other comprehensive income	252	315	315
Share-based compensation	11,575	8,154	11,021
Allowance for doubtful accounts (recoveries)	(249)	—	(11)
Amortization of debt issuance costs	10,752	8,654	8,819
Depreciation and amortization	278,588	225,264	176,727
Accretion of convertible debt and 8.00% senior secured notes	10,138	—	—
Deferred income tax expense (benefit)	(46,086)	115,689	46,303
Loss on disposal of assets	2,264	17,350	9,580
Special charges, non-operating	—	—	90,357
Changes in operating assets and liabilities:			
Accounts receivable, net	30,486	(26,147)	1,674
Aircraft maintenance deposits, net	23,732	22,453	14,019
Deposits and other assets	(12,944)	14,999	(4,803)
Deferred heavy maintenance, net	(75,230)	(175,957)	(190,381)
Income tax receivable	(126,447)	(21,013)	69,844
Prepaid income taxes	(223)	1,431	—
Accounts payable	(17,052)	569	15,317
Air traffic liability	86,558	23,429	28,270
Other liabilities	27,194	1,698	74,038
Other	118	(822)	(375)
Net cash provided (used) by operating activities	**(225,274)**	**551,321**	**506,463**
Investing activities:			
Purchase of available-for-sale investment securities	(118,893)	(122,410)	(124,430)
Proceeds from the maturity and sale of available-for-sale investment securities	117,665	120,830	122,947
Proceeds from sale of property and equipment	—	—	11,400
Pre-delivery deposits on flight equipment, net of refunds	(143,220)	(102,102)	(177,424)
Capitalized interest	(12,233)	(10,774)	(8,729)
Assets under construction for others	(3,944)	(7,936)	(501)
Purchase of property and equipment	(393,375)	(334,537)	(606,971)
Net cash used in investing activities	**(554,000)**	**(456,929)**	**(783,708)**
Financing activities:			
Proceeds from issuance of long-term debt	1,612,391	225,891	832,099
Proceeds from issuance of common stock and warrants	366,783	—	—
Proceeds from stock options exercised	39	1	51
Payments on debt obligations	(254,304)	(246,783)	(137,275)
Payments on finance lease obligations	(25,401)	(96,547)	(205,720)
Reimbursement for assets under construction for others	4,153	5,618	501
Repurchase of common stock	(1,669)	(5,439)	(1,162)
Debt and equity issuance costs	(40,551)	(2,909)	(7,365)
Net cash provided (used) by financing activities	**1,661,441**	**(120,168)**	**481,129**
Net increase (decrease) in cash, cash equivalents, and restricted cash	882,167	(25,776)	203,884
Cash and cash equivalents at beginning of period	**978,957**	**1,004,733**	**800,849**
Cash, cash equivalents, and restricted cash at end of period (1)	**$ 1,861,124**	**$ 978,957**	**$ 1,004,733**

Supplemental disclosures			
Cash payments for:			
Interest, net of capitalized interest	$ 80,837	$ 80,254	$ 65,123
Income taxes paid (received), net	$ (17,790)	$ 5,843	$ (73,489)
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases (2)	$ 180,805	$ 191,004	—
Financing cash flows for finance leases (2)	$ 194	$ 674	—
Non-cash transactions:			
Capital expenditures funded by finance lease borrowings	$ 565	$ 45,608	$ 987
Capital expenditures funded by operating lease borrowings (2)	$ 168,526	569,948	—

(1) The sum of cash and cash equivalents and restricted cash on our consolidated balance sheets equals cash, cash equivalents, and restricted cash in our statement of cash flows.
(2) The Company adopted ASU No. 2016-02, "Leases (Topic 842)," utilizing the modified retrospective adoption method with an effective date of January 1, 2019. Therefore, the consolidated financial statements for 2020 and 2019 are presented under the new standard, while 2018 is not adjusted and continues to be reported in accordance with the Company's historical accounting policy.

See accompanying Notes to Consolidated Financial Statements.

Spirit Airlines, Inc.
Consolidated Statements of Shareholders' Equity
(In thousands)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2017	**$ 7**	**$ 360,153**	**$ (65,854)**	**$ 1,469,732**	**$ (1,464)**	**$ 1,762,574**
Share-based compensation	—	11,021	—	—	—	11,021
Repurchase of common stock	—	—	(1,162)	—	—	(1,162)
Proceeds from options exercised	—	51	—	—	—	51
Changes in comprehensive income	—	—	—	—	271	271
Net income	—	—	—	155,749	—	155,749
Balance at December 31, 2018	**$ 7**	**$ 371,225**	**$ (67,016)**	**$ 1,625,481**	**$ (1,193)**	**$ 1,928,504**
Effect of ASU No. 2016-02 implementation	—	—	—	(5,549)	—	(5,549)
Share-based compensation	—	8,154	—	—	—	8,154
Repurchase of common stock	—	—	(5,439)	—	—	(5,439)
Proceeds from options exercised	—	1	—	—	—	1
Changes in comprehensive income	—	—	—	—	406	406
Net income	—	—	—	335,255	—	335,255
Balance at December 31, 2019	**$ 7**	**$ 379,380**	**$ (72,455)**	**$ 1,955,187**	**$ (787)**	**$ 2,261,332**
Effect of ASU No. 2016-13 implementation (refer to Note 3)	—	—	—	(1,609)	—	(1,609)
Share-based compensation	—	11,575	—	—	—	11,575
Repurchase of common stock	—	—	(1,669)	—	—	(1,669)
Proceeds from options exercised	—	39	—	—	—	39
Changes in comprehensive income	—	—	—	—	169	169
Issuance of Common Stock and Warrants, net	3	352,965	—	—	—	352,968
Equity component value of convertible debt issuance, net	—	55,590	—	—	—	55,590
Net loss	—	—	—	(428,700)	—	(428,700)
Balance at December 31, 2020	**$ 10**	**$ 799,549**	**$ (74,124)**	**$ 1,524,878**	**$ (618)**	**$ 2,249,695**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Spirit Airlines, Inc. ("Spirit") and its consolidated subsidiaries (the "Company"). Spirit is an ultra low-cost, low-fare airline that provides affordable travel opportunities principally throughout the domestic United States, the Caribbean and Latin America and is headquartered in Miramar, Florida. Spirit manages operations on a system-wide basis due to the interdependence of its route structure in the various markets served. As only one service is offered (i.e., air transportation), management has concluded there is only one reportable segment.

In August 2020, Spirit formed several new subsidiaries; Spirit Finance Cayman 1 Ltd. (“HoldCo 1”), Spirit Finance Cayman 2 Ltd. (“HoldCo 2), Spirit IP Cayman Ltd. (“Spirit IP”) and Spirit Loyalty Cayman Ltd. (“Spirit Loyalty”). Each are Cayman Islands exempted companies incorporated with limited liability. Spirit IP and Spirit Loyalty are wholly-owned subsidiaries of HoldCo 2 (other than the special share issued to the special shareholder, who granted a proxy to vote such share to the collateral agent for the 8.00% senior secured notes (as defined herein)). HoldCo 1 and HoldCo 2 are special purpose holding companies. HoldCo 2 is a wholly-owned direct subsidiary of HoldCo 1 (other than the special share issued to the special shareholder, who granted a proxy to vote such share to the collateral agent for the 8.00% senior secured notes). HoldCo 1 is a wholly-owned subsidiary of Spirit (other than the special share issued to the special shareholder, who granted a proxy to vote such share to the collateral agent for the 8.00% senior secured notes). As a result, the Company's financial statements are presented on a consolidated basis.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company's estimates and assumptions are based on historical experience and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that both (i) are most important to the portrayal of the Company's financial condition and results and (ii) require management's most subjective judgments. The Company's most critical accounting policies and estimates are described below.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of less than three months at the date of acquisition to be cash equivalents. Investments included in this category primarily consist of cash and money market funds. Cash and cash equivalents are stated at cost, which approximates fair value.

Restricted Cash

The Company's restricted cash is comprised of cash held in account subject to account control agreements to be used for the payment of interest and fees on the Company's 8.00% senior secured notes and cash pledged as collateral against the Company's secured letters of credit.

Short-term Investment Securities

The Company's short-term investment securities are classified as available-for-sale and generally consist of U.S. Treasury and U.S. government agency securities with contractual maturities of twelve months or less. These securities are stated at fair value within current assets on the Company's consolidated balance sheet. For all short-term investments, at each reset period or upon reinvestment, the Company accounts for the transaction as proceeds from the maturity of short-term investment securities for the security relinquished, and purchase of short-term investment securities for the security purchased, in the Company's consolidated statements of cash flows. Realized gains and losses on sales of investments, if any, are reflected in non-operating income (expense) in the consolidated statements of operations. Unrealized gains and losses on investment securities are reflected as a component of accumulated other comprehensive income.

Accounts Receivable

Accounts receivable primarily consist of amounts due from credit card processors associated with the sales of tickets and amounts due from the Internal Revenue Service related to federal excise fuel tax. The Company records an allowance for amounts not expected to be collected. The Company estimates the allowance based on historical write-offs and aging trends as

well as an estimate of the expected lifetime credit losses. The allowance for doubtful accounts was immaterial as of December 31, 2020 and 2019.

In addition, the provision for doubtful accounts and write-offs for 2020, 2019 and 2018 were each immaterial.

Income Tax Receivable

Income tax receivable consists of amounts due from tax authorities for recovery of income taxes paid in prior periods.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation of operating property and equipment is computed using the straight-line method applied to each unit of property. Residual values for new aircraft, new engines, major spare rotable parts, avionics and assemblies are generally estimated to be 10%. Property under finance leases and related obligations are initially recorded at an amount equal to the present value of future minimum lease payments computed using the Company's incremental borrowing rate or, when known, the interest rate implicit in the lease. Amortization of property under finance leases is recorded on a straight-line basis over the lease term and is included in depreciation and amortization expense.

The depreciable lives used for the principal depreciable asset classifications are:

	Estimated Useful Life
Aircraft, engines and flight simulators	25
Spare rotables and flight assemblies	7 to 25 years
Other equipment and vehicles	5 to 7 years
Internal use software	3 to 10 years
Finance leases	Lease term or estimated useful life of the asset
Leasehold improvements	Lesser of lease term or estimated useful life of the improvement
Buildings	Lesser of lease term or 30 years

As of December 31, 2020, the Company had 101 aircraft, 16 spare engines and 1 flight simulator capitalized within flight equipment with depreciable lives of 25 years. As of December 31, 2020, the Company had 56 aircraft financed through operating leases with lease terms from 8 to 18 years. In addition, the Company had 8 spare engines financed through operating leases with lease terms from 12 to 16 years.

The following table illustrates the components of depreciation and amortization expense:

	Year Ended December 31,		
	2020	2019	2018
	(in thousands)		
Depreciation	$ 179,470	$ 155,326	$ 129,412
Amortization of heavy maintenance	88,927	63,364	41,286
Amortization of capitalized software	10,191	6,574	6,029
Total depreciation and amortization	$ 278,588	$ 225,264	$ 176,727

The Company capitalizes certain internal and external costs associated with the acquisition and development of internal-use software for new products, and enhancements to existing products, that have reached the application development stage and meet recoverability tests. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining internal-use software, and labor cost for employees who are directly associated with, and devote time, to internal-use software projects. Capitalized computer software, included as a component of ground and other equipment in the accompanying consolidated balance sheets, net of amortization, was $24.3 million and $13.0 million at December 31, 2020 and 2019, respectively.

The Company records amortization of capitalized software on a straight-line basis within depreciation and amortization expense in the accompanying consolidated statements of operations. The Company placed in service internal-use software of $21.5 million, $5.9 million and $12.0 million, during the years ended 2020, 2019 and 2018, respectively.

Operating Lease Right-of-Use Asset and Liabilities

The Company adopted Topic 842 utilizing the modified retrospective adoption method with an effective date of January 1, 2019. This standard requires all lessees to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, for all leases with a term greater than 12 months.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. When available, the Company uses the rate implicit in the lease to discount lease payments to present value. However, the Company's leases generally do not provide a readily determinable implicit rate. Therefore, the Company estimates the incremental borrowing rate to discount lease payments based on information available at lease commencement. The Company uses publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. The Company has options to extend certain of its operating leases for an additional period of time and options to early terminate several of its operating leases. The lease term consists of the noncancellable period of the lease, periods covered by options to extend the lease if the Company is reasonably certain to exercise the option, periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise the option and periods covered by an option to extend or not terminate the lease in which the exercise of the option is controlled by the lessor. The Company's lease agreements do not contain any residual value guarantees. The Company elected to not separate non-lease components from the associated lease component for all underlying classes of assets with lease and non-lease components.

The Company elected not to apply the recognition requirements in Topic 842 to short-term leases (i.e., leases of 12 months or less) but instead recognize these lease payments in income on a straight-line basis over the lease term. The Company elected this accounting policy for all classes of underlying assets. In addition, in accordance with Topic 842, variable lease payments in the period in which the obligation for those payments is incurred are not included in the recognition of a lease liability or right-of-use asset.

Prior to the adoption of Topic 842, gains and losses on sale-leaseback transactions were generally deferred and recognized in income over the lease term. Under Topic 842, gains and losses on sale-leaseback transactions, subject to adjustment for off-market terms, are recognized immediately and recorded within loss on disposal of assets on the Company's consolidated statements of operations.

Pre-Delivery Deposits on Flight Equipment

The Company is required to make pre-delivery deposit payments ("PDPs") towards the purchase price of each new aircraft and engine prior to the scheduled delivery date. These deposits are initially classified as pre-delivery deposits on flight equipment on the Company's consolidated balance sheets until the aircraft or engine is delivered, at which time the related PDPs are deducted from the final purchase price of the aircraft or engine and are reclassified to flight equipment on the Company's consolidated balance sheets.

In addition, the Company capitalizes the interest that is attributable to the outstanding PDP balances as a percentage of the related debt on which interest is incurred. Capitalized interest represents interest cost incurred during the acquisition period of a long-term asset, and is the amount which theoretically could have been avoided had the Company not paid PDPs for the related aircraft or engines.

Related interest is capitalized and included within pre-delivery deposits on flight equipment through the acquisition period until delivery is taken of the aircraft or engine and the asset is ready for service. Once the aircraft or engine is delivered, the capitalized interest is also reclassified into flight equipment on the Company's consolidated balance sheets along with the related PDPs as they are included in the cost of the aircraft or engine. Capitalized interest for 2020, 2019 and 2018 is primarily related to the interest incurred on long-term debt.

Measurement of Asset Impairments

The Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired, the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets, and the net book value of the assets exceeds their estimated fair value. In making these determinations, the Company uses certain assumptions, including, but not limited to: (i) estimated fair value of the assets; and (ii) estimated, undiscounted future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company’s operations, and estimated salvage values. The Company has assessed whether any impairment of its long-lived assets existed and has determined that no charges were deemed necessary under applicable accounting standards as of December 31, 2020. The Company's assumptions about future conditions

important to its assessment of potential impairment of its long-lived assets, including the impact of the COVID-19 pandemic to its business, are subject to uncertainty, and the Company will continue to monitor these conditions in future periods as new information becomes available, and will updated its analyses accordingly.

Passenger Revenues

Fare revenues. Tickets sold are initially deferred within air traffic liability on the Company's consolidated balance sheet. Passenger fare revenues are recognized at time of departure when transportation is provided. Generally, all tickets sold by the Company are nonrefundable. An unused ticket expires at the date of scheduled travel and is recognized as revenue at the date of scheduled travel. As of December 31, 2020 and 2019, the Company had air traffic liability ("ATL") balances of $402.0 million and $315.4 million, respectively. As of December 31, 2020, substantially all of the ATL balance as of December 31, 2019 has been recognized. Substantially all of the Company's ATL balance as of December 31, 2020 is expected to be recognized within 12 months.

Non-fare revenues. The adoption of ASU 2014-09 on January 1, 2018 impacted the classification of certain ancillary items such as bags, seats and other travel-related fees, since they are deemed part of the single performance obligation of providing passenger transportation. These ancillary items are now recognized in non-fare revenues within passenger revenues, at the time of departure, in the Company's disaggregated revenue table within Note 4, Revenue Disaggregation.

The following table summarizes the primary components of the Company's non-fare revenue and the revenue recognition method utilized for each service or product:

Non-fare revenue	Recognition method	Year Ended December 31, 2020	2019	2018
			(in thousands)	
Baggage	Time of departure	$ 404,896	$ 734,243	$ 620,154
Passenger usage fee	Time of departure	358,561	669,177	531,459
Advance seat selection	Time of departure	125,213	228,876	180,012
Other		120,638	238,454	224,283
Non-fare revenue		$ 1,009,308	$ 1,870,750	$ 1,555,908

Changes and cancellations. Customers may elect to change or cancel their itinerary prior to the date of departure. For changes, a service charge is recognized at time of departure of newly scheduled travel and is deducted from the face value of the original purchase price of the ticket, and the original ticket becomes invalid. For cancellations, a service charge is assessed and the amount remaining after deducting the service charge is called a credit shell which prior to 2020 had an expiration of 60 days from the date the credit shell was created. During 2020, in response to the COVID-19 pandemic, the Company increased the expiration period on some of its credit shells from 60 days to up to 12 months and waived change and cancellation fees for the Guests who booked travel to occur by February 28, 2021. As the COVID-19 pandemic continues to evolve, the Company will evaluate any continued impact to travel plans and may decide to further extend credit shell expiration dates and/or waive change and cancellation fees in the future. Credit shells can be used towards the purchase of a new ticket and the Company’s other service offerings. Both service charge and credit shell amounts are recorded as deferred revenue and amounts expected to expire unused are estimated based on historical experience.

Estimating the amount of credits that will go unused involves some level of subjectivity and judgment. Assumptions used to generate breakage estimates can be impacted by several factors including, but not limited to, changes to the Company's ticketing policies, changes to the Company’s refund, exchange, and credit shell policies, and economic factors. Given the unprecedented amount of cancellations in the current year and the related increase in credit shells provided, the Company expects additional variability in the amount of breakage revenue recorded in future periods, as the estimates of the portion of those funds that will expire unused may differ from historical experience.

Other Revenues

Other revenues primarily consist of the marketing component of the sale of frequent flyer miles to the Company's credit card partner and commissions revenue from the sale of various items such as hotels and rental cars.

Frequent Flyer Program

The Company's frequent flyer program generates customer loyalty by rewarding customers with mileage credits to travel on Spirit. When traveling, customers earn redeemable mileage credits for each mile flown on Spirit. Customers can also earn mileage credits through participating companies such as the co-branded Spirit credit card. Mileage credits are redeemable by customers in future periods for air travel on Spirit.

To reflect the mileage credits earned, the program includes two types of transactions that are considered revenue arrangements with multiple performance obligations: (1) mileage credits earned with travel and (2) mileage credits sold to co-branded credit card partner.

Passenger ticket sales earning mileage credits. Passenger ticket sales earning mileage credits provide customers with (1) mileage credits earned and (2) air transportation. The Company values each performance obligation on a standalone basis. To value the mileage credits earned, the Company considers the quantitative value a passenger receives by redeeming miles for a ticket rather than paying cash, which is referred to as equivalent ticket value ("ETV").

The Company defers revenue for the mileage credits when earned and recognizes loyalty travel awards in passenger revenue as the miles are redeemed and services are provided. The Company records the air transportation portion of the passenger ticket sales in air traffic liability and recognizes passenger revenue when transportation is provided or if the ticket goes unused, at the date of scheduled travel.

Sale of mileage credits. Customers may earn mileage credits based on their spending with the Company's co-branded credit card company with which the Company has an agreement to sell mileage credits. The contract to sell mileage credits under this agreement has multiple performance obligations, as discussed below.

The Company's co-branded credit card agreement provides for joint marketing where cardholders earn mileage credits for making purchases using co-branded cards. During 2020, the Company extended its agreement with the administrator of the FREE SPIRIT affinity credit card program to extend through March 31, 2024. In connection with its extension of the agreement, in January 2021, the Company launched a new loyalty program with extended mileage expiration, additional benefits based on status tiers, and other changes. The Company accounts for this agreement consistently with the accounting method that allocates the consideration received to the individual products and services delivered. The value is allocated based on the relative selling prices of those products and services, which generally consists of (i) travel miles to be awarded, (ii) licensing of brand and access to member lists and (iii) advertising and marketing efforts. The Company determined the best estimate of the selling prices by considering discounted cash flow analysis using multiple inputs and assumptions, including: (1) the expected number of miles awarded and number of miles redeemed, (2) ETV for the award travel obligation, (3) licensing of brand and access to member lists and (4) advertising and marketing efforts. The new program terms will require updated estimates of the allocation of future revenues to the performance obligations described above.

The Company defers the amount for award travel obligation as part of loyalty deferred revenue within air traffic liability on the consolidated balance sheet and recognizes loyalty travel awards in passenger revenue as the mileage credits are used for travel. Revenue allocated to the remaining performance obligations, primarily marketing components, is recorded in other revenue over time as miles are delivered. Total unrecognized revenue from future FREE SPIRIT award redemptions and the sale of mileage credits was $31.6 million and $29.8 million at December 31, 2020 and 2019, respectively. The current portion of this balance is recorded within air traffic liability and the long-term portion of this balance is recorded within deferred gains and other long-term liabilities in the accompanying consolidated balance sheets.

The following table illustrates total cash proceeds received from the sale of mileage credits and the portion of such proceeds recognized in non-ticket revenue immediately as marketing component:

Year Ended	Consideration received from credit card mile programs	Portion of proceeds recognized immediately as marketing component
	(in thousands)	
December 31, 2020	$ 33,201	$ 25,918
December 31, 2019	48,136	37,151
December 31, 2018	39,194	30,353

Mileage breakage. For mileage credits that the Company estimates are not likely to be redeemed ("breakage"), the Company recognizes the associated value proportionally during the period in which the remaining mileage credits are redeemed. Management uses statistical models to estimate breakage based on historical redemption patterns. A change in assumptions as to the period over which mileage credits are expected to be redeemed, the actual redemption activity for mileage credits or the estimated fair value of mileage credits expected to be redeemed could have an impact on revenues in the year in which the change occurs and in future years.

Current activity of frequent flyer program. Mileage credits are combined in one homogeneous pool and are not separately identifiable. As such, revenue is comprised of miles that were part of the frequent flyer deferred revenue balance at the beginning of the period as well as miles that were issued during the period.

Airframe and Engine Maintenance

The Company accounts for heavy maintenance and major overhaul under the deferral method whereby the cost of heavy maintenance and major overhaul is deferred and amortized until the earlier of the end of the useful life of the related asset, the end of the remaining lease term or the next scheduled heavy maintenance event.

Amortization of heavy maintenance and major overhaul costs charged to depreciation and amortization expense was $88.9 million, $63.4 million and $41.3 million for the years ended 2020, 2019 and 2018, respectively. During the years ended 2020, 2019 and 2018, the Company deferred $75.2 million, $176.0 million and $190.5 million, respectively, of costs for heavy maintenance, net of reimbursements. At December 31, 2020 and 2019, the Company had deferred heavy maintenance balance of $570.6 million and $504.2 million, and accumulated heavy maintenance amortization of $222.7 million and $142.6 million, respectively.

The Company outsources certain routine, non-heavy maintenance functions under contracts that require payment on a utilization basis, such as flight hours. Costs incurred for maintenance and repair under flight hour maintenance contracts, where labor and materials price risks have been transferred to the service provider, are expensed based on contractual payment terms. All other costs for routine maintenance of the airframes and engines are charged to expense as performed.

The table below summarizes the components of the Company’s maintenance cost:

	Year Ended December 31,		
	2020	2019	2018
	(in thousands)		
Flight hour-based maintenance expense	$ 52,092	$ 78,253	$ 68,039
Non-flight hour-based maintenance expense	59,135	65,322	61,039
Total maintenance, materials and repairs	$ 111,227	$ 143,575	$ 129,078

Leased Aircraft Return Costs

The Company's aircraft lease agreements often contain provisions that require the Company to return aircraft airframes, engines and other aircraft components to the lessor in a certain condition or pay an amount to the lessor based on the airframe and engine's actual return condition. Lease return costs include all costs that would be incurred at the return of the aircraft, including costs incurred to repair the airframe and engines to the required condition as stipulated by the lease. Lease return costs are recognized beginning when it is probable that such costs will be incurred and they can be estimated.

When determining the need to accrue lease return costs, there are various probability and estimated cost, there are various factors which need to be considered such as the contractual terms of the lease agreement, current condition of the aircraft, the age of the aircraft at lease expiration, projected number of hours run on the engine at the time of return, and the number of projected cycles run on the airframe at the time of return, among others. Management assesses the need to accrue lease return costs periodically throughout the year or whenever facts and circumstances warrant an assessment. Lease return costs will generally be estimable closer to the end of the lease term but may be estimable earlier in the lease term depending on the contractual terms of the lease agreement and the timing of maintenance events for a particular aircraft.

Aircraft Maintenance Deposits

Some of the Company's aircraft and engine master lease agreements provide that the Company pay maintenance reserves to aircraft lessors to be held as collateral in advance of the Company's required performance of major maintenance activities. A majority of these maintenance reserve payments are calculated based on a utilization measure, such as flight hours or cycles, while some maintenance reserve payments are fixed, time-based contractual amounts. These lease agreements

generally provide that maintenance reserves are reimbursable to the Company upon completion of the maintenance event. Some of the master lease agreements do not require that the Company pay maintenance reserves so long as the Company's cash balance does not fall below a certain level. As of December 31, 2020, the Company is in full compliance with such requirements and does not anticipate having to pay reserves related to these master leases in the future.

Maintenance reserve payments are reflected as aircraft maintenance deposits in the accompanying consolidated balance sheets. The Company makes certain assumptions to determine the recoverability of maintenance deposits. These assumptions are based on various factors such as the estimated time between the maintenance events, the date the aircraft is due to be returned to the lessor, the cost of future maintenance events and the utilization of the aircraft is estimated before it is returned to the lessor. When it is not probable the Company will recover amounts currently on deposit with a lessor, such amounts are expensed as supplemental rent.

Aircraft Fuel

Aircraft fuel expense includes jet fuel and associated into-plane costs, taxes, and oil, and realized and unrealized gains and losses associated with fuel derivative contracts, if any.

Advertising

The Company expenses advertising and the production costs of advertising as incurred. Marketing and advertising expenses of $5.5 million, $6.3 million and $6.3 million for the years ended 2020, 2019 and 2018, respectively, were recorded within distribution expense in the consolidated statements of operations.

Income Taxes

The Company accounts for income taxes using the asset and liability method. The Company records a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will be not realized. As of December 31, 2020 and 2019, the Company recorded a valuation allowance of $2.9 million and $1.7 million, respectively. For additional information, refer to Note 17, Income Taxes.

Stock-Based Compensation

The Company recognizes cost of employee services received in exchange for awards of equity instruments based on the fair value of each instrument at the date of grant. For the majority of awards, compensation expense is recognized on a straight-line basis over the period during which an employee is required to provide service in exchange for an award. Certain awards have performance conditions that must be achieved prior to vesting and are expensed based on the expected achievement at each reporting period. The Company has issued and outstanding restricted stock awards, stock option awards and performance share awards. Restricted stock awards are valued at the fair value of the shares on the date of grant. The fair value of share option awards is estimated on the date of grant using the Black-Scholes valuation model. The fair value of performance share awards based on a market condition is estimated through the use of a Monte Carlo simulation model. The fair value of performance share awards based on a performance condition is based on the fair value of the shares on the date of grant. The performance share awards based on a performance condition are evaluated at each report date and adjustments are made to stock-based compensation expense based on the number of shares deemed probable of issuance upon vesting. For additional information, refer to Note 12, Stock-Based Compensation.

Concentrations of Risk

The Company’s business may be adversely affected by increases in the price of aircraft fuel, the volatility of the price of aircraft fuel, or both. Aircraft fuel, one of the Company’s largest expenditures, represented approximately 19%, 30% and 32% of total operating expenses in 2020, 2019 and 2018, respectively.

The Company’s operations are largely concentrated in the southeast United States with Fort Lauderdale being the highest volume fueling point in the system. Gulf Coast Jet indexed fuel is the basis for a substantial majority of the Company’s fuel consumption. Any disruption to the oil production or refinery capacity in the Gulf Coast, as a result of weather or any other disaster, or disruptions in supply of jet fuel, dramatic escalations in the costs of jet fuel and/or the failure of fuel providers to perform under fuel arrangements for other reasons could have a material adverse effect on the Company’s financial condition and results of operations.

The Company’s operations will continue to be vulnerable to weather conditions (including hurricane season or snow and severe winter weather), which could disrupt service or create air traffic control problems. These events may result in decreased revenue and/or increased costs.

Due to the relatively small size of the Company's fleet and high utilization rate, the unavailability of aircraft and resulting reduced capacity could have a material adverse effect on the Company's business, results of operations and financial condition.

As of December 31, 2020, the Company had five union-represented employee groups that together represented approximately 82% of all employees. A strike or other significant labor dispute with the Company's unionized employees is likely to adversely affect the Company's ability to conduct business. Additional disclosures are included in Note 18, Commitments and Contingencies.

2. Impact of COVID-19

Since its initial onset in early 2020, the COVID-19 pandemic has evolved throughout the year and continues to be fluid. Therefore, the Company's financial and operational outlook still remains subject to change and fluctuation. The Company continues to monitor the impacts of the pandemic on its operations and financial condition, and to implement and adapt mitigation strategies while working to preserve cash and protect the long-term sustainability of the Company.

Capacity Reductions

At the onset of the COVID-19 pandemic in March 2020, in response to government restrictions on travel and drastically reduced consumer demand, the Company began to significantly reduce capacity each month with the largest capacity reduction in May 2020 at approximately 94%, year over year. In response to modest demand recovery, the Company strategically added back capacity during certain peak travel periods. During the holiday months of November and December, capacity was reduced to a lesser extent with reductions of 20.8% and 20.1%, year over year. The Company continues to closely monitor demand and will make adjustments to the flight schedule as appropriate.

The COVID-19 pandemic and its effects continue to evolve with recent developments including the uptick in the rate of infections following the 2020 holiday season, the emergency use authorization issued by the U.S. Food and Drug Administration for certain COVID-19 vaccines in late 2020, and the requirement, effective January 26, 2021, that all U.S. inbound international travelers provide a negative COVID-19 test prior to flying. The Company currently estimates that air travel demand will continue to be volatile and will fluctuate in the upcoming months as the lingering effects of COVID-19 continue to develop. The Company expects that air travel demand will continue to gradually recover in 2021. However, the situation continues to be fluid and actual capacity adjustments may be different than what the Company currently expects. Refer to Note 4, Revenue Disaggregation, for discussion of the impact of COVID-19 on the Company's air traffic liability, credit shells and refunds.

COVID-19 Legislation

On March 27, 2020, President Donald Trump signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") into law. The CARES Act was a relief package intended to assist many aspects of the American economy, including providing the airline industry with up to $25 billion in grants to be used for employee salaries, wages and benefits and up to $25 billion in secured loans.

In April 2020, the Company entered into a Payroll Support Program ("PSP") Agreement with the United States Department of the Treasury ("Treasury"), pursuant to which the Company received a total of $344.4 million, used exclusively to pay for salaries, wages and benefits for the Company's Team Members through September 30, 2020. Of that amount, $73.3 million is in the form of a low-interest 10-year loan. In addition, in connection with its participation in the PSP, the Company issued to Treasury warrants pursuant to a warrant agreement to purchase up to 520,797 shares of the Company's common stock at a strike price of $14.08 per share (the closing price for the shares of the Company's common stock on April 9, 2020) with a fair value of $3.9 million. The remaining amount of $267.2 million is in the form of a grant and was recognized in special charges and credits, net of related costs, in the Company's consolidated statement of operations. Refer to Note 5, Special Charges and Credits, for additional information.

Pursuant to the warrant agreement with the Treasury, the Company registered the resale of the warrants and the 520,797 shares of common stock issuable upon exercise of such warrants in September and October 2020. Total warrants issued represent less than 1% of the outstanding shares of the Company's common stock as of December 31, 2020. Refer to Note 14, Debt and Other Obligations, for additional information on the notes issued and Note 11, Common Stock and Preferred Stock, for additional information on the warrants.

In connection with the Company's participation in the PSP, the Company was, and continues to be, subject to certain restrictions and limitations, including, but not limited to:

- Restrictions on payment of dividends and stock buybacks through September 30, 2021;
- Limits on certain executive compensation including limiting pay increases and severance pay or other benefits upon terminations, through March 24, 2022;
- Requirements to maintain certain levels of scheduled services (including to destinations where there may currently be significantly reduced or no demand) through September 30, 2020;
- A prohibition on involuntary terminations or furloughs of the Company's employees (except for health, disability, cause, or certain disciplinary reasons) through September 30, 2020;
- A prohibition on reducing the salaries, wages, or benefits of the Company's employees (other than the Company's executive officers or independent contractors, or as otherwise permitted under the terms of the PSP) through September 30, 2020;
- Limitations on the use of the grant funds exclusively for the continuation of payment of employee wages, salaries and benefits; and
- Additional reporting and recordkeeping requirements relating to the CARES Act funds.

On April 29, 2020, the Company applied for additional funds under the Treasury's loan program under the CARES Act (“Loan Program”). On July 1, 2020, the Company executed a non-binding letter of intent with the Treasury which summarized the principal terms of the financing request submitted by the Company to the Treasury. In September 2020, the Company decided that it would not participate in the Treasury's loan program as it was able to secure other forms of financing described below.

On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law. This new legislation provides an extension or additional benefits designed to address the continuing economic fallout from the COVID-19 pandemic. The bill extends the PSP program of the CARES Act through March 31, 2021 ("PSP2") and provides an additional $15 billion to fund the PSP2 program for employees of passenger air carriers. In late December, the Company notified the Treasury of its intent to participate in the PSP2 agreement. The Company entered into a new payroll support program agreement with the Treasury on January 15, 2021. The Company expects to receive approximately $184.5 million pursuant to its participation in the PSP2 program. In January 2021, the Company received the first installment of $92.2 million in the form of a grant. Of the remaining amount, the Company expects that approximately $25 million will be in the form of a low-interest 10-year loan. In addition, in connection with its participation in the PSP2, the Company expects to issue to Treasury warrants to purchase up to 103,761 shares of the Company’s common stock at a strike price of $24.42 per share (the closing price of the shares of the Company's common stock on December 24, 2020).

In connection with the Company's participation in the PSP2, the Company is subject to certain restrictions and limitations, including, but not limited to:

- Restrictions on payment of dividends and stock buybacks through March 31, 2022;
- Limits on executive compensation through October 1, 2022;
- Restrictions from conducting involuntary furloughs or reducing pay rates and benefits until March 31, 2021;
- Requirements to maintain certain levels of scheduled services through March 1, 2022;
- Reporting requirements; and
- A recall of all employees that were involuntarily furloughed or terminated between October 1, 2020 and the date the carrier enters into the new payroll support agreement with the Treasury. Such employees, if returning to work, must be compensated for lost pay and benefits between December 1, 2020 and the date of such new payroll support agreement.

The CARES Act also provided an employee retention credit (“CARES Employee Retention credit”) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages through year end. The Company qualified for the credit beginning on April 1, 2020 and received additional credits for qualified wages through December 31, 2020. During the twelve months ended December 31, 2020, the Company recorded $38.5 million related to the CARES Employee Retention credit within special charges (credits) on the Company’s consolidated statements of operations. Refer to Note 5, Special Charges and Credits, for additional information.

The Consolidated Appropriations Act, 2021 also extends and expands the availability of the CARES Employee Retention credit through June 30, 2021, however, certain provisions apply only after December 31, 2020. This new legislation amends the employee retention credit to be equal to 70% of qualified wages paid to employees after December 31, 2020, and before July 1, 2021. During the first two quarters of 2021, a maximum of $10,000 in qualified wages for each employee per calendar quarter may be counted in determining the 70% credit. Therefore, the maximum tax credit that can be claimed by an eligible employer in 2021 is $7,000 per employee per calendar quarter for the first and second quarters of 2021.

The CARES Act also provides for certain tax loss carrybacks and a waiver on federal fuel taxes through December 31, 2020. As of December 31, 2020, the Company had recognized $142.0 million in related federal tax loss carrybacks and $6.5 million in federal fuel tax savings reflected within aircraft fuel in the Company's statements of operations.

Finally, the CARES Act also provides for deferred payment of the employer portion of social security taxes through the end of 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of December 31, 2020, the Company had deferred $23.2 million in social security tax payments. The deferred amounts are recorded within other current liabilities and within deferred gains and other long-term liabilities on the Company's consolidated balance sheet.

Income Taxes

The Company's effective tax rate for the twelve months ended December 31, 2020 was 30.9% compared to 23.2% for the twelve months ended December 31, 2019. The increase in tax rate, as compared to the prior year period, is primarily due to a $56.1 million discrete federal tax benefit recorded during the twelve months ended December 31, 2020 related to the passage of the CARES Act. The CARES Act allows for carryback of net operating losses generated at a 21% tax rate to recover taxes paid at a 35% tax rate. Excluding this discrete tax benefit, the Company's effective tax rate for the twelve months ended December 31, 2020 would have been 21.8%. While the Company expects its tax rate to be fairly consistent in the near term, it will tend to vary depending on recurring items such as the amount of income we earn in each state and the state tax rate applicable to such income. Discrete items particular to a given year may also affect our effective tax rates. Refer to Note 17, Income Taxes, for additional information.

Balance Sheet, Cash Flow and Liquidity

Since the onset of the spread of COVID-19 in the U.S. in the first quarter of 2020, the Company has taken several actions to increase liquidity and strengthen its financial position. As a result of these actions, as of December 31, 2020, the Company had unrestricted cash and cash equivalents and short-term investment securities of $1,896.1 million.

In March 2020, the Company entered into a senior secured revolving credit facility (the "2022 revolving credit facility") for an initial commitment amount of $110.0 million, and subsequently, in the second quarter of 2020, increased its commitment amount to $180.0 million. As of December 31, 2020, the Company had fully drawn the available amount of $180.0 million under the 2022 revolving credit facility. The 2022 revolving credit facility matures on March 30, 2022. Refer to Note 14, Debt and Other Obligations, for additional information about the 2022 revolving credit facility.

On May 12, 2020, the Company completed the public offering of $175.0 million aggregate principal amount of 4.75% convertible senior notes due 2025 (the "convertible notes"). The convertible notes will bear interest at the rate of 4.75% per year and will mature on May 15, 2025. Interest on the convertible notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2020. The Company received proceeds of $168.3 million, net of total issuance costs of $6.7 million and recorded $95.6 million in long-term debt and finance leases, net of debt issuance costs of $3.8 million on its consolidated balance sheets, related to the debt component of the convertible notes, and $72.7 million in additional paid-in-capital ("APIC"), net of issuance costs of $2.9 million on its consolidated balance sheets, related to the equity component of the convertible notes. Refer to Note 14, Debt and Other Obligations for additional information about the Company's convertible debt.

Also on May 12, 2020, the Company completed the public offering of 20,125,000 shares of its voting common stock, which includes full exercise of the underwriters' option to purchase an additional 2,625,000 shares of common stock, at a public offering price of $10.00 per share (the "common stock offering"). The Company received proceeds of $192.4 million, net of issuance costs of $8.9 million. Refer to Note 11, Common Stock and Preferred Stock, for further information about the Company's common stock offering.

In June 2020, the Company entered into an agreement to amend its revolving credit facility entered into in 2018 to finance aircraft pre-delivery payments. The agreement amends the revolving credit facility to extend the final maturity date from

December 30, 2020 to March 31, 2021. Upon execution of the amended agreement, the maximum borrowing capacity decreased from $160.0 million to $111.2 million. This facility is secured by the collateral assignment of certain of the Company's rights under the purchase agreement with Airbus. As of December 31, 2020, collateralized amounts were related to 11 Airbus A320neo aircraft scheduled to be delivered between June 2021 and April 2022. The maximum borrowing capacity of $95.1 million, as of December 31, 2020, decreased from $111.2 million due to the delivery of aircraft during the third and fourth quarters of 2020 and will continue to decrease as the Company takes delivery of the related aircraft. The amendment provides approximately $54 million in additional liquidity through March 2021. Refer to Note 14, Debt and Other Obligations, for further information.

Also, in June 2020, the Company entered into an agreement to defer certain aircraft deliveries originally scheduled in 2020 and 2021, as well as the related pre-delivery deposit payments. The Company may elect to supplement these deliveries by additional acquisitions from the manufacturer or in the open market if demand conditions merit. The Company also may adjust or defer deliveries, or change models of aircraft in the delivery stream, from time to time, as a means to match future capacity with anticipated demand and growth trends. During the twelve months ended December 31, 2020, the Company took delivery of 12 aircraft. In addition, the Company has 16 aircraft scheduled for delivery in 2021. Refer to Note 18, Commitments and Contingencies, for further information about the Company's future aircraft deliveries.

On July 22, 2020, the Company entered into an equity distribution agreement relating to the issuance and sale from time to time by the Company of up to 9,000,000 shares of the Company's common stock in sales deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"). During the third quarter of 2020, the Company completed the sale of all 9,000,000 shares under its "at-the-market offering" program ("ATM program") and had received proceeds of $156.7 million, net of $5.0 million in related issuance costs. Refer to Note 11, Common Stock and Preferred Stock, for further information.

On September 17, 2020, the Company completed a private offering by Spirit IP Cayman Ltd., an indirect wholly-owned subsidiary of the Company and Spirit Loyalty Cayman Ltd., an indirect wholly-owned subsidiary of the Company, of an aggregate of $850 million principal amount of 8.00% senior secured notes. The 8.00% senior secured notes will be secured by, among other things, a first priority lien on the core assets of the Company's loyalty programs, comprised of cash proceeds from its Free Spirit co-branded credit card programs, its $9 Fare Club™ program membership fees, and certain intellectual property required or necessary to operate the loyalty programs, as well as the Company's brand intellectual property. Refer to Note 4, Revenue Disaggregation, for further information on the Company's loyalty programs. The 8.00% senior secured notes will mature on September 20, 2025. The Company received proceeds of $823.9 million, net of issuance costs of $17.4 million and original issue discount of $8.7 million, related to this private offering. Refer to Note 14, Debt and Other Obligations, for further information.

For purposes of assessing its liquidity needs, the Company estimates that demand will continue to be volatile as it recovers through 2021, but remain well below 2019 levels. The Company believes the actions described above, along with the expected funds of the PSP2 program, sufficiently address its future liquidity needs, yet anticipates it may implement further discretionary changes and other cost reduction and liquidity preservation and/or enhancement measures, as needed, to address the volatility and changing dynamics of passenger demand and the impact of revenue changes, regulatory and public health directives and prevailing government policy and financial market conditions.

Workforce Actions

In July 2020, the Company distributed a letter to employees, including approximately 2,500 U.S.-based union represented employees, regarding the possibility of a workforce reduction at their work location. Throughout the second and third quarters of 2020, the Company worked with unionized employees and the related unions to create voluntary leave programs for pilots, flight attendants and other unionized employee groups. The Company also created voluntary leave programs for certain non-unionized employee groups. In August 2020, the Company announced a voluntary separation program for non-unionized employees. Due to the high level of support and acceptance of the voluntary programs offered, no unionized employees were involuntarily furloughed and the total number of non-unionized employees involuntarily separated as of October 1, 2020 was reduced by more than 95%. In the year ended December 31, 2020, the Company recorded $2.5 million in expenses related to the voluntary and involuntary employee separations. These expenses were recorded within special credits on the Company's consolidated statement of operations. Expenses related to voluntary leave programs were recorded within salaries, wages and benefits on the Company's consolidated statement of operations. With the Company's expected participation in the PSP2 program, the Company will comply with any related restrictions and limitations on any workforce actions.

3. Recent Accounting Developments

Recently Adopted Accounting Pronouncements

Accounting for Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses." The standard requires the use of an "expected loss" model on certain types of financial instruments. For accounts receivables, aircraft maintenance deposits and security deposits (recorded within other long-term assets on the Company's consolidated balance sheets) the Company is required to estimate lifetime expected credit losses. The standard also amends the impairment model for available-for-sale securities and requires estimated credit losses to be recorded as allowances rather than as reductions to the amortized cost of the securities. As such, the Company is required to recognize an allowance for credit losses for its short-term available-for-sale investment securities, with the exception of U.S. Treasury securities which do not require an allowance for credit losses. The Company adopted this standard effective January 1, 2020. In connection with the adoption of this standard, the Company recognized a cumulative effect adjustment, net of tax, of $1.6 million to retained earnings on the Company's consolidated balance sheets with corresponding reserves against certain of our outstanding financial instruments. These amounts were not material to the Company's consolidated financial statements individually or in the aggregate.

Cloud Computing Arrangements

In August 2018, the FASB issued ASU No. 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software." This new standard requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification ("ASC") 350-40, "Accounting for Internal-Use Software," to determine which implementation costs to capitalize as assets and amortize over the term of the hosting arrangement or expense as incurred. The Company adopted this standard effective January 1, 2020 and is applying the standard prospectively to all implementation costs incurred after the date of adoption. This adoption has not had a material impact on the Company's consolidated financial statement presentation or results.

Recently Issued Accounting Pronouncements Not Yet Adopted

Convertible Instruments and Contracts

In August 2020, the FASB issued ASU No. 2020-06, "Accounting for Convertible Instruments and Contracts in an Entity's Own Equity." This new standard simplifies and adds disclosure requirements for the accounting and measurement of convertible instruments. It eliminates the treasury stock method for convertible instruments and requires application of the “if-converted” method for certain agreements. This standard is effective for the Company for fiscal years, and interim periods
within those years, beginning January 1, 2022. Early adoption is permitted, but no earlier than fiscal years beginning January 1, 2021, including interim periods. The Company does not plan to early adopt and is currently evaluating the impact of this new standard on its earnings (loss) per share calculation under the "if-converted" method related to its convertible debt.

4. Revenue Disaggregation

Operating revenues is comprised of passenger revenues, which includes fare and non-fare revenues, and other revenues. The following table shows disaggregated operating revenues for the twelve months ended December 31, 2020, 2019 and 2018.

	Twelve Months Ended December 31,		
	2020	2019	2018
	(in thousands)		
Operating revenues:			
Fare	$ 756,225	$ 1,886,855	$ 1,704,107
Non-fare	1,009,308	1,870,750	1,555,908
Total passenger revenues	1,765,533	3,757,605	3,260,015
Other	44,489	72,931	63,019
Total operating revenues	$ 1,810,022	$ 3,830,536	$ 3,323,034

The Company defers the amount for award travel obligation as part of loyalty deferred revenue within air traffic liability ("ATL") on the Company's consolidated balance sheets and recognizes loyalty travel awards in passenger revenues as the mileage credits are used for travel or expire unused.

As a result of the COVID-19 pandemic, the Company experienced significantly increased customer requests for credit shells, or customer travel funds held by the Company that can be redeemed for future travel, and refunds beginning in the second half of March 2020 and continuing to varying degrees through the remainder of the year primarily due to flight cancellations and a change in the Company's flight cancellation and refund policy. The total value of refunds issued during the twelve months ended December 31, 2020 was $183.6 million.

The Company expects that the level of requests for credit shells and refunds will continue to fluctuate and vary as the effects of COVID-19 continue to develop. In addition, in response to COVID-19, the Company increased the expiration period on some of its credit shells from 60 days to up to 12 months and waived change and cancellation fees for the Guests who booked travel to occur by February 28, 2021. As a result, the outstanding balance of the unused credit shells (which is recorded within ATL on the Company's consolidated balance sheets), as of December 31, 2020, significantly exceeds the balance in the prior year period. As of December 31, 2020 and December 31, 2019, the Company had ATL balances of $402.0 million and $315.4 million, respectively. Substantially all of the Company's ATL, including the balance of credit shells, is expected to be recognized within 12 months of the respective balance sheet date. Refer to Note 2, Impact of COVID-19, for further information on COVID-19's impact to the Company.

For credit shells that the Company estimates are not likely to be used prior to expiration (“breakage”), the Company recognizes the associated value proportionally during the period over which the remaining credit shells may be used. Breakage estimates are based on the Company's historical information about customer behavior as well as assumptions about customers' future travel behavior. Assumptions used to generate breakage estimates can be impacted by several factors including, but not limited to, changes to the Company's ticketing policies, changes to the Company’s refund, exchange, and credit shell policies, and economic factors. Given the unprecedented amount of cancellations in the current year and the related increase in credit shells provided, the Company expects additional variability in the amount of breakage revenue recorded in future periods, as the estimates of the portion of those funds that will expire unused may differ from historical experience.

Loyalty Programs

The Company operates the $9 Fare Club™ which is a subscription-based loyalty program that allows members access to unpublished, extra-low fares as well as discounted prices on bags, exclusive offers on hotels, rental cars and other travel necessities. The Company also operates the Free Spirit loyalty program (the “Free Spirit Program”), which attracts members and partners and builds customer loyalty for the Company by offering a variety of awards, benefits and services. Free Spirit Program members earn and accrue miles for taking our flights and services from non-air partners such as retail merchants, hotels or car rental companies or by making purchases with credit cards issued by partner banks and financial services providers. Miles earned and accrued by Free Spirit Program members can be redeemed for travel awards such as free (other than taxes and government-imposed fees), discounted or upgraded travel.

The Company launched a more expansive Free Spirit Program with extended mileage expiration, additional benefits based on status tiers, and other changes in January 2021. The new program terms will require updated estimates of the allocation of future revenues to the performance obligations. Refer to Note 1, Summary of Significant Accounting Policies, for further information. In addition, starting in January 2021, the benefits of the $9 Fare Club™ , now known as the Spirit Saver$

Club™, were expanded to include discounts on seats, shortcut boarding and security, and "Flight Flex" flight modification product.

5. Special Charges and Credits

Special Charges and Credits, Operating

During the twelve months ended December 31, 2020, the Company recorded a $266.8 million credit, net of the related costs, within special charges (credits) on the Company's consolidated statements of operations related to the grant component of the PSP with the Treasury. These funds were used exclusively to pay for salaries, wages and benefits for the Company's Team Members through September 30, 2020.

In addition, during the twelve months ended December 31, 2020, the Company recorded a credit of $38.5 million related to the CARES Act Employee Retention credit within special charges (credits) on the Company's consolidated statements of operation. These special credits were partially offset by $2.5 million in special charges recorded in the third and fourth quarters of 2020 related to the Company's voluntary and involuntary employee separation programs. Refer to Note 2, Impact of COVID-19, for further information on the CARES Act and the Company 's workforce actions.

During the twelve months ended December 31, 2019, the Company recorded $0.7 million within special charges (credits) on the Company's consolidated statement of operations related to the write-off of aircraft related credits resulting from the exchange of credits negotiated under the new purchase agreement with Airbus S.A.S. ("Airbus") executed during the fourth quarter of 2019. For additional information on the new purchase agreement with Airbus, refer to Note 18, Commitments and Contingencies.

During the twelve months ended December 31, 2018, the Company negotiated and amended the collective bargaining agreement with the Air Line Pilots Association, International ("ALPA"), under the guidance of the National Mediation Board ("NMB"). In connection with the new agreement, the Company incurred a one-time ratification incentive of $80.2 million, including payroll taxes, and an $8.5 million adjustment related to other contractual provisions. As a result, the Company recorded $88.7 million within special charges (credits) on the Company's consolidated statement of operations for the twelve months ended December 31, 2018.

Special Charges, Non-Operating

During the twelve months ended December 31, 2020 and December 31, 2019, the Company had no special charges, non-operating within other (income) expense in the consolidated statement of operations.

During the twelve months ended December 31, 2018, the Company recorded $90.4 million, in special charges, non-operating within other (income) expense in the consolidated statement of operations. During the first quarter of 2018, the Company entered into an aircraft purchase agreement for the purchase of 14 A319 aircraft previously operated under operating leases by the Company. The aggregate gross purchase price for the 14 aircraft was $285.0 million, and the price for each aircraft at the time of the sale comprised a cash payment net of the amount of maintenance reserves and security deposits for such aircraft held by the applicable lessor pursuant to the lease for such aircraft. The contract was deemed a lease modification which resulted in a change of classification from operating leases to finance leases for the 14 aircraft. During the first quarter of 2018, the finance lease assets were recorded at the lower of cost or fair value of the aircraft within flight equipment on the Company's consolidated balance sheets. During the second quarter of 2018, the purchase of the 14 aircraft was completed and the obligation was accreted up to the net cash payment price with interest charges recognized in special charges, non-operating in the consolidated statement of operations. The Company determined the valuation of the aircraft based on third-party appraisals considering the condition of the aircraft (a Level 3 measurement).

6. Loss on Disposal of Assets

During the twelve months ended December 31, 2020, the Company recorded $2.3 million in loss on disposal of assets in the consolidated statement of operations. This loss on disposal of assets mainly consists of $1.5 million related to the write-off of certain unrecoverable costs previously capitalized with a project to upgrade the Company's enterprise accounting software which was subsequently suspended and $0.8 million related to the disposal of excess and obsolete inventory.

During the twelve months ended December 31, 2019, the Company recorded $17.4 million in loss on disposal of assets in the statement of operations. This loss on disposal of assets consisted of $13.4 million related to the disposal of excess and obsolete inventory, $3.1 million related to the write-down of certain held-for-sale assets to fair value less cost to sell and $2.4 million related to the write-off of certain unrecoverable costs previously capitalized with a project to upgrade the Company's enterprise accounting software which was suspended as the Company pursued alternative solutions. Refer to Note 19, Fair Value Measurements for information regarding the Company's held-for-sale assets. These losses on disposal were partially offset by a $1.5 million gain on sale-leaseback transactions for 6 aircraft delivered during the twelve months ended December 31, 2019. Refer to Note 15, Leases and Prepaid Maintenance Deposits for information regarding the Company's accounting policy on sale-leaseback transactions.

During the twelve months ended December 31, 2018, the Company recorded $9.6 million in loss on disposal of assets in the consolidated statement of operations. During the twelve months ended December 31, 2018, the Company sold 6 used engines for $11.4 million at a loss of $5.2 million. In addition, the Company wrote off $4.4 million related to the disposal of excess and obsolete inventory.

7. Letters of Credit

As of December 31, 2020, the Company had a $30.0 million standby letter of credit secured by restricted cash, of which $23.6 million had been drawn upon for issued letters of credit. As of December 31, 2019, the Company had a $35.0 million unsecured standby letter of credit facility, of which $23.3 million had been drawn upon for issued letters of credit.

8. Credit Card Processing Arrangements

The Company has agreements with organizations that process credit card transactions arising from the purchase of air travel, baggage charges and other ancillary services by customers. As it is standard in the airline industry, the Company's contractual arrangements with credit card processors permit them, under certain circumstances, to retain a holdback or other collateral, which the Company records as restricted cash, when future air travel and other future services are purchased via credit card transactions. The required holdback is the percentage of the Company's overall credit card sales that its credit card processors hold to cover refunds to customers if the Company fails to fulfill its flight obligations.

The Company's credit card processors do not require the Company to maintain cash collateral provided that the Company satisfies certain liquidity and other financial covenants. Failure to meet these covenants would provide the processors the right to place a holdback, resulting in a commensurate reduction of unrestricted cash. As of December 31, 2020 and 2019, the Company was in compliance with such liquidity and other financial covenants in its credit card processing agreements, and the processors were holding back no remittances.

The maximum potential exposure to cash holdbacks by the Company's credit card processors, based upon advance ticket sales and $9 Fare Club™ memberships as of December 31, 2020 and 2019, was $423.7 million and $342.3 million, respectively.

9. Short-term Investment Securities

The Company's short-term investment securities are classified as available-for-sale and generally consist of U.S. Treasury and U.S. government agency securities with contractual maturities of twelve months or less. These securities are stated at fair value within current assets on the Company's consolidated balance sheet. Realized gains and losses on sales of investments, if any, are reflected in non-operating income (expense) in the consolidated statements of operations. Unrealized gains and losses on investment securities are reflected as a component of accumulated other comprehensive income, ("AOCI").

As of December 31, 2020 and December 31, 2019, the Company had $106.3 million and $105.3 million in short-term available-for-sale investment securities, respectively. During the twelve months ended December 31, 2020, 2019 and 2018, these investments earned interest income at a weighted-average fixed rate of approximately 1.1%, 2.3% and 1.6% respectively. For the twelve months ended December 31, 2020 and December 31, 2019, an unrealized loss of $73 thousand and an unrealized gain of $104 thousand, net of deferred taxes of $21 thousand and $31 thousand, respectively, were recorded within AOCI related to these investment securities. For the twelve months ended December 31, 2020 and 2019, a realized gain of $3 thousand and $5 thousand were recorded within non-operating income (expense) in the consolidated statements of operations. For the twelve months ended December 31, 2018, the Company did not recognize any realized gains or losses related to these securities as the Company did not transact any sales of these securities during these periods. As of December 31, 2020 and December 31, 2019, $31 thousand and $104 thousand, net of tax, respectively, remained in AOCI, related to these instruments.

10. Accrued Liabilities

Accrued liabilities included in other current liabilities as of December 31, 2020 and 2019 consist of the following:

	As of December 31,	
	2020	2019
	(in thousands)	
Salaries, wages and benefits	$ 112,838	$ 89,163
Airport obligations	68,677	80,134
Aircraft and facility lease obligations	67,374	20,656
Interest payable	37,202	16,941
Federal excise and other passenger taxes and fees payable	36,884	65,312
Aircraft maintenance	27,466	38,099
Fuel	11,704	28,510
Other	31,469	34,706
Other current liabilities	$ 393,614	$ 373,521

11. Common Stock and Preferred Stock

The Company’s amended and restated certificate of incorporation dated June 1, 2011, authorizes the Company to issue up to 240,000,000 shares of common stock, $0.0001 par value per share, 50,000,000 shares of non-voting common stock, $0.0001 par value per share and 10,000,000 shares of preferred stock, $0.0001 par value per share. All of the Company’s issued and outstanding shares of common stock and preferred stock, if any, are duly authorized, validly issued, fully paid and non-assessable. The Company’s shares of common stock and non-voting common stock are not redeemable and do not have preemptive rights.

Common Stock

Dividend Rights. Holders of the Company’s common stock are entitled to receive dividends, if any, as may be declared from time to time by the Company’s board of directors out of legally available funds ratably with shares of the Company’s non-voting common stock, subject to preferences that may be applicable to any then outstanding preferred stock and limitations under Delaware law.

Voting Rights. Each holder of the Company’s common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. The Company’s stockholders do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the voting shares are able to elect all of the directors properly up for election at any given stockholders’ meeting.

Liquidation. In the event of the Company's liquidation, dissolution or winding up, holders of the Company's common stock will be entitled to share ratably with shares of the Company's non-voting common stock in the net assets legally available for distribution to stockholders after the payment of all of the Company's debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

Rights and Preferences. Other than under the Rights Agreement (as defined below), holders of the Company's common stock have no preemptive, conversion, subscription or other rights and there are no redemption or sinking fund provisions applicable to the Company's common stock. The rights, preferences and privileges of the holders of the Company's common stock are subject to and may be adversely affected by, the rights of the holders of shares of any series of the Company's preferred stock that the Company may designate in the future.

Non-Voting Common Stock

Dividend Rights. Holders of the Company's non-voting common stock are entitled to receive dividends, if any, as may be declared from time to time by the Company's board of directors out of legally available funds ratably with shares of the Company's common stock, subject to preferences that may be applicable to any then outstanding preferred stock and limitations under Delaware law.

Voting Rights. Shares of the Company's non-voting common stock are not entitled to vote on any matters submitted to a vote of the stockholders, including the election of directors, except to the extent required under Delaware law.

Conversion Rights. Shares of the Company's non-voting common stock will be convertible on a share-for-share basis into common stock at the election of the holder subject to the Company remaining in compliance with applicable foreign ownership limitations.

Liquidation. In the event of the Company's liquidation, dissolution or winding up, holders of the Company's non-voting common stock will be entitled to share ratably with shares of the Company's common stock in the net assets legally available for distribution to stockholders after the payment of all of the Company's debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

Rights and Preferences. Other than under the Rights Agreement (as defined below), holders of the Company's non-voting common stock have no preemptive, subscription or other rights, and there are no redemption or sinking fund provisions applicable to the Company's non-voting common stock. The rights, preferences and privileges of the holders of the Company's non-voting common stock are subject to and may be adversely affected by, the rights of the holders of shares of any series of the Company's preferred stock that the Company may designate in the future.

As of December 31, 2020 and 2019, there were no shares of non-voting common stock outstanding.

Preferred Stock

The Company's Board of Directors has the authority, without further action by the Company's stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. The Company's issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control of the Company or other corporate action. As of December 31, 2020 and 2019, there were no shares of preferred stock outstanding.

Series A Preferred Stock Purchase Rights

On March 29, 2020, the Board of Directors of the Company declared a dividend of one preferred stock purchase right (a "Right") for each outstanding share of common stock of the Company. The dividend was paid on April 9, 2020 (the "Record Date") to holders of record as of the close of business on that date. Pursuant to a Rights Agreement (the "Rights Agreement") between the Company and Equiniti Trust Company, as Rights Agent. The Rights will initially trade with, and will be inseparable from, the Company's common stock, and the registered holders of the Company's common stock will be deemed to be the registered holders of the Rights. In addition, each share issued upon conversion of the convertible notes and any shares of common stock issued through March 29, 2021 will have such Right.

The Board of Directors has adopted the Rights Agreement to reduce the likelihood that a potential acquirer would gain (or seek to influence or change) control of the Company by open market accumulation or other tactics without paying an

appropriate premium for the Company's shares. In general terms and subject to certain exceptions, it works by imposing a significant penalty upon any person or group (including a group of persons that are acting in concert with each other) that acquires 10% or more of the outstanding common stock of the Company without the approval of the Board of Directors.

The Rights will not be exercisable until after the Distribution Date (as defined below). After the Distribution Date, each Right will be exercisable to purchase, for $60.00 (the "Purchase Price"), one one-thousandth of a share of Series A Participating Cumulative Preferred Stock, par value $0.0001 per share (the "Preferred Stock"). This portion of a share of Preferred Stock will give the stockholder approximately the same dividend, voting or liquidation rights as would one share of the Company's common stock. Prior to exercise, Rights holders in their capacity as such have no rights as a stockholder of the Company, including the right to vote and to receive dividends. The Rights will expire on March 29, 2021, unless earlier exercised, exchanged, amended or redeemed.

The Board of Directors may redeem all of the Rights at a price of $0.001 per Right at any time before any person has become an Acquiring Person. If the Board of Directors redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of Rights will be to receive the redemption price per Right. The redemption price will be subject to adjustment.

The "Distribution Date" generally means the earlier of:

- the close of business on the 10th business day after the date of the first public announcement that a person or any of its affiliates and associates has become an "Acquiring Person," as defined below, and
- the close of business on the 10th business day (or such later day as may be designated by the Board of Directors before any person has become an Acquiring Person) after the date of the commencement of a tender or exchange offer by any person which would, if consummated, result in such person becoming an Acquiring Person.

An "Acquiring Person" generally means any person who or which, together with all affiliates and associates of such person obtains beneficial ownership of 10% or more of shares of the Company's common stock, with certain exceptions, including that an Acquiring Person does not include the Company, any subsidiary of the Company, any employee benefit plan of the Company or any subsidiary of the Company, any entity or trustee holding the Company's common stock for or pursuant to the terms of any such plan or for the purpose of funding any such plan or other benefits for employees of the Company or of any subsidiary of the Company or any passive investor. A passive investor generally means any person beneficially owning shares of the Company's common stock without a plan or an intent to seek control of or influence the Company. The Rights Agreement also provides that any person that would otherwise be deemed an Acquiring Person as of the date of the adoption of the Rights Agreement will be exempted but only for so long as it does not acquire, without the prior approval of the Board, beneficial ownership of any additional common stock of the Company following the adoption of the Rights Agreement.

The value of one one-thousandth interest in a share of Preferred Stock should approximate the value of one share of Common Stock, subject to adjustment. Each one one-thousandth of a share of Preferred Stock, if issued:

- will not be redeemable,
- will entitle holders to quarterly dividend payments of $0.01 per share, or an amount equal to the dividend paid on one share of Common Stock, whichever is greater,
- will entitle holders upon liquidation either to receive $1.00 per share or an amount equal to the payment made on one share of Common Stock, whichever is greater,
- will have the same voting power as one share of Common Stock,
- if shares of the Common Stock are exchanged via merger, consolidation, or a similar transaction, will entitle holders to a per share payment equal to the payment made on one share of Common Stock.

Consequences of a Person or Group Becoming an Acquiring Person

Flip in. Subject to the Company's exchange rights, described below, at any time after any person has become an Acquiring Person, each holder of a Right (other than an Acquiring Person, its affiliates and associates) will be entitled to purchase for each Right held, at the Purchase Price, a number of shares of the Company's common stock having a market value of twice the Purchase Price.

Exchange. At any time on or after any person has become an Acquiring Person (but before any person becomes the beneficial owner of 50% or more of the outstanding shares of the Company's common stock or the occurrence of any of the events described in the next paragraph), the Board of Directors may exchange all or part of the Rights (other than Rights beneficially

owned by an Acquiring Person, its affiliates and associates) for shares of the Company's common stock at an exchange ratio of one share of the Company's common stock per Right.

Flip over. If, after any person has become an Acquiring Person, (1) the Company is involved in a merger or other business combination in which the Company is not the surviving corporation or its common stock is exchanged for other securities or assets or (2) the Company and/or one or more of its subsidiaries sell or otherwise transfer assets or earning power aggregating more than 50% of the assets or earning power of the Company and its subsidiaries, taken as a whole, then each Right (other than Rights beneficially owned by an Acquiring Person, its affiliates and associates) will entitle the holder to purchase for each Right held, for the Purchase Price, a number of shares of common stock of the other party to such business combination or sale (or in certain circumstances, an affiliate) having a market value of twice the Purchase Price.

Warrants

In connection with the Company's participation in the PSP agreement with the Treasury, the Company issued to the Treasury warrants pursuant to a warrant agreement to purchase up to 520,797 shares of the Company's common stock at a strike price of $14.08 per share (the closing price for the shares of the Company's common stock on April 9, 2020). The warrant agreement sets out the Company's obligations to issue warrants in connection with disbursements under the PSP and to file a resale shelf registration statement for the warrants and the underlying shares of common stock; prospectus supplements for which were filed on September 30, 2020 and October 8, 2020. The Company has also granted the Treasury certain demand and piggyback registration rights with respect to the warrants and the underlying common stock. The warrants include adjustments for below market issuances, payment of dividends and other customary anti-dilution provisions. The warrants are transferable and have no voting rights. The warrants expire in five years from the date of issuance and at the Company's option, may be settled on a "net cash" or "net shares" basis. Refer to Note 2, Impact of COVID-19, for further information on the PSP agreement with Treasury. The 520,797 warrants issued in connection with the PSP agreement represent less than 1% of the outstanding shares of the Company's common stock as of December 31, 2020.

The Company concluded that the PSP warrants agreement is a derivative contract classified within equity, at fair value upon issuance, within the Company's consolidated balance sheet. Equity-classified contracts are initially measured at fair value and subsequent changes in fair value are not recognized as long as the contract continues to be classified in equity. As of December 31, 2020, the Company had recorded $3.9 million, net of issuance costs, in APIC related to the fair value of the warrants issued.

In connection with its participation in the PSP2 program, the Company expects to issue to the Treasury warrants to purchase approximately 103,761 shares of the Company's common stock. Refer to Note 2, Impact of COVID for further information.

Common Stock Offering

On May 12, 2020, the Company completed the public offering of 20,125,000 shares of its voting common stock, which includes full exercise of the underwriters' option to purchase an additional 2,625,000 shares of common stock, at a public offering price of $10.00 per share (the "Common Stock Offering"). In connection with the common stock offering, the Company received proceeds of $192.4 million, net of $8.9 million in related issuance costs. The Company recorded $2.0 thousand of common stock at par and the excess proceeds within APIC.

At-the-Market Offering Program

On July 22, 2020, the Company entered into an equity distribution agreement relating to the issuance and sale from time to time by the Company of up to 9,000,000 shares of the Company's common stock in sales deemed to be "at-the-market offerings" as defined in Rule 415 under the Securities Act. As of December 31, 2020, the Company had completed the sale of all 9,000,000 shares under its ATM program and had received proceeds of $156.7 million, net of $5.0 million in related issuance costs. The Company recorded $900 of common stock at par and the excess proceeds, net of related issuance costs, within APIC on the Company's consolidated balance sheets.

12. Stock-Based Compensation

The Company has stock plans under which directors, officers, key employees and consultants of the Company may be granted restricted stock awards, stock options, performance share awards and other equity-based instruments as a means of promoting the Company's long-term growth and profitability. The plans are intended to encourage participants to contribute to, and participate in the success of the Company.

On December 16, 2014, the Company's Board of Directors approved the 2015 Incentive Award Plan, or 2015 Plan, which was subsequently approved by the Company's stockholders on June 16, 2015. As of December 31, 2020 and December 31, 2019, 1,618,417 and 1,897,809 shares of the Company's common stock, respectively, remained available for future issuance under the 2015 Plan.

Stock-based compensation cost amounted to $11.6 million, $8.2 million and $11.0 million for 2020, 2019 and 2018, respectively. During 2020, 2019 and 2018 there was a $3.6 million, $1.9 million and $2.6 million tax benefit recognized in income related to stock-based compensation.

Restricted Stock and Restricted Stock Units

Restricted stock and restricted stock unit awards are valued at the fair value of the shares on the date of grant. Generally, granted shares and units vest over a three or four year graded vesting period. Each restricted stock unit represents the right to receive one share of common stock upon vesting of such restricted stock unit. Vesting of restricted stock units is based on time-based service conditions. In order to vest, the participant must still be employed by the Company, with certain contractual exclusions, at each vesting event. Generally, within 30 days after vesting, the shares underlying the award will be issued to the participant. In the event a successor corporation in a change in control situation fails to assume or substitute for the restricted stock units, the restricted stock units will automatically vest in full as of immediately prior to the consummation of such change in control. In the event of death or permanent disability of a participant, the restricted stock units will automatically vest in full. Compensation expense is recognized on a straight-line basis over the requisite service period.

A summary of the status of the Company's restricted stock shares (restricted stock awards and restricted stock unit awards) as of December 31, 2020 and changes during the year ended December 31, 2020 is presented below:

	Number of Shares	Weighted-Average Grant Date Fair Value ($)
Outstanding at December 31, 2019	332,966	49.84
Granted	222,401	35.48
Vested	(146,096)	50.31
Forfeited	(8,795)	47.86
Outstanding at December 31, 2020	400,476	41.74

There were 222,401 and 148,120 restricted stock shares granted during the years ended December 31, 2020 and December 31, 2019, respectively. As of December 31, 2020 and December 31, 2019, there was $10.4 million and $10.0 million, respectively, of total unrecognized compensation cost related to nonvested restricted stock to be recognized over 2.0 years and 2.7 years, respectively.

The weighted-average fair value of restricted stock granted during the years ended December 31, 2020, 2019 and 2018 was $35.48, $53.41 and $46.90, respectively. The total fair value of restricted stock shares vested during the years ended December 31, 2020, 2019 and 2018 was $5.5 million, $5.4 million and $6.5 million, respectively.

Performance Share Awards

The Company grants certain senior-level executives performance stock units that vest based on either market and time-based service conditions or performance and time-based service conditions as part of a long-term incentive plan, which are referred to herein as performance share awards. The number of shares of common stock underlying each award is determined at the end of a three-year performance period. In order to vest, the senior level executive must still be employed by the Company, with certain contractual exclusions, at the end of the performance period. Depending on the type of performance stock unit, at the end of the performance period, the percentage of the stock units that will vest will be determined by ranking the Company's total shareholder return compared to the total shareholder return of the peer companies identified in the plan or by ranking the Company's adjusted operating margin percentage compared to the adjusted operating margin percentage of the peer company's identified in the plan. Based on the level of performance, between 0% and 200% of the award may vest. Within 60 days after vesting, the shares underlying the award will be issued to the participant. In the event of a change in control of the Company or the death or permanent disability of a participant, the payout of any award is limited to a pro-rated portion of such award based upon a performance assessment prior to the change-in-control date or date of death or permanent disability.

The grant date fair value of the performance share awards based on total shareholder return (market condition) is determined through the use of a Monte Carlo simulation model. The market condition requirements are reflected in the grant date fair value of the award, and the compensation expense, net of forfeitures, for the award is recognized assuming that the requisite service is rendered regardless of whether the market conditions are achieved. Compensation expense is recognized on

a straight-line basis over the requisite service period. The Monte Carlo simulation model used for valuation of these awards utilizes multiple input variables that determine the probability of satisfying the market condition requirements applicable to each award. The inputs utilized for the performance share awards based on total shareholder return are as follows:

	Weighted-Average at Grant Date for Twelve Months Ended December 31, 2020		Weighted-Average at Grant Date for Twelve Months Ended December 31, 2019	
Expected volatility factor	0.40		0.38	
Risk free interest rate	1.58	%	2.50	%
Expected term (in years)	2.96		2.97	
Expected dividend yield	—	%	—	%

For grants awarded in 2020, 2019 and 2018, the volatility was based upon a weighted average historical volatility for the Company. The Company chose to use historical volatility to value these awards because historical prices were used to develop the correlation coefficients between the Company and each of the peer companies within the peer group in order to model stock price movements. The volatilities used were calculated as the remaining term of the performance period at the date of grant. The risk-free interest rate was based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms equivalent to the remaining performance period. The Company does not intend to pay dividends on its common stock in the foreseeable future. Accordingly, the Company used a dividend yield of zero in its model.

The following table summarizes the Company's market condition performance share awards for the year ended December 31, 2020:

	Number of Awards	Weighted-Average Fair Value at Grant Date ($)
Outstanding at December 31, 2019	96,159	61.58
Granted	36,328	47.43
Vested	(47,240)	52.07
Forfeited	(336)	47.43
Outstanding at December 31, 2020	84,911	60.88

The grant date fair value of the performance share awards based on operating margin (performance condition) is based on grant date stock price, in accordance with the valuation of performance conditions applicable to this award type. The probability of payout for these awards is evaluated at each report date and adjustments are made to stock-based compensation expense based on the number of shares deemed probable of issuance upon vesting.

The following table summarizes the Company's performance condition performance share awards for the year ended December 31, 2020:

	Number of Awards	Weighted-Average Fair Value at Grant Date ($)
Outstanding at December 31, 2019	47,794	53.24
Granted	72,593	40.11
Vested	(23,620)	46.21
Forfeited	(669)	40.11
Outstanding at December 31, 2020	96,098	45.14

As of December 31, 2020 and 2019, there was $4.8 million and $4.4 million, respectively, of total unrecognized compensation cost related to performance share awards expected to be recognized over 1.66 years and 1.73 years, respectively.

Stock Appreciation Rights

During 2018, the Company issued stock appreciation awards to certain senior-level executives. These awards had a four-year service requisite period from January 1, 2018 through December 31, 2021 and a two-year performance period from

January 1, 2018 through December 31, 2019. These market-condition performance awards were based on the appreciation of the Company's stock price over the two-year performance period. Issuance of the award on January 1, 2018 represented a right to receive shares of the Company's common stock upon achievement of certain performance goals by the grant date of December 31, 2019. As performance goals stipulated by the award were not achieved, these shares were not granted on December 31, 2019. During the twelve months ended December 31, 2019 and 2018, the Company recognized $0.7 million and $1.2 million of stock-based compensation cost related to the stock appreciation awards issued during 2018, respectively. On December 31, 2019, the Company reversed the total expense of $1.9 million related to these awards as these awards were not granted. No further expense was recognized related to these awards.

Treasury Stock

During the year ended December 31, 2020, 2019 and 2018, the Company repurchased 44 thousand, 91 thousand and 28 thousand shares, respectively, for $1.7 million, $5.4 million and $1.2 million, respectively. Repurchases made during the twelve months ended December 31, 2020, 2019 and 2018 include repurchases made from employees who received restricted stock. During the year ended December 31, 2020, 2019 and 2018, the Company did not retire any treasury shares.

13. Earnings (Loss) per Share

The following table sets forth the computation of basic and diluted earnings per common share:

	Year Ended December 31,		
	2020	2019	2018
	(in thousands, except per-share amounts)		
Numerator:			
Net income (loss)	$ (428,700)	$ 335,255	$ 155,749
Denominator:			
Weighted-average shares outstanding, basic	84,692	68,429	68,249
Effect of dilutive stock awards	—	130	182
Adjusted weighted-average shares outstanding, diluted	84,692	68,559	68,431
Earnings (Loss) per Share:			
Basic earnings (loss) per common share	$ (5.06)	$ 4.90	$ 2.28
Diluted earnings (loss) per common share	$ (5.06)	$ 4.89	$ 2.28
Anti-dilutive weighted-average shares	441	143	145

14. Debt and Other Obligations

Long-term debt

As of December 31, 2020, the Company had outstanding public and non-public debt instruments. During 2020, the Company acquired additional debt through fixed-rate secured and unsecured term loans, secured a new revolving credit facility and issued convertible notes and secured notes described below.

Fixed-rate term loans

During 2020, the Company acquired additional debt under facility agreements, which as of December 31, 2020 provided $333.0 million of debt financing for 8 Airbus A320 aircraft delivered during 2020. Each loan extended under the facility agreements was funded on or near the delivery date of each aircraft and is secured by a first-priority security interest on the individual aircraft. Each loan has a term life of 10 to 12 years and amortizes on a mortgage-style basis, which requires quarterly principal and interest payments. Loans bear interest on a fixed-rate basis with interest rates ranging between 1.90% and 3.32%. As of December 31, 2020, the Company has taken delivery of all 8 Airbus A320 aircraft financed through these facility agreements.

Fixed-rate unsecured term loans

Pursuant to the Company's PSP agreement with the Treasury, the Company received a total of $334.7 million through July 31, 2020, used exclusively to pay for salaries, wages and benefits for the Company’s Team Members through September 30, 2020. Of that amount, $70.4 million is in the form of a low-interest 10-year unsecured term loan. In September 2020, the Company was notified by the Treasury of additional funds available under the PSP agreement. The Company received the additional installment of $9.7 million of which $2.9 million is in the form of a low-interest 10-year unsecured term loan. Interest on these loans is payable semi-annually at a rate of 1.0% in years 1 through 5 and a rate of the Secured Overnight Financing Rate plus 2.0% in years 6 through 10. The notes are prepayable at any time, without penalty, at the Company’s option and have principal due at maturity in 2030.

The Company has concluded that no terms exist within the contract that would require a short-term classification of the debt instrument within the Company’s consolidated balance sheet at the inception of the loan. Therefore, the debt has been recorded at face value and classified within long-term debt and finance leases in the Company’s consolidated balance sheets. As of December 31, 2020, the Company had recorded $73.3 million in long-term debt on its consolidated balance sheets, related to the PSP.

In connection with its participation in the PSP2 program, the Company expects to incur an additional approximately $25 million in fixed-rate unsecured term loans.

Revolving credit facility due in 2022

On March 30, 2020, the Company entered into the 2022 revolving credit facility for $110.0 million, with an option to increase the overall commitment amount up to $350 million with the consent of any participating lenders and subject to borrowing base availability. In the second quarter of 2020, the commitment was increased to $180.0 million. As of December 31, 2020, the Company had fully drawn the $180.0 million available. Any amounts drawn on this facility are included in long-term debt and finance leases, less current maturities on the Company's consolidated balance sheets. The final maturity of the facility is March 30, 2022.

The Company may pledge the following types of assets as collateral to secure its obligations under the revolving credit facility: (i) certain take-off and landing rights of the Company at LaGuardia Airport, (ii) certain eligible aircraft spare parts and ground support equipment, (iii) aircraft, spare engines and flight simulators, (v) real property assets and (vi) cash and cash equivalents. The revolving credit facility bears variable interest based on LIBOR, plus a 2.00% margin per annum, or another rate, at the Company's election, based on certain market interest rates, plus a 1.00% margin per annum, in each case with a floor of 0%.

The 2022 revolving credit facility requires the Company to maintain (i) so long as any loans or letters of credit are outstanding under the 2022 revolving credit facility, unrestricted cash, cash equivalents, short-term investment securities and unused commitments available under all revolving credit facilities (including the 2022 revolving credit facility) aggregating not less than $400 million, of which no more than $200 million may be derived from unused commitments under the 2022 revolving credit facility, (ii) a minimum ratio of the borrowing base of the collateral described above (determined as the sum of a specified percentage of the appraised value of each type of such collateral) to outstanding obligations under the 2022 revolving credit facility of not less than 1.0 to 1.0 (if the Company does not meet the minimum collateral coverage ratio, it must either provide additional collateral to secure its obligations under the 2022 revolving credit facility or repay the loans under the 2022 revolving credit facility by an amount necessary to maintain compliance with the collateral coverage ratio), and (iii) at any time following the date that is one month after the effective date of the 2022 revolving credit facility, the pledged take-off and landing rights of the Company at LaGuardia Airport and a specified number of spare engines in the collateral described above so long as any loans or letters of credit are outstanding under the 2022 revolving credit facility.

Revolving credit facility due in 2021

During the fourth quarter of 2018, the Company entered into a revolving credit facility for up to $160.0 million secured by the collateral assignment of certain of the Company's rights under the purchase agreement with Airbus, related to 43 Airbus A320neo aircraft scheduled to be delivered between August 2019 and December 2021.

In June 2020, the Company entered into an agreement to amend the revolving credit facility originally maturing in December 2020. The agreement extended the final maturity date of the revolving credit facility from December 30, 2020 to March 31, 2021. Upon execution of the amended agreement, the maximum borrowing capacity decreased from $160.0 million to $111.2 million. This facility is secured by the collateral assignment of certain of the Company’s rights under the purchase agreement with Airbus. As of December 31, 2020, collateralized amounts were related to 11 Airbus A320neo aircraft scheduled to be delivered between June 2021 and April 2022. The maximum borrowing capacity of $95.1 million, as of December 31, 2020, decreased from $111.2 million due to the delivery of aircraft during the third and fourth quarters of 2020 and will continue to decrease as the Company takes delivery of the related aircraft.

As of December 31, 2020, the Company had drawn $95.1 million on the facility, which is included in current maturities of long-term debt and finance leases on the Company's consolidated balance sheets. As of December 31, 2019, the Company had drawn $160.0 million on the facility. The revolving credit facility bears variable interest based on LIBOR.

Convertible debt

On May 12, 2020, the Company completed the public offering of $175.0 million aggregate principal amount of 4.75% convertible senior notes due 2025. The convertible notes bear interest at the rate of 4.75% per year and will mature on May 15, 2025. Interest on the notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2020.

To allocate the proceeds of the convertible notes, the Company first determined the fair value of the debt component of the convertible notes based on a similar liability with no conversion feature and utilized a discounted cash flow method whereby the contractual cash flows have been discounted at a risk-adjusted yield reflective of both the time value of money and the credit risk inherent in the convertible notes, as well as certain observable inputs. The Company allocated the remaining proceeds of the convertible notes to the equity component within APIC. The Company will accrete the resulting discount on the debt component through interest expense, using the effective interest method, over the 5-year life of the instrument. The Company received proceeds of $168.3 million as a result of the offering, net of total issuance costs of $6.7 million. The Company recorded $95.6 million in long-term debt and finance leases, net of debt issuance costs of $3.8 million, on its consolidated balance sheets, related to the debt component of the convertible notes, and $72.7 million in APIC, net of issuance costs of $2.9 million, on its consolidated balance sheets, related to the equity component of the convertible notes. As of December 31, 2020, the if-converted value exceeds the principal amount of the convertible notes by $75.2 million, using the average stock price for the twelve months ended December 31, 2020.

Noteholders may convert their notes at their option only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2020 (and only during such calendar quarter), if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company's common stock; and (4) at any time from, and including, February 18, 2025 until the close of business on the second scheduled trading day immediately before the maturity date. As of December 31, 2020, the Company had $109.0 million recorded within current maturities of long-term debt and finance leases on its consolidated balance sheets related to its convertible debt. As of December 31, 2020, the notes may be converted by noteholders through March 31, 2021. No notes were converted during the year ended December 31, 2020.

Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election. The initial conversion rate is 78.4314 shares of voting common stock per $1,000 principal amount of convertible notes (equivalent to an initial conversion price of approximately $12.75 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its convertible notes in connection with such a corporate event in certain circumstances. In the event of a "Fundamental Change," as defined in the indenture governing the convertible notes, the holders may require the Company to purchase for cash all or a portion of their notes at a purchase price equal to the principal amount of the notes, plus accrued and unpaid interest, if any. The Company may not redeem the notes at its option prior to the maturity date.

The Company intends to settle conversions in cash up to the principal amount of the convertible notes, with any excess conversion value settled in shares of the Company's common stock. The convertible notes are being accounted for using the treasury stock method for the purposes of net income (loss) per share. Using this method, the denominator will be affected when the average share price of the Company's common stock for a given period is greater than the initial conversion price of approximately $12.75 per share.

8.00% Senior Secured Notes due 2025

On September 17, 2020, the Company completed the private offering by Spirit IP Cayman Ltd., an indirect wholly-owned subsidiary of the Company (the "Brand Issuer"), and Spirit Loyalty Cayman Ltd., an indirect wholly-owned subsidiary of the Company (the "Loyalty Issuer" and, together with the Brand Issuer, the "Issuers") of an aggregate of $850 million principal amount of 8.00% senior secured notes due 2025. The 8.00% senior secured notes are guaranteed by the Company, HoldCo 1, a direct wholly owned subsidiary of the Company and HoldCo 2, a direct subsidiary of HoldCo 1 and indirect wholly owned subsidiary of the Company. HoldCo 1 and HoldCo 2 are referred to together as the "Cayman Guarantors." The 8.00% senior secured notes will be secured by, among other things, a first priority lien on the core assets of the Company's loyalty programs (comprised of cash proceeds from its Free Spirit co-branded credit card programs, cash proceeds from its $9 Fare Club™ program membership fees, and certain intellectual property required or necessary to operate the loyalty programs) as well as the Company's brand intellectual property. Refer to Note 4, Revenue Disaggregation, for further information on the Company's loyalty programs.

The 8.00% senior secured notes will mature on September 20, 2025. The 8.00% senior secured notes bear interest at a rate of 8.00% per annum, payable in quarterly installments on January 20, April 20, July 20 and October 20 of each year, beginning January 20, 2021. In the twelve months ended December 31, 2020, the Company received proceeds of $823.9 million, net of issuance costs of $17.4 million and original issue discount of $8.7 million, related to this private offering.

The 8.00% senior secured notes will be secured on a senior basis by first-priority security interests in substantially all of the assets of the Issuers, other than excluded property and subject to certain permitted liens. The note guarantee of the Company will be secured by (i) a first-priority security interest in 100% of the equity interests in HoldCo 1, with certain exceptions, and (ii) certain other collateral owned by the Company, including, to the extent permitted by such agreements or otherwise by operation of law, any of the Company's rights under the Free Spirit Agreements and the IP Agreements (each of which are defined in the indenture governing the 8.00% senior secured notes). The note guarantees of the Cayman Guarantors will be secured by first-

priority security interests in substantially all of the assets of the Cayman Guarantors, other than excluded property and subject to certain permitted liens, including pledges of the equity of their respective subsidiaries.

The Issuers, at their option, may redeem some or all of the 8.00% senior secured notes on or after September 20, 2023 at pre-determined redemption prices set forth in the indenture governing the 8.00% senior secured notes. Prior to September 20, 2023, the Issuers may redeem some or all of the 8.00% senior secured notes at a redemption price equal to 100% of the principal amount of the 8.00% senior secured notes, plus a "make-whole" premium set forth in the indenture governing the 8.00% senior secured notes. Upon the occurrence of certain mandatory prepayment events and mandatory repurchase offer events, the Issuers will be required to make a prepayment on the 8.00% senior secured notes, or offer to repurchase them, pro rata to the extent of any net cash proceeds received in connection with such events, at a price equal to 100% of the principal amount to be prepaid, plus, in some cases, an applicable premium. In addition, upon a change of control of the Company, the Issuers may be required to make an offer to prepay the 8.00% senior secured notes at a price equal to 101% of the respective principal amounts thereof, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

The indenture governing the 8.00% senior secured notes contains certain covenants that limit the ability of the Issuers, the Cayman Guarantors and, in certain circumstances, the Company to, among other things: (i) make restricted payments; (ii) incur certain additional indebtedness, including with respect to sales of pre-paid miles in excess of $25 million during any fiscal year; (iii) create or incur certain liens on the collateral securing the 8.00% senior secured notes and the guarantees; (iv) merge, consolidate or sell assets; (v) engage in certain business activities; (vi) sell, transfer or otherwise convey the collateral securing the 8.00% senior secured notes and the guarantees; (vii) exit from, terminate or substantially reduce the Free Spirit Program business or modify the terms of the Free Spirit Program, except in certain circumstances; and (viii) terminate, amend, waive, supplement or modify any IP Agreement, except under certain circumstances.

The Indenture also requires the Issuers and, in certain circumstances, the Company, to comply with certain affirmative covenants, including depositing the Transaction Revenues (as defined in the indenture governing the 8.00% senior secured notes) in collection accounts, with amounts to be distributed for the payment of fees, principal and interest on the 8.00% senior secured notes pursuant to a payment waterfall described in the indenture, and certain financial reporting requirements. In addition, the Company is required to maintain minimum liquidity at the end of any business day of at least $400 million.

Long-term debt is comprised of the following:

	As of			
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(in millions)		(weighted-average interest rates)	
8.00% senior secured notes due in 2025	$ 850.0	$ —	8.00 %	N/A
Fixed-rate term loans due through 2032	1,301.9	1,074.3	3.36 %	3.79 %
Unsecured term loans due in 2030	73.3	—	1.00 %	N/A
Fixed-rate class A 2015-1 EETC due through 2028	322.6	348.6	4.10 %	4.10 %
Fixed-rate class B 2015-1 EETC due through 2024	64.0	72.0	4.45 %	4.45 %
Fixed-rate class C 2015-1 EETC due through 2023	86.6	98.1	4.93 %	4.93 %
Fixed-rate class AA 2017-1 EETC due through 2030	214.4	228.4	3.38 %	3.38 %
Fixed-rate class A 2017-1 EETC due through 2030	71.5	76.1	3.65 %	3.65 %
Fixed-rate class B 2017-1 EETC due through 2026	60.6	70.6	3.80 %	3.80 %
Fixed-rate class C 2017-1 EETC due through 2023	85.5	85.5	5.11 %	5.11 %
Convertible debt due in 2025	175.0	—	4.75 %	N/A
Revolving credit facility due in 2021	95.1	160.0	1.55 %	3.12 %
Revolving credit facility due in 2022	180.0	—	2.15 %	N/A
Long-term debt	**$ 3,580.5**	**$ 2,213.6**		
Less current maturities	383.5	214.0		
Less unamortized discount, net	131.4	40.4		
Total	**$ 3,065.6**	**$ 1,959.2**		

The Company's debt financings entered into solely to finance aircraft acquisition costs are collateralized by first priority security interest in the individual aircraft being financed. During the year ended December 31, 2020 and 2019, the Company made principal payments of $254.3 million and $246.8 million on its outstanding debt obligations, respectively.

At December 31, 2020, long-term debt principal payments for the next five years and thereafter are as follows:

	December 31, 2020
	(in millions)
2021	$ 290.0
2022	372.0
2023	335.5
2024	221.0
2025	1,212.2
2026 and beyond	1,149.8
Total debt principal payments	**$ 3,580.5**

Interest Expense

Interest expense related to long-term debt and finance leases consists of the following:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
8.00% senior secured notes (1)	$ 19,953	$ —
Fixed-rate senior term loans	43,591	41,053
Fixed-rate junior term loans	—	1,811
Unsecured term loans	409	—
Class A 2015-1 EETC	13,730	14,894
Class B 2015-1 EETC	3,027	3,377
Class C 2015-1 EETC	4,565	5,117
Class AA 2017-1 EETC	7,412	7,887
Class A 2017-1 EETC	2,672	2,843
Class B 2017-1 EETC	2,445	2,870
Class C 2017-1 EETC	4,379	4,367
Convertible debt (2)	14,905	—
Revolving credit facilities	5,380	5,792
Finance leases	195	408
Commitment and other fees	1,106	2,217
Amortization of deferred financing costs	10,751	8,714
Total	**$ 134,520**	**$ 101,350**

(1) Includes $0.5 million of accretion and $19.5 million of interest expense for the twelve months ended December 31, 2020.

(2) Includes $9.6 million of accretion and $5.3 million of interest expense for the twelve months ended December 31, 2020.

As of December 31, 2020 and 2019, the Company had a line of credit for $3.1 million and $33.6 million related to corporate credit cards. Respectively, the Company had drawn $0.6 million and $4.6 million as of December 31, 2020 and 2019, which is included in accounts payable.

As of December 31, 2020 and 2019, the Company had lines of credit with counterparties for derivatives and physical fuel delivery in the amount of $41.5 million. As of December 31, 2020 and 2019, the Company had drawn $3.7 million and $25.3 million, respectively, on these lines of credit for physical fuel delivery, which is included within other current liabilities in the Company's consolidated balance sheets. The Company is required to post collateral for any excess above the lines of credit if the fuel derivatives, if any, are in a net liability position and make periodic payments in order to maintain an adequate undrawn

portion for physical fuel delivery. As of December 31, 2020 and 2019, the Company did not have any outstanding fuel derivatives.

15. Leases and Aircraft Maintenance Deposits

The Company leases aircraft, engines, airport terminals, maintenance and training facilities, aircraft hangars, commercial real estate and office and computer equipment, among other items. Certain of these leases include provisions for variable lease payments which are based on several factors, including, but not limited to, relative leases square footage, enplaned passengers, and airports' annual operating budgets. Due to the variable nature of the rates, these leases are not recorded on the Company's consolidated balance sheets as a right-of-use asset and lease liability. Lease terms are generally 8 to 18 years for aircraft and up to 99 years for other leased equipment and property.

As of December 31, 2020, the Company had a fleet consisting of 157 A320 family aircraft. As of December 31, 2020, the Company had 56 aircraft financed under operating leases with lease term expirations between 2022 and 2038. In addition, the Company owned 101 aircraft of which 29 were purchased off lease and are currently unencumbered. As of December 31, 2020, the Company also had 8 spare engines financed under operating leases with lease term expiration dates ranging from 2023 to 2027 and owned 16 spare engines, all of which as of December 31, 2020, were pledged as collateral under the Company's 2022 revolving credit facility.

Total rent expense for all leases charged to operations for the years ended 2020, 2019 and 2018 was $371.6 million, $345.0 million and $312.0 million, respectively. Total rental expense charged to operations for aircraft and engine operating leases for the years ended December 31, 2020, 2019 and 2018 was $196.4 million, $182.6 million and $177.6 million, respectively.

Some of the Company’s aircraft and engine master lease agreements provide that the Company pays maintenance reserves to aircraft lessors to be held as collateral in advance of the Company’s required performance of major maintenance activities. Maintenance reserve payments that are substantively and contractually related to the maintenance of the leased asset are accounted for as aircraft maintenance deposits to the extent they are expected to be recoverable. A majority of these maintenance reserve payments are calculated based on a utilization measure, such as flight hours or cycles, while some maintenance reserve payments are fixed, time-based contractual amounts. Fixed maintenance reserve payments that are not probable of being recovered are considered lease payments and are included in the right-of-use asset and lease liability. Maintenance reserve payments that are based on a utilization measure and are not probable of being recovered are considered variable lease payments that are recognized when they are probable of being incurred and are not included in the right-of-use asset and lease liability.

These lease agreements generally provide that maintenance reserves are reimbursable to the Company upon completion of the maintenance event. Some of the master lease agreements do not require that the Company pay maintenance reserves so long as the Company's cash balance does not fall below a certain level. As of December 31, 2020, the Company is in full compliance with those requirements and does not anticipate having to pay reserves related to these master leases in the future.

Under the terms of the lease agreements, the Company will continue to operate and maintain the aircraft. Payments under the majority of the lease agreements are fixed for the term of the lease. The lease agreements contain standard termination events, including termination upon a breach of the Company's obligations to make rental payments and upon any other material breach of the Company's obligations under the leases, and standard maintenance and return condition provisions. These return provisions are evaluated at inception of the lease and throughout the lease terms and are accounted for as either fixed or variable lease payments (depending on the nature of the lease return condition) when it is probable that such amounts will be incurred. When determining probability and estimated cost of lease return obligations, there are various other factors that need to be considered such as the contractual terms of the lease, the ability to swap engines or other aircraft components, current condition of the aircraft, the age of the aircraft at lease expiration, utilization of engines and other components, the extent of repairs needed at return, return locations, current configuration of the aircraft and cost of repairs and materials at the time of return. Management assesses the factors listed above and the need to accrue lease return costs throughout the lease as facts and circumstances warrant an assessment. As a result of COVID-19, the Company is currently operating its aircraft at lower utilization levels. If the Company continues flying its aircraft at lower utilization levels beyond its current projections, the timing of future maintenance events may change such that the Company will be required to accrue lease return costs and/or record reserves against its maintenance deposits earlier than it would have expected and such amounts could be significant. The Company expects lease return costs and unrecoverable maintenance deposits will increase as individual aircraft lease agreements approach their respective termination dates and the Company begins to accrue the estimated cost of return conditions for the corresponding aircraft. Upon a termination of the lease due to a breach by the Company, the Company would be liable for standard contractual damages, possibly including damages suffered by the lessor in connection with remarketing the aircraft or while the aircraft is not leased to another party.

Aircraft rent expense consists of monthly lease rents for aircraft and spare engines under the terms of the Company's aircraft and spare engine lease agreements recognized on a straight-line basis. Supplemental rent, recorded within aircraft rent expense, is made up of maintenance reserves paid to aircraft lessors that are not probable of being reimbursed and probable and estimable return condition obligations. The Company expensed $3.3 million, $4.8 million and $3.4 million of supplemental rent recorded within aircraft rent during 2020, 2019 and 2018, respectively. The Company did not expense any paid maintenance reserves as supplemental rent in 2020. During 2019 and 2018, the Company expensed $0.5 million and $1.3 million, respectively, of paid maintenance reserves as supplemental rent. As of December 31, 2020, the Company had $126.3 million of aircraft maintenance deposits ($73.1 million in aircraft maintenance deposits and $53.2 million in long-term aircraft maintenance deposits) on the Company's consolidated balance sheets.

During the twelve months ended December 31, 2020, the Company took delivery of eight aircraft under secured debt arrangements, one aircraft under a sale-leaseback transaction and three aircraft under direct operating leases. In addition, the Company purchased two previously leased aircraft. The Company also purchased two new engines and returned one previously leased engine.

Prior to the adoption of Topic 842 on January 1, 2019, gains and losses on sale-leaseback transactions were generally deferred and recognized in income over the lease term. Under Topic 842, gains and losses on sale-leaseback transactions, subject to adjustment for off-market terms, are recognized immediately and recorded within loss on disposal of assets on the Company's consolidated statements of operations.

On December 31, 2019, the Company entered into an aircraft purchase agreement to acquire two A319 aircraft previously operated by the Company under operating leases. The contract was deemed a lease modification, which resulted in a change of classification from operating leases to finance leases for the two aircraft. The Company recorded a finance lease obligation of $44.1 million calculated as the present value of the remaining lease payments, including the final payment to purchase the aircraft and included within current maturities of long-term debt and finance leases on the Company's consolidated balance sheets as of December 31, 2019. In addition, the Company recorded finance lease assets of $48.4 million which include related amounts previously recorded as maintenance reserves and security deposits and included within flight equipment on the Company's consolidated balance sheets as of December 31, 2019. In January 2020, the purchase of the two aircraft was completed and the aircraft were recorded within flight equipment on the Company's consolidated balance sheets.

The remainder of the Company's finance lease obligations relate to the lease of computer equipment used by the Company's flight crew and office equipment. Payments under these finance lease agreements are fixed for terms ranging from 4 to 5 years. Finance lease assets are recorded within property and equipment and the related liabilities are recorded within current maturities of long-term debt and finance leases and long-term debt and finance leases, less current maturities on the Company's consolidated balance sheets.

During the fourth quarter of 2019, the Company purchased an 8.5-acre parcel of land for $41.0 million and entered into a 99-year lease agreement for the lease of a 2.6-acre parcel of land, in Dania Beach, Florida, where the Company intends to build a new headquarters campus. In connection with the lease agreement, the Company is expected to build a 200-unit residential building. The 8.5-acre parcel of land is capitalized within ground property and equipment on the Company's consolidated balance sheets. The 99-year lease was determined to be an operating lease and is recorded within operating lease right-of-use asset and operating lease liability on the Company's consolidated balance sheets. Operating lease commitments related to this lease are included in the table below within property facility leases.

The following table provides details of the Company's future minimum lease payments under finance lease liabilities and operating lease liabilities recorded on the Company's consolidated balance sheets as of December 31, 2020. The table does not include commitments that are contingent on events or other factors that are currently uncertain and unknown.

		Operating Leases		
	Finance Leases	Aircraft and Spare Engine Leases	Property Facility Leases	Total Operating and Finance Lease Obligations
	(in thousands)			
2021 (1)	$ 753	$ 236,101	$ 4,683	$ 241,537
2022	725	209,911	4,397	215,033
2023	349	197,267	3,383	200,999
2024	98	175,204	2,772	178,074
2025	—	153,146	1,060	154,206
2026 and thereafter	—	975,682	143,093	1,118,775
Total minimum lease payments	$ 1,925	$ 1,947,311	$ 159,388	$ 2,108,624
Less amount representing interest	137	562,493	134,628	697,258
Present value of minimum lease payments	$ 1,788	$ 1,384,818	$ 24,760	$ 1,411,366
Less current portion	671	130,484	3,307	134,462
Long-term portion	$ 1,117	$ 1,254,334	$ 21,453	$ 1,276,904

(1) Includes $27.3 million of aircraft and spare engine rent payment deferrals due to COVID-19 which are recorded in other current liabilities within the Company's consolidated balance sheets.

Commitments related to the Company's noncancellable short-term operating leases not recorded on the Company's consolidated balance sheets are expected to be $1.4 million for 2021 and none for 2022 and beyond. During 2020, the Company entered into agreements to defer payments in 2020 related to facility rents and other airport service contracts at certain locations. Also during 2020, the Company entered into agreements to defer payments related to certain aircraft and engine leases from 2020 into 2021. The Company elected to apply the practical expedient issued by the Financial Accounting Standards Board in April 2020 which allows companies to treat a lease concession related to COVID-19 as though enforceable rights and obligations for the concessions existed regardless of whether those enforceable rights and obligations explicitly exist in the lease agreement. Amounts deferred as of December 31, 2020 are recorded in accrued rent within other current liabilities on the Company's consolidated balance sheet.

The table below presents information for lease costs related to the Company's finance and operating leases:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Finance lease cost		
Amortization of leased assets	$ 824	$ 998
Interest of lease liabilities	194	674
Operating lease cost		
Operating lease cost (1)	201,474	179,959
Short-term lease cost (1)	25,195	5,144
Variable lease cost (1)	125,534	140,417
Total lease cost	$ 353,221	$ 327,192

(1) Expenses are classified within aircraft rent and landing fees and other rents on the Company's consolidated statements of operations.

The table below presents lease-related terms and discount rates as of December 31, 2020:

	December 31, 2020	December 31, 2019
Weighted-average remaining lease term		
Operating leases	12.9 years	13.0 years
Finance leases	2.6 years	0.1 years
Weighted-average discount rate		
Operating leases	6.08 %	5.86 %
Finance leases	5.54 %	2.46 %

6. Defined Contribution 401(k) Plan

The Company sponsors three defined contribution 401(k) plans, *Spirit Airlines, Inc. Employee Retirement Savings Plan* (first plan), *Spirit Airlines, Inc. Pilots' Retirement Savings Plan* (second plan) and *Spirit Airlines, Inc. Puerto Rico Retirement Savings Plan* (third plan). The first plan is for all employees that are not covered by the pilots' collective bargaining agreement, who have at least 60 days of service and have attained the age of 21.

The second plan is for the Company's pilots, and contains the same service requirements as the first plan. Prior to March 1, 2018, the Company matched 100% of the pilot's contribution, up to 9% of the individual pilot's annual compensation. Beginning on March 1, 2018, the Company contributed 11% of the individual pilot's annual compensation, regardless of the pilot's contributions to the plan. The Company's contribution will increase by 1% on an annual basis each March until 2022 at which time the contribution will be 15%.

The third plan is for all Company employees residing in Puerto Rico and was adopted on April 16, 2012. It contains the same service requirements as the first and second plans.

Employer contributions made to all plans were $58.6 million, $51.1 million and $36.7 million in 2020, 2019 and 2018, respectively, and were included within salaries, wages and benefits in the accompanying consolidated statements of operations.

17. Income Taxes

Significant components of the provision for income taxes from continuing operations are as follows:

	Year Ended December 31,		
	2020	2019	2018
	(in thousands)		
Current:			
Federal	$ (141,997)	$ (22,429)	$ (2,178)
State and local	(1,847)	1,218	410
Foreign	(1,554)	6,693	4,692
Total current expense (benefit)	(145,398)	(14,518)	2,924
Deferred:			
Federal	(33,494)	106,703	42,246
State and local	(12,592)	8,986	4,057
Total deferred expense (benefit)	(46,086)	115,689	46,303
Total income tax expense (benefit)	$ (191,484)	$ 101,171	$ 49,227

The income tax provision differs from that computed at the federal statutory corporate tax rate as follows:

	Year Ended December 31,		
	2020	2019	2018
Expected provision at federal statutory tax rate	21.0 %	21.0 %	21.0 %
State tax expense, net of federal benefit	1.9 %	1.8 %	1.7 %
Revaluation of deferred taxes	9.2 %	(2.1)%	— %
Other	(1.2)%	2.5 %	1.3 %
Total income tax expense (benefit)	30.9 %	23.2 %	24.0 %

The Company accounts for income taxes using the asset and liability method. Deferred taxes are recorded based on differences between the consolidated financial statement basis and tax basis of assets and liabilities and available tax loss and credit carryforwards. At December 31, 2020 and 2019, the significant components of the Company's deferred taxes consisted of the following:

	December 31,	
	2020	2019
	(in thousands)	
Deferred tax assets:		
Income tax credits	4,298	9,632
Net operating losses	220,071	13,604
Deferred revenue	11,740	8,824
Nondeductible accruals	21,918	14,133
Deferred manufacturing credits	6,442	2,813
Accrued maintenance	568	1,668
Equity compensation	3,433	2,851
Operating lease liability	313,142	305,161
Other	465	482
Valuation allowance	(2,949)	(1,746)
Deferred tax assets	**$ 579,128**	**$ 357,422**
Deferred tax liabilities:		
Convertible debt	14,942	—
Prepaid expenses	898	1,120
Property, plant and equipment	603,173	430,523
Deferred financing costs	124	154
Accrued aircraft and engine maintenance	80,916	84,479
Right-of-use asset	318,969	310,438
Deferred tax liabilities	**1,019,022**	**826,714**
Net deferred tax assets (liabilities)	**$ (439,894)**	**$ (469,292)**

On March 27, 2020, the CARES Act was enacted. The CARES Act allows for a five-year carryback of federal net operating losses generated in tax years 2018 through 2020. The Company filed for a carryback of its adjusted 2018 federal net operating tax loss to tax years 2013 and 2014. The federal net operating loss carryback resulted in a tax benefit of $56.1 million since the federal net operating losses can be benefited at the higher 35% federal tax rate in effect for tax years 2013 and 2014. The federal net operating loss carry back also generated an additional income tax receivable of $142.0 million as of December 31, 2020.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. In evaluating the Company’s ability to utilize its deferred tax assets, it considered all available evidence, both positive and negative, in determining future taxable income on a jurisdiction by jurisdiction basis. As of December 31, 2020 and 2019, the Company had a valuation allowance of $2.9 million and $1.7 million, respectively, against certain deferred tax assets related to equity compensation for executives due to changes in tax law resulting from the Tax Cuts and Jobs Act ("TCJA") and foreign tax credits.

As of December 31, 2020, the Company had $2.8 million of foreign tax credits, $1.5 million of general business tax credits, $956.9 million of federal net operating loss and $360.0 million of state net operating loss available, that may be applied against future tax liabilities. The foreign tax credits will begin to expire in 2025, the state net operating losses will begin to expire in 2027, the general business credits will begin to expire in 2038 and there is no expiration of federal net operating losses.

For the twelve months ended December 31, 2020 and 2019, a $0.8 million income tax benefit and a $1.4 million of income tax expense related to share-based compensation were included within income tax expense, respectively.

For tax years ended December 31, 2020, 2019 and 2018, the Company did not recognize any liabilities for uncertain tax positions nor any interest and penalties on unrecognized tax benefits.

For tax years 2020, 2019 and 2018, all income for the Company is subject to domestic income taxes.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. The Company's federal income tax returns for 2017 through 2019 tax years are still subject to examination in the U.S. Various state and foreign jurisdiction tax years also remain open to examination. The Company believes that any potential assessment would be immaterial to its consolidated financial statements.

3. Commitments and Contingencies

Aircraft-Related Commitments and Financing Arrangements

The Company’s contractual purchase commitments consist primarily of aircraft and engine acquisitions through manufacturers and aircraft leasing companies. As of December 31, 2020, the Company's firm aircraft orders consisted of 126 A320 family aircraft with Airbus, including A319neos, A320neos and A321neos, with deliveries expected through 2027. In addition, the Company had 10 direct operating leases for A320neos with third-party lessors, with deliveries expected through 2021.

On December 20, 2019, the Company entered into an A320 NEO Family Purchase Agreement with Airbus for the purchase of 100 new Airbus A320neo family aircraft, with options to purchase up to 50 additional aircraft. This agreement includes a mix of Airbus A319neo, A320neo and A321neo aircraft with such aircraft scheduled for delivery through 2027. The Company also has one spare engine order for a V2500 SelectTwo engine with IAE and two spare engine orders for PurePower PW 1100G-JM engines with Pratt & Whitney. Spare engines are scheduled for delivery from 2021 through 2023. As of December 31, 2020, committed expenditures for these aircraft and spare engines, including estimated amounts for contractual price escalations and pre-delivery payments, are expected to be $415.7 million in 2021, $849.1 million in 2022, $676.0 million in 2023, $1,001.6 million in 2024, $1,209.1 million in 2025, and $2,367.8 million in 2026 and beyond. During the third quarter of 2019, the United States announced its decision to levy tariffs on certain imports from the European Union, including commercial aircraft and related parts. These tariffs include aircraft and other parts that the Company is already contractually obligated to purchase including those reflected above. The imposition of these tariffs may substantially increase the cost of new Airbus aircraft and parts required to service the Company's Airbus fleet. For further discussion on this topic, please refer to "Risk Factors - Risks Related to Our Business - Any tariffs imposed on commercial aircraft and related parts imported from outside the United States may have a material adverse effect on our fleet, business, financial condition and our results of operations."

As of December 31, 2020, the Company had secured financing for 10 aircraft to be leased directly from third-party lessors, scheduled for delivery in 2021. The Company did not have financing commitments in place for the 126 Airbus aircraft currently on firm order, which are scheduled for delivery through 2027. However, the Company has signed a financing letter of agreement with Airbus which provides backstop financing for a majority of the aircraft included in the A320 NEO Family Purchase Agreement. The agreement provides a standby credit facility in the form of senior secured mortgage debt financing.

As of December 31, 2020, aircraft rent commitments for future aircraft deliveries to be financed under direct leases from third-party lessors are expected to be approximately $18.1 million in 2021, $34.2 million in 2022, $34.2 million in 2023, $34.2 million in 2024, $34.2 million in 2025, and $255.5 million in 2026 and beyond.

Interest commitments related to the Company's outstanding debt obligations as of December 31, 2020 are $162.5 million in 2021, $148.7 million in 2022, $138.1 million in 2023, $126.8 million in 2024, $110.0 million in 2025, and $103.0 million in 2026 and beyond. For principal commitments related to the Company's outstanding debt obligations, refer to Note 14, Debt and Other Obligations.

The Company is contractually obligated to pay the following minimum guaranteed payments for its reservation system and other miscellaneous subscriptions and services as of December 31, 2020: $17.8 million in 2021, $15.9 million in 2022,

$14.1 million in 2023, $14.5 million in 2024, $15.0 million in 2025, and $35.3 million in 2026 and beyond. During the first quarter of 2018, the Company entered into a contract renewal with its reservation system provider which expires in 2028.

Litigation

The Company is subject to commercial litigation claims and to administrative and regulatory proceedings and reviews that may be asserted or maintained from time to time. The Company believes the ultimate outcome of such lawsuits, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on its financial position, liquidity or results of operations.

Employees

The Company has five union-represented employee groups that together represent approximately 82% of all employees at December 31, 2020. The table below sets forth the Company's employee groups and status of the collective bargaining agreements as of December 31, 2020.

Employee Groups	Representative	Amendable Date	Percentage of Workforce
Pilots	Air Line Pilots Association, International (ALPA)	February 2023	29%
Flight Attendants	Association of Flight Attendants (AFA-CWA)	May 2021	46%
Dispatchers	Professional Airline Flight Control Association (PAFCA)	October 2023	1%
Ramp Service Agents	International Association of Machinists and Aerospace Workers (IAMAW)	June 2020	3%
Passenger Service Agents	Transport Workers Union of America (TWU)	NA	3%

In February 2018, the pilot group voted to approve the current five-year agreement with the Company. The current agreement includes a one-time ratification incentive of $80.2 million, including payroll taxes, and an $8.5 million adjustment related to other contractual provisions which was recorded in special charges (credits) within operating expenses in the consolidated statement of operations for the year ended December 31, 2018. For additional information, refer to Note 5, Special Charges and Credits.

In February 2020, the IAMAW notified us, as required by the Railway Labor Act, that it intends to submit proposed changes to the collective bargaining agreement covering our ramp service agents which became amendable in June 2020. The parties expect to schedule meeting dates for negotiations soon.

The Company's passenger service agents are represented by the TWU, but the representation only applies to the Company's Fort Lauderdale station where the Company has direct employees in the passenger service classification. The Company and the TWU began meeting in late October 2018 to negotiate an initial collective bargaining agreement. As of December 31, 2020, the Company continued to negotiate with the TWU.

The Company is self-insured for health care claims, subject to a stop-loss policy, for eligible participating employees and qualified dependent medical claims, subject to deductibles and limitations. The Company’s liabilities for claims incurred but not reported are determined based on an estimate of the ultimate aggregate liability for claims incurred. The estimate is calculated from actual claim rates and adjusted periodically as necessary. The Company has accrued $7.3 million and $5.2 million, for health care claims as of December 31, 2020, and 2019, respectively, recorded within other current liabilities on the Company's consolidated balance sheet.

19. Fair Value Measurements

Under ASC 820, *Fair Value Measurements and Disclosures*, disclosures relating to how fair value is determined for assets and liabilities are required, and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs, as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes several valuation techniques in order to assess the fair value of the Company's financial assets and liabilities.

Long-term Debt

The estimated fair value of the Company's secured notes, term loan debt agreements and revolving credit facilities has been determined to be Level 3 as certain inputs used to determine the fair value of these agreements are unobservable. The Company utilizes a discounted cash flow method to estimate the fair value of the Level 3 long-term debt. The estimated fair value of the Company's publicly and non-publicly held EETC debt agreements and the Company's convertible notes has been determined to be Level 2 as the Company utilizes quoted market prices in markets with low trading volumes to estimate the fair value of its Level 2 long-term debt.

The carrying amounts and estimated fair values of the Company's long-term debt at December 31, 2020 and December 31, 2019, were as follows:

	As of December 31,				
	2020		2019		
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Fair value level hierarchy
	(in millions)				
8.00% senior secured notes	$ 850.0	$ 886.0	$ —	$ —	Level 3
Fixed-rate term loans	1,301.9	1,362.9	1,074.3	1,120.0	Level 3
Unsecured term loans	73.3	83.1	—	—	Level 3
2015-1 EETC Class A	322.6	323.4	348.6	372.2	Level 2
2015-1 EETC Class B	64.0	62.5	72.0	74.5	Level 2
2015-1 EETC Class C	86.6	77.8	98.1	100.5	Level 2
2017-1 EETC Class AA	214.4	207.4	228.4	237.0	Level 2
2017-1 EETC Class A	71.5	68.8	76.1	78.8	Level 2
2017-1 EETC Class B	60.6	56.2	70.6	72.0	Level 2
2017-1 EETC Class C	85.5	76.3	85.5	88.0	Level 2
Convertible debt	175.0	380.3	—	—	Level 2
Revolving credit facilities	275.1	275.1	160.0	160.0	Level 3
Total long-term debt	$ 3,580.5	$ 3,859.8	$ 2,213.6	$ 2,303.0	

Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2020 and December 31, 2019 are comprised of liquid money market funds and cash and are categorized as Level 1 instruments. The Company maintains cash with various high-quality financial institutions.

Restricted Cash

Restricted cash is comprised of cash held in account subject to account control agreements or otherwise pledged as collateral against the Company's letters of credit and is categorized as a Level 1 instrument. As of December 31, 2020, the Company had a $30.0 million standby letter of credit secured by restricted cash, of which $23.6 million had been drawn upon for issued letters of credit. In addition, the Company had $41.4 million of restricted cash held in accounts subject to control agreements to be used for the payment of interest and fees on the Company's 8.00% senior secured notes. For additional information on the Company's 8.00% senior secured notes, refer to Note 14, Debt and Other Obligations.

Short-term Investment Securities

Short-term investment securities at December 31, 2020 and December 31, 2019 are classified as available-for-sale and generally consist of U.S. Treasury and U.S. government agency securities with contractual maturities of twelve months or less. The Company's short-term investment securities are categorized as Level 1 instruments, as the Company uses quoted market prices in active markets when determining the fair value of these securities. For additional information, refer to Note 9, Short-term Investment Securities.

Assets Held for Sale

The Company's assets held for sale consist of rotable aircraft parts. When long-lived assets are identified as held for sale and the required criteria are met, the Company reclassifies the assets from property and equipment to prepaid expenses and other current assets on the Company's consolidated balance sheets and discontinues depreciation. The assets are measured at the lower of the carrying amount or fair value less cost to sell and a loss is recognized for any initial adjustment of the asset's carrying amount to fair value less cost to sell. Such valuations include estimations of fair values and incremental direct costs to transact a sale. The fair value measurements for our held-for-sale assets were based on Level 3 inputs, which include information obtained from third-party valuation sources. As of December 31, 2020 and 2019, the Company had $2.3 million in assets held for sale recorded within prepaid expenses and other current assets in the accompanying consolidated balance sheets.

Assets and liabilities measured at gross fair value on a recurring basis are summarized below:

	Fair Value Measurements as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Cash and cash equivalents	$ 1,789.7	$ 1,789.7	$ —	$ —
Restricted cash	71.4	71.4	—	—
Short-term investment securities	106.3	106.3	—	—
Assets held for sale	2.3	—	—	2.3
Total assets	$ 1,969.7	$ 1,967.4	$ —	$ 2.3
Total liabilities	$ —	$ —	$ —	$ —

	Fair Value Measurements as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Cash and cash equivalents	$ 979.0	$ 979.0	$ —	$ —
Restricted cash	—	—	—	—
Short-term investment securities	105.3	105.3	—	—
Assets held for sale	2.3	—	—	2.3
Total assets	$ 1,086.6	$ 1,084.3	$ —	$ 2.3
Total liabilities	$ —	$ —	$ —	$ —

The Company had no transfers of assets or liabilities between any of the above levels during the years ended December 31, 2020 or 2019.

	Assets Held for Sale Activity for the Twelve Months Ended December 31, 2019
	(in millions)
Balance at December 31, 2018	$ —
Purchases	5.4
Sales	—
Total realized or unrealized gains (losses) included in earnings, net	(3.1)
Balance at December 31, 2019	$ 2.3

The balance of the Company's held-for-sale assets remained the same during the twelve months ended December 31, 2020, as the Company had no purchases, sales nor realized and unrealized losses or gains related to these assets during this period.

Operating Segments and Related Disclosures

The Company is managed as a single business unit that provides air transportation for passengers. Operating revenues by geographic region as defined by the Department of Transportation ("DOT") area are summarized below:

	2020	2019	2018
	(in millions)		
DOT—Domestic	$ 1,660.7	$ 3,462.8	$ 2,990.7
DOT—Latin America and Caribbean	149.3	367.7	332.3
Total	$ 1,810.0	$ 3,830.5	$ 3,323.0

During 2020, 2019 and 2018, no revenue from any one foreign country represented greater than 4% of the Company’s total passenger revenue. The Company attributes operating revenues by geographic region based upon the origin and destination of each passenger flight segment. The Company’s tangible assets consist primarily of flight equipment, which are mobile across geographic markets and, therefore, have not been allocated.

21. Quarterly Financial Data (Unaudited)

Quarterly results of operations for the years ended December 31, 2020 and 2019 are summarized below:

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per-share amounts)			
2020				
Operating revenue	$ 771,081	$ 138,529	$ 401,922	$ 498,490
Operating income (loss)	(57,992)	(190,384)	(99,471)	(159,915)
Net income (loss)	(27,828)	(144,428)	(99,140)	(157,304)
Basic earnings (loss) per share	(0.41)	(1.81)	(1.07)	(1.61)
Diluted earnings (loss) per share	(0.41)	(1.81)	(1.07)	(1.61)
2019				
Operating revenue	$ 855,796	$ 1,012,956	$ 991,968	$ 969,816
Operating income	87,804	163,938	124,681	124,624
Net income	56,076	114,501	83,464	81,214
Basic earnings per share	0.82	1.67	1.22	1.19
Diluted earnings per share	0.82	1.67	1.22	1.18

Interim results are not necessarily indicative of the results that may be expected for other interim periods or for the full year. The air transportation business is subject to significant seasonal fluctuations as demand is generally greater in the second

and third quarters of each year. The air transportation business is also volatile and highly affected by economic cycles and trends.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Spirit Airlines, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Spirit Airlines, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 10, 2021 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02
As discussed in Notes 1 and 15 to the financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Update No. 2016-02, *Lease (Topic 842)*, and the related amendments.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter
The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recoverability of aircraft maintenance deposits and accrual of lease return costs

Description of the Matter

At December 31, 2020, the Company recorded $126.3 million of aircraft maintenance deposits. As explained in Notes 1 and 15 to the consolidated financial statements, some of the Company's aircraft and engine master lease agreements require the payment of maintenance reserves to aircraft lessors to be held as collateral in advance of performance of major maintenance activities. These lease agreements generally provide that maintenance reserves are reimbursable to the Company upon completion of the maintenance event. Maintenance reserve payments that are substantively and contractually related to the maintenance of the leased asset are accounted for as aircraft maintenance deposits to the extent they are expected to be recoverable. These lease agreements also often contain provisions that require the Company to return aircraft airframes, engines and other aircraft components to the lessor in a certain condition or pay an amount to the lessor based on the actual return condition. Management assesses the need to accrue lease return costs throughout the year or whenever facts and circumstances warrant an assessment. For the year ended December 31, 2020, the Company recorded $3.3 million of supplemental rent, which is made up of maintenance reserves paid to aircraft lessors that are not probable of being reimbursed, and probable and estimable lease return costs.

Auditing the recoverability of maintenance deposits and the estimate of lease return costs was complex because of the significant judgment involved in determining the timing of future maintenance events.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls that address the risks of material misstatement relating to the measurement of maintenance deposits and lease return costs. For example, we tested controls over management's review of the estimated timing of future maintenance events.

To test the recoverability of maintenance deposits and the estimate of lease return costs, our audit procedures included, among others, testing the assumptions used and the accuracy and completeness of the underlying data used in the calculations. For example, to test the assumptions related to the timing of future maintenance events, we compared projected event timing to the time interval between recently completed maintenance events, regulatory requirements for aircraft and engine maintenance, current and projected utilization metrics for the aircraft, and changes to the fleet plan. We also tested the historical accuracy of management's forecasts of maintenance events by comparing when recent maintenance events occurred to management's initial projections.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1995.

Miami, Florida
February 10, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Spirit Airlines, Inc.

Opinion on Internal Control over Financial Reporting
We have audited Spirit Airlines, Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Spirit Airlines, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the balance sheets of the Company as of December 31, 2020 and 2019, the related statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 10, 2021 expressed an unqualified opinion thereon.

Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Miami, Florida
February 10, 2021

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2020. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 framework established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework). Based on that evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by Ernst & Young LLP, an independent registered public accounting firm, which also audited our Consolidated Financial Statements for the year ended December 31, 2020. Ernst & Young LLP's report on our internal control over financial reporting is included herein.

Previously Disclosed Material Weakness

We disclosed in Item 9A. Controls and Procedures in our Annual Report on Form 10-K/A for the year ended December 31, 2019 that we had identified a material weakness in internal controls related to the operation of certain review controls over the preparation of the 2019 statement of cash flows. In light of the material weakness identified, management performed additional review and other procedures prior to the filing of (i) the Annual Report on Form 10-K/A, which resulted in a restatement of the of the statements of cash flows for the year ended December 31, 2019, and (ii) the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020, June 30, 2020 and September 30, 2020, which did not result in any adjustments to the condensed consolidated financial statements. Other than the restatement described in the Annual Report on

Form 10-K/A for the year ended December 31, 2019, the material weakness did not result in any material misstatements to our consolidated financial statements in any interim periods during 2020 or for the year ended December 31, 2020.

Remediation of Material Weakness in Internal Control over Financial Reporting

In order to remediate the material weakness, with the oversight of our Audit Committee, Management completed remediation activities including, but not limited to, the following:

- Enhanced cash flow templates to facilitate the preparation and review of the related cash flows;
- Enhanced roll forward reconciliation and management review controls of the capital expenditures amounts included in the statements of cash flows; and
- More detailed reconciliation process and management review of each line in the statements of cash flows.

Management is committed to maintaining a strong internal control environment and believes this remediation effort represents an improvement in the related controls around the statement of cash flows. Based on the testing performed during the first, second and third quarters of 2020 on these newly implemented controls around the review of the statement of cash flows, which was completed in the third quarter of 2020, we have concluded that these controls have been designed appropriately and are operating effectively. As a result, Management considers this material weakness to be remediated as of September 30, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information under the captions, “Election of Directors,” “Corporate Governance,” “Committee and Meetings of the Board of Directors,” “Executive Officers,” “Code of Ethics” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our 2021 Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information under the captions, “Director Compensation” and “Executive Compensation” in our 2021 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the captions, “Security Ownership” and “Equity Compensation Plan Information” in our 2021 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the captions, “Certain Relationships and Related Transactions” and “Corporate Governance” in our 2021 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information under the captions, “Ratification of Independent Registered Public Accounting Firm” in our 2021 Proxy Statement is incorporated herein by reference.

With the exception of the information specifically incorporated by reference in Part II Item 5 and Part III to this Annual Report on Form 10-K from our 2021 Proxy Statement, our 2021 Proxy Statement shall not be deemed to be filed as part of this Report.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. *Financial Statements:*

The financial statements included in Item 8. Financial Statements and Supplementary Data above are filed as part of this annual report.

2. *Financial Statement Schedules:*

There are no financial statement schedules filed as part of this annual report, since the required information is included in the Financial Statements, including the notes thereto, or the circumstances requiring inclusion of such schedules are not present.

3. *Exhibits:*

The exhibits filed as part of this Annual Report on Form 10-K are listed on the Exhibit Index included after the signature page.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Spirit Airlines, Inc., dated as of June 1, 2011, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 1, 2011, is hereby incorporated by reference.
3.2	Amended and Restated Bylaws of Spirit Airlines, Inc., dated as of June 1, 2011, filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated June 1, 2011, is hereby incorporated by reference.
3.3	Certificate of Designation of Series A Participating Cumulative Preferred Stock, filed as Exhibit 3.1 to the Company's Form 8-K dated March 30, 2020, is hereby incorporated by reference.
4.1	Specimen Common Stock Certificate, filed as Exhibit 4.1 to the Company's Form S-1 Registration Statement (No. 333-178336), is hereby incorporated by reference.
4.2	Pass Through Trust Agreement, dated as of August 11, 2015, between Spirit Airlines, Inc. and Wilmington Trust, National Association, filed as Exhibit 4.1 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.3	Trust Supplement No. 2015-1A, dated as of August 11, 2015, between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Trustee, to the Pass Through Trust Agreement, dated as of August 11, 2015, filed as Exhibit 4.2 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.4	Trust Supplement No. 2015-1B, dated as of August 11, 2015, between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Trustee, to the Pass Through Trust Agreement, dated as of August 11, 2015, filed as Exhibit 4.3 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.5	Revolving Credit Agreement (2015-1A), dated as of August 11, 2015, between Wilmington Trust, National Association, as Subordination Agent (as agent and trustee for the trustee of Spirit Airlines Pass Through Trust 2015-1A), as Borrower, and Natixis, acting via its New York Branch, as Liquidity Provider, filed as Exhibit 4.4 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.6	Revolving Credit Agreement (2015-1B), dated as of August 11, 2015, between Wilmington Trust, National Association, as Subordination Agent (as agent and trustee for the trustee of Spirit Airlines Pass Through Trust 2015-1B), as Borrower, and Natixis, acting via its New York Branch, as Liquidity Provider, filed as Exhibit 4.5 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.7	Intercreditor Agreement (2015-1), dated as of August 11, 2015, among Wilmington Trust, National Association, as Trustee of the Spirit Airlines Pass Through Trust 2015-1A and as Trustee of the Spirit Airlines Pass Through Trust 2015-1B, Natixis, acting via its New York Branch, as Class A Liquidity Provider and Class B Liquidity Provider, and Wilmington Trust, National Association, as Subordination Agent, filed as Exhibit 4.6 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.8	Deposit Agreement (Class A), dated as of August 11, 2015, between Wilmington Trust Company, as Escrow Agent, and Natixis, acting via its New York Branch, as Depositary, filed as Exhibit 4.7 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.9	Deposit Agreement (Class B), dated as of August 11, 2015, between Wilmington Trust Company, as Escrow Agent, and Natixis, acting via its New York Branch, as Depositary, filed as Exhibit 4.8 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.10	Escrow and Paying Agent Agreement (Class A), dated as of August 11, 2015, among Wilmington Trust Company, as Escrow Agent, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC, as Underwriters, Wilmington Trust, National Association, not in its individual capacity, but solely as Pass Through Trustee for and on behalf of Spirit Airlines Pass Through Trust 2015-1A, and Wilmington Trust, National Association, as Paying Agent, filed as Exhibit 4.9 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.

4.11	Escrow and Paying Agent Agreement (Class B), dated as of August 11, 2015, among Wilmington Trust Company, as Escrow Agent, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC, as Underwriters, Wilmington Trust, National Association, not in its individual capacity, but solely as Pass Through Trustee for and on behalf of Spirit Airlines Pass Through Trust 2015-1B, and Wilmington Trust, National Association, as Paying Agent, filed as Exhibit 4.10 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.12	Note Purchase Agreement, dated as of August 11, 2015, among Spirit Airlines, Inc., Wilmington Trust, National Association, as Pass Through Trustee under each of the Pass Through Trust Agreements, Wilmington Trust, National Association, as Subordination Agent, Wilmington Trust Company, as Escrow Agent, and Wilmington Trust National Association, as Paying Agent, filed as Exhibit 4.11 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.13	Form of Participation Agreement (Participation Agreement among Spirit Airlines, Inc., Wilmington Trust, National Association, as Pass Through Trustee under each of the Pass Through Trust Agreements, Wilmington Trust, National Association, as Subordination Agent, Wilmington Trust, National Association, as Loan Trustee, and Wilmington Trust, National Association, in its individual capacity as set forth therein) (Exhibit B to Note Purchase Agreement), filed as Exhibit 4.12 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.14	Form of Indenture and Security Agreement (Indenture and Security Agreement between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Loan Trustee) (Exhibit C to Note Purchase Agreement), filed as Exhibit 4.13 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.15	Form of Pass Through Trust Certificate, Series 2015-1A (included in Exhibit A to Exhibit 4.2), filed as Exhibit 4.14 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.16	Form of Pass Through Trust Certificate, Series 2015-1B (included in Exhibit A to Exhibit 4.3), filed as Exhibit 4.15 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.17	Form of Series 2015-1 Equipment Notes (included in Section 2.01 of Exhibit 4.13), filed as Exhibit 4.16 to the Company's Form 8-K dated August 11, 2015, is hereby incorporated by reference.
4.18	Trust Supplement No. 2017-1AA, dated as of November 28, 2017, between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Trustee, to the Pass Through Trust Agreement, dated as of August 11, 2015, filed as Exhibit 4.2 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.19	Trust Supplement No. 2017-1A, dated as of November 28, 2017, between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Trustee, to the Pass Through Trust Agreement, dated as of August 11, 2015, filed as Exhibit 4.3 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.20	Trust Supplement No. 2017-1B, dated as of November 28, 2017, between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Trustee, to the Pass Through Trust Agreement, dated as of August 11, 2015, filed as Exhibit 4.4 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.21	Revolving Credit Agreement (2017-1AA), dated as of November 28, 2017, between Wilmington Trust, National Association, as Subordination Agent (as agent and trustee for the trustee of Spirit Airlines Pass Through Trust 2017-1AA), as Borrower, and Commonwealth Bank of Australia, New York Branch, as Liquidity Provider, filed as Exhibit 4.5 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.22	Revolving Credit Agreement (2017-1A), dated as of November 28, 2017, between Wilmington Trust, National Association, as Subordination Agent (as agent and trustee for the trustee of Spirit Airlines Pass Through Trust 2017-1A), as Borrower, and Commonwealth Bank of Australia, New York Branch, as Liquidity Provider, filed as Exhibit 4.6 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.

	Revolving Credit Agreement (2017-1B), dated as of November 28, 2017, between Wilmington Trust, National Association, as Subordination Agent (as agent and trustee for the trustee of Spirit Airlines Pass Through Trust 2017-1B), as Borrower, and Commonwealth Bank of Australia, New York Branch, as Liquidity Provider, filed as Exhibit 4.7 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.23	
	Intercreditor Agreement (2017-1), dated as of November 28, 2017, among Wilmington Trust, National Association, as Trustee of the Spirit Airlines Pass Through Trust 2017-1AA, as Trustee of the Spirit Airlines Pass Through Trust 2017-1A and as Trustee of the Spirit Airlines Pass Through Trust 2017-1B, Commonwealth Bank of Australia, New York Branch, as Class AA Liquidity Provider, Class A Liquidity Provider and Class B Liquidity Provider, and Wilmington Trust, National Association, as Subordination Agent, filed as Exhibit 4.8 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.24	
	Deposit Agreement (Class AA), dated as of November 28, 2017, between Wilmington Trust Company, as Escrow Agent, and Citibank, N.A., as Depositary, filed as Exhibit 4.9 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.25	
	Deposit Agreement (Class A), dated as of November 28, 2017, between Wilmington Trust Company, as Escrow Agent, and Citibank, N.A., as Depositary, filed as Exhibit 4.10 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.26	
	Deposit Agreement (Class B), dated as of November 28, 2017, between Wilmington Trust Company, as Escrow Agent, and Citibank, N.A., as Depositary, filed as Exhibit 4.11 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.27	
	Escrow and Paying Agent Agreement (Class AA), dated as of November 28, 2017, among Wilmington Trust Company, as Escrow Agent, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and Barclays Capital Inc., as Underwriters, Wilmington Trust, National Association, not in its individual capacity, but solely as Pass Through Trustee for and on behalf of Spirit Airlines Pass Through Trust 2017-1AA, and Wilmington Trust, National Association, as Paying Agent, filed as Exhibit 4.12 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.28	
	Escrow and Paying Agent Agreement (Class A), dated as of November 28, 2017, among Wilmington Trust Company, as Escrow Agent, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and Barclays Capital Inc., as Underwriters, Wilmington Trust, National Association, not in its individual capacity, but solely as Pass Through Trustee for and on behalf of Spirit Airlines Pass Through Trust 2017-1A, and Wilmington Trust, National Association, as Paying Agent, filed as Exhibit 4.13 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.29	
	Escrow and Paying Agent Agreement (Class B), dated as of November 28, 2017, among Wilmington Trust Company, as Escrow Agent, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and Barclays Capital Inc., as Underwriters, Wilmington Trust, National Association, not in its individual capacity, but solely as Pass Through Trustee for and on behalf of Spirit Airlines Pass Through Trust 2017-1B, and Wilmington Trust, National Association, as Paying Agent, filed as Exhibit 4.14 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.30	
	Note Purchase Agreement, dated as of November 28, 2017, among Spirit Airlines, Inc., Wilmington Trust, National Association, as Pass Through Trustee under each of the Pass Through Trust Agreements, Wilmington Trust, National Association, as Subordination Agent, Wilmington Trust Company, as Escrow Agent, and Wilmington Trust National Association, as Paying Agent, filed as Exhibit 4.15 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.31	
	Form of Participation Agreement (Participation Agreement among Spirit Airlines, Inc., Wilmington Trust, National Association, as Pass Through Trustee under each of the Pass Through Trust Agreements, Wilmington Trust, National Association, as Subordination Agent, Wilmington Trust, National Association, as Loan Trustee, and Wilmington Trust, National Association, in its individual capacity as set forth therein) (Exhibit B to Note Purchase Agreement), filed as Exhibit 4.16 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.32	

	Form of Indenture and Security Agreement (Indenture and Security Agreement between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Loan Trustee) (Exhibit C to Note Purchase Agreement), filed as Exhibit 4.17 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.33	
	Form of Pass Through Trust Certificate, Series 2017-1AA (included in Exhibit A to Exhibit 4.2), filed as Exhibit 4.18 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.34	
	Form of Pass Through Trust Certificate, Series 2017-1A (included in Exhibit A to Exhibit 4.3), filed as Exhibit 4.19 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.35	
	Form of Pass Through Trust Certificate, Series 2017-1B (included in Exhibit A to Exhibit 4.4), filed as Exhibit 4.20 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.36	
	Form of Series 2017-1 Equipment Notes (included in Section 2.01 of Exhibit 4.17), filed as Exhibit 4.21 to the Company's Form 8-K dated November 28, 2017, is hereby incorporated by reference.
4.37	
	Amended and Restated Intercreditor Agreement (2015-1), dated May 10, 2018, among Wilmington Trust, National Association, as Trustee of the Spirit Airlines Pass Through Trust 2015-1A, as Trustee of the Spirit Airlines Pass Through Trust 2015-1B and as Trustee of the Spirit Airlines Pass Through Trust 2015-C, Natixis, acting via its New York Branch, as Class A Liquidity Provider and Class B Liquidity Provider, and Wilmington Trust, National Association, as Subordination Agent, filed as Exhibit 4.1 to the Company's Form 10-Q dated
4.38	July 26, 2018, is hereby incorporated by reference.
	Trust Supplement No. 2015-1C, dated as of May 10, 2018, between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Trustee, to the Pass Through Trust Agreement, dated as of August 11, 2015, filed as Exhibit 4.2 to the Company's Form 10-Q dated July
4.39	26, 2018, is hereby incorporated by reference.
	Form of 2015-1 First Amendment to Participation Agreement (Participation Agreement among Spirit Airlines, Inc., Wilmington Trust, National Association, as Pass Through Trustee under each of the Pass Through Trust Agreements, Wilmington Trust, National Association, as Subordination Agent, Wilmington Trust, National Association, as Loan Trustee, and Wilmington Trust, National Association, in its individual capacity as set forth therein), filed as Exhibit 4.3 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by
4.40	reference.
	Form of 2015-1 First Amendment to Indenture and Security Agreement (Indenture and Security Agreement between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Loan Trustee), filed as Exhibit 4.4 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.
4.41	
	Amended and Restated Intercreditor Agreement (2017-1), dated May 10, 2018, among Wilmington Trust, National Association, as Trustee of the Spirit Airlines Pass Through Trust 2017-1AA, as Trustee of the Spirit Airlines Pass Through Trust 2017-1A, as Trustee of the Spirit Airlines Pass Through Trust 2017-1B and as Trustee of the Spirit Airlines Pass Through Trust 2017-1C, Commonwealth Bank of Australia, New York Branch, as Class AA Liquidity Provider, Class A Liquidity Provider and Class B Liquidity Provider, and Wilmington Trust, National Association, as Subordination Agent, filed as Exhibit 4.5 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.
4.42	
	Trust Supplement No. 2017-1C, dated as of May 10, 2018, between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Trustee, to the Pass Through Trust Agreement, dated as of August 11, 2015, filed as Exhibit 4.6 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.
4.43	
	Amended and Restated Note Purchase Agreement, dated as of May 10, 2018, among Spirit Airlines, Inc., Wilmington Trust, National Association, as Pass Through Trustee under each of the Pass Through Trust Agreements, Wilmington Trust, National Association, as Subordination Agent, Wilmington Trust Company, as Escrow Agent, and Wilmington Trust National Association, as Paying Agent, filed as
4.44	Exhibit 4.7 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.

4.45	Form of Participation Agreement (Participation Agreement among Spirit Airlines, Inc., Wilmington Trust, National Association, as Pass Through Trustee under each of the Pass Through Trust Agreements, Wilmington Trust, National Association, as Subordination Agent, Wilmington Trust, National Association, as Loan Trustee, and Wilmington Trust, National Association, in its individual capacity as set forth therein) (Exhibit B to Note Purchase Agreement), filed as Exhibit 4.8 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.
4.46	Form of Indenture and Security Agreement (Indenture and Security Agreement between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Loan Trustee) (Exhibit C to Note Purchase Agreement), filed as Exhibit 4.9 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.
4.47	Escrow and Paying Agent Agreement (Class C), dated as of May 10, 2018, among Wilmington Trust Company, as Escrow Agent, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC and Barclays Capital Inc., as Underwriters, Wilmington Trust, National Association, not in its individual capacity, but solely as Pass Through Trustee for and on behalf of Spirit Airlines Pass Through Trust 2017-1C, and Wilmington Trust, National Association, as Paying Agent, filed as Exhibit 4.10 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.
4.48	Deposit Agreement (Class C), dated as of May 10, 2018, between Wilmington Trust Company, as Escrow Agent, and Citibank, N.A., as Depositary, filed as Exhibit 4.11 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.
4.49	Form of 2017-1 First Amendment to Participation Agreement (Participation Agreement among Spirit Airlines, Inc., Wilmington Trust, National Association, as Pass Through Trustee under each of the Pass Through Trust Agreements, Wilmington Trust, National Association, as Subordination Agent, Wilmington Trust, National Association, as Loan Trustee, and Wilmington Trust, National Association, in its individual capacity as set forth therein), filed as Exhibit 4.12 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference
4.50	Form of 2017-1 First Amendment to Indenture and Security Agreement (Indenture and Security Agreement between Spirit Airlines, Inc. and Wilmington Trust, National Association, as Loan Trustee), filed as Exhibit 4.13 to the Company's Form 10-Q dated July 26, 2018, is hereby incorporated by reference.
4.51	Rights Agreement, dated as of March 30, 2020, between Spirit Airlines, Inc. and Equiniti Trust Company, as Rights Agent, which includes the Form of Certificate of Designation of Series A Participating Cumulative Preferred Stock of Spirit Airlines, Inc. as Exhibit A, the Summary of Terms of the Rights Agreement as Exhibit B and the Form of Right Certificate as Exhibit C, filed as Exhibit 4.1 to the Company's Form 8-K dated March 30, 2020, is hereby incorporated by reference.
4.52	Warrant Agreement, dated as of April 20, 2020, between the Company and the United States Department of the Treasury, filed as Exhibit 4.2 to the Company's Form 10-Q dated May 6, 2020, is hereby incorporated by reference.
4.53	Form of Warrant to Purchase Common Stock, hereby incorporated by reference from Exhibit B to Exhibit 4.52.
4.54	Base Indenture, dated May 12, 2020, between the Company and Wilmington Trust, National Association, as trustee, filed as Exhibit 4.1 to the Company's Form 8-K dated May 12, 2020, is hereby incorporated by reference.
4.55	First Supplemental Indenture, dated May 12, 2020, between the Company and Wilmington Trust, National Association, as trustee, filed as Exhibit 4.2 to the Company's Form 8-K dated May 12, 2020, is hereby incorporated by reference.
4.56	Form of Global Note representing the 4.75% Convertible Senior Notes due 2025 (included in Exhibit 4.55 hereto).

4.57	Form of Warrant to Purchase Common Stock, issued May 29, 2020, in connection with the Warrant Agreement, dated as of April 20, 2020, between the Company and the United States Department of the Treasury, filed as Exhibit 4.4 to the Company's Form 10-Q dated July 22, 2020, is hereby incorporated by reference.
4.58	Form of Warrant to Purchase Common Stock, issued June 29, 2020, in connection with the Warrant Agreement, dated as of April 20, 2020, between the Company and the United States Department of the Treasury, filed as Exhibit 4.5 to the Company's Form 10-Q dated July 22, 2020, is hereby incorporated by reference.
4.59†	Indenture, dated as of September 17, 2020, by and among Spirit IP Cayman Ltd., Spirit Loyalty Cayman Ltd., the guarantors named therein and Wilmington Trust, National Association, as trustee and collateral custodian, governing the 8.00% Senior Secured Notes due 2025, filed as Exhibit 4.1 to the Company's Form 8-K dated September 11, 2020, is hereby incorporated by reference.
4.60	Form of 8.00% Senior Secured Notes due 2025 filed as Exhibit A to Exhibit 4.59 hereto.
4.61	Form of Warrant to Purchase Common Stock dated July 31, 2020, filed as Exhibit 4.6 to the Company's Form 8-K dated September 30, 2020, is hereby incorporated by reference.
4.62	Form of Warrant to Purchase Common Stock dated October 2, 2020, filed as Exhibit 4.1 to the Company's Form 8-K dated October 2, 2020, is hereby incorporated by reference.
4.63	Brief Description of all Securities Registered under Section 12 of the Exchange Act.
4.64	Warrant Agreement, dated as of January 15, 2021, between the Company and the United States Department of the Treasury
10.1	Airbus A320 NEO Family Purchase Agreement, dated as of December 20, 2019, between Airbus S.A.S. and Spirit Airlines ,Inc., filed as Exhibit 10.1 to the Company's Form 10-K dated February 5, 2020, is hereby incorporated by reference.
10.2+	General Release, dated January 14, 2014, between Spirit Airlines, Inc. and Ben Baldanza, filed as Exhibit 10.1 to the Company's Form 10-K dated February 20, 2014, is hereby incorporated by reference.
10.3+	Offer Letter, dated September 7, 2013, between Spirit Airlines, Inc. and John Bendoraitis, filed as Exhibit 10.3 to the Company's Form 10-K dated February 20, 2014, is hereby incorporated by reference.
10.4†	Amended and Restated V2500 General Terms of Sale, dated as of October 1, 2013, by and between Spirit Airlines, Inc. and IAE International Aero Engines AG, as supplemented by Side Letter No. 1 dated as of October 1, 2013, filed as Exhibit 10.1 to the Company's Form 10-Q/A dated February 20, 2014, is hereby incorporated by reference.
10.5†	Amended and Restated Fleet Hour Agreement, dated as of October 1, 2013, by and between Spirit Airlines, Inc. and IAE International Aero Engines AG, as supplemented by Side Letter No. 1 dated as of October 1, 2013, filed as Exhibit 10.2 to the Company's Form 10-Q/A dated February 20, 2014, is hereby incorporated by reference.
10.6†	V2500 General Terms of Sale, dated as of October 1, 2013, by and between Spirit Airlines, Inc. and IAE International Aero Engines AG, as supplemented by Side Letter No. 1 dated as of October 1, 2013 and Side Letter No. 2 dated as of October 1, 2013, filed as Exhibit 10.3 to the Company's Form 10-Q/A dated February 20, 2014, is hereby incorporated by reference.
10.7†	Fleet Hour Agreement, dated of as October 1, 2013, by and between Spirit Airlines, Inc. and IAE International Aero Engines AG, as supplemented by Side Letter No. 1 dated as of October 1, 2013, filed as Exhibit 10.4 to the Company's Form 10-Q/A dated February 20, 2014, is hereby incorporated by reference.
10.8†	PurePower PW1100G Engine Purchase Support Agreement, dated as of October 1, 2013, by and between the Company and United Technologies Corporation, acting through its Pratt & Whitney Division, filed as Exhibit 10.5 to the Company's Form 10-Q dated October 30, 2013, is hereby incorporated by reference.

10.9†	Hosted Services Agreement, dated as of February 28, 2007, between Spirit Airlines, Inc. and Navitaire Inc., as amended by Amendment No. 1 dated as of October 23, 2007, Amendment No. 2 dated as of May 15, 2008, Amendment No. 3 dated as of November 21, 2008, Amendment No. 4 dated as of August 17, 2009 and Amendment No. 5 dated November 4, 2009, filed as Exhibit 10.3 to the Company's Amendment No. 4 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.
10.10†	Signatory Agreement, dated as of May 21, 2009, between Spirit Airlines, Inc. and U.S. Bank National Association, as amended by First Amendment dated January 18, 2010, filed as Exhibit 10.4 to the Company's Amendment No. 4 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.
10.11†	Terms and Conditions for Worldwide Acceptance of the American Express Card by Airlines, dated September 4, 1998, between Spirit Airlines, Inc. and American Express Travel Related Services Company, Inc., as amended January 1, 2003 and August 28, 2003, filed as Exhibit 10.6 to the Company's Amendment No. 4 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.
10.12	Tax Receivable Agreement, dated as of June 1, 2011 between Spirit Airlines, Inc., Indigo Pacific Partners LLC, and OCM FIE, LLC, filed as Exhibit 10.12 to the Company's Form S-1 Registration Statement (No. 333-178336), is hereby incorporated by reference.
10.13†	Lease, dated as of June 17, 1999, between Sunbeam Development Corporation and Spirit Airlines, Inc., as amended by Lease Modification and Contraction Agreement dated as of May 7, 2009, filed as Exhibit 10.13 to the Company's Amendment No. 4 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.
10.14†	Lease Modification and Extension Agreement, dated as of September 26th, 2013, between Sunbeam Development Corporation and Spirit Airlines, Inc., filed as Exhibit 10.14 to the Company's Form 10-K dated February 20, 2014, is hereby incorporated by reference.
10.15†	Lease, dated as of September 26th, 2013, between Sunbeam Development Corporation and Spirit Airlines, Inc., filed as Exhibit 10.15 to the Company's Form 10-K dated February 20, 2014, is hereby incorporated by reference.
10.16	Airline-Airport Lease and Use Agreement, dated as of August 17, 1999, between Broward County and Spirit Airlines, Inc., as supplemented by Addendum dated August 17, 1999, filed as Exhibit 10.14 to the Company's Amendment No. 3 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.

10.17†	Airbus A320 Family Purchase Agreement, dated as of May 5, 2004, between AVSA, S.A.R.L. and Spirit Airlines, Inc.; as amended by Amendment No. 1 dated as of December 21, 2004, Amendment No. 2 dated as of April 15, 2005, Amendment No. 3 dated as of June 30, 2005, Amendment No. 4 dated as of October 27, 2006 (as amended by Letter Agreement No. 1, dated as of October 27, 2006, to Amendment No. 4 and Letter Agreement No. 2, dated as of October 27, 2006, to Amendment No. 4), Amendment No. 5 dated as of March 5, 2007, Amendment No. 6 dated as of March 27, 2007, Amendment No. 7 dated as of June 26, 2007 (as amended by Letter Agreement No. 1, dated as of June 26, 2007, to Amendment No. 7), Amendment No. 8 dated as of February 4, 2008, Amendment No. 9 dated as of June 24, 2008 (as amended by Letter Agreement No. 1, dated as of June 24, 2008, to Amendment No. 9) and Amendment No. 10 dated July 17, 2009 (as amended by Letter Agreement No. 1, dated as of July 17, 2009, to Amendment No. 10), and as supplemented by Letter Agreement No. 1 dated as of May 5, 2004, Letter Agreement No. 2 dated as of May 5, 2004, Letter Agreement No. 3 dated as of May 5, 2004, Letter Agreement No. 4 dated as of May 5, 2004, Letter Agreement No. 5 dated as of May 5, 2004, Letter Agreement No. 6 dated as of May 5, 2004, Letter Agreement No. 7 dated as of May 5, 2004, Letter Agreement No. 8 dated as of May 5, 2004, Letter Agreement No. 9 dated as of May 5, 2004, Letter Agreement No. 10 dated as of May 5, 2004 and Letter Agreement No. 11 dated as of May 5, 2004, all filed as Exhibit 10.15 to the Company's Amendment No. 4 to Form S-1 Registration Statement (No. 333-169474); as further amended by Amendment No. 11 dated as of December 29, 2011 (as amended by Letter Agreement No. 1 dated as of December 29, 2011, Letter Agreement No. 2 dated as of December 29, 2011, Letter Agreement No. 3 dated as of December 29, 2011, Letter Agreement No. 4 dated as of December 29, 2011, Letter Agreement No. 5 dated as of December 29, 2011, Letter Agreement No. 6 dated as of December 29, 2011, Letter Agreement No. 7 dated as of December 29, 2011 and Letter Agreement No. 8 dated as of December 29, 2011) all filed as Exhibit 10.1 to the Company's Form 8-K dated January 5, 2012; Amendment No. 12, dated as of June 29, 2012, filed as Exhibit 10.1 to the Company's Form 10-Q dated July 26, 2013; Amendment No. 13, dated as of January 10, 2013, filed as Exhibit 10.2 to the Company's Form 10-Q dated July 26, 2013; and Amendment No. 14, dated as of June 20, 2013, filed as Exhibit 10.3 to the Company's Form 10-Q dated July 26, 2013; and Amendment No. 15 dated as of November 21, 2013, filed as Exhibit 10.1 to the Company's Form 10-Q dated July 29, 2016; Amendment No. 16 dated as of December 17, 2013, filed as Exhibit 10.2 to the Company's Form 10-Q dated July 29, 2016; Amendment No. 17 dated as of March 11, 2014, filed as Exhibit 10.3 to the Company's Form 10-Q dated July 29, 2016; Amendment No. 18 dated as of July 31, 2014, filed as Exhibit 10.4 to the Company's Form 10-Q dated July 29, 2016; Amendment No. 19 dated as of August 21, 2015, filed as Exhibit 10.5 to the Company's Form 10-Q dated July 29, 2016; and Amendment No. 20 dated as of April 27, 2016, filed as Exhibit 10.6 to the Company's Form 10-Q dated July 29, 2016 is hereby incorporated by reference.
10.18+	Spirit Airlines, Inc. Executive Severance Plan, filed as Exhibit 10.16 to the Company's Amendment No. 3 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.
10.19+	Amended and Restated Spirit Airlines, Inc. 2005 Stock Incentive Plan and related documents, filed as Exhibit 10.17 to the Company's Amendment No. 3 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.
10.20+	Spirit Airlines, Inc. 2011 Equity Incentive Award Plan, filed as Exhibit 10.2 to the Company's Form S-8 Registration Statement (No. 333-174812), is hereby incorporated by reference.
10.21+	Offer Letter, dated September 10, 2007, between Spirit Airlines, Inc. and Thomas Canfield, filed as Exhibit 10.22 to the Company's Amendment No. 3 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.
10.22	Form of Indemnification Agreement between Spirit Airlines, Inc. and its directors and executive officers, filed as Exhibit 10.24 to the Company's Amendment No. 3 to Form S-1 Registration Statement (No. 333-169474), is hereby incorporated by reference.
10.23+	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the Spirit Airlines, Inc. 2011 Equity Incentive Award Plan, filed as Exhibit 10.4 to the Company's Form S-8 Registration Statement (No. 333-174812), is hereby incorporated by reference.
10.24†	Addendum and Amendment to the Agreement Governing Acceptance of the American Express Card by Airlines, dated as of June 24, 2011, by and between Spirit Airlines, Inc. and American Express Travel Related Services Company, Inc., filed as Exhibit 10.1 to the Company's Form 10-Q dated July 28, 2011, is hereby incorporated by reference.
10.25†	Second Amendment to Signatory Agreement, effective as of September 6, 2011, by and between the Company and U.S. Bank, National Association, filed as Exhibit 10.1 to the Company's Form 10-Q/A dated December 22, 2011, is hereby incorporated by reference.
10.26+	Letter Agreement, dated January 16, 2012, by and between Spirit Airlines, Inc. and Jim Lynde, filed as Exhibit 10.27 to the Company's Form 10-K dated February 20, 2014, is hereby incorporated by reference.

10.27+	Separation and Transition Agreement with Tony Lefebvre, dated April 29, 2013, filed as Exhibit 10.4 to the Company's Form 10-Q dated July 26, 2013, is hereby incorporated by reference.
10.28	Framework Agreement, dated as of October 1, 2014 by and between Spirit Airlines, Inc., BNP Paribas, New York Branch, Landesbank Hessen-Thuringen Girozentrale, Natixis, New York Branch, KfW IPEX-Bank GmbH, Investec Bank PLC and Wilmington Trust Company, filed as Exhibit 10.1 to the Company's Form 10-Q dated October 28, 2014, is hereby incorporated by reference.
10.29	Form of Performance Share Award Grant Notice and Performance Share Award Agreement for awards under the Spirit Airlines, Inc. 2015 Incentive Award Plan, filed as Exhibit 10.2 to the Company's Form 10-Q dated July 24, 2015, is hereby incorporated by reference.
10.30	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement for awards under the Spirit Airlines, Inc. 2015 Incentive Award Plan, filed as Exhibit 10.3 to the Company's Form 10-Q dated July 24, 2015, is hereby incorporated by reference.
10.31	Form of Annual Cash Award Grant Notice and Annual Cash Award Agreement for awards under the Spirit Airlines, Inc. 2015 Incentive Award Plan, filed as Exhibit 10.4 to the Company's Form 10-Q dated July 24, 2015, is hereby incorporated by reference.
10.32	Non-Employee Director Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement for awards under the Spirit Airlines, Inc. 2015 Incentive Award Plan, filed as Exhibit 10.5 to the Company's Form 10-Q dated July 24, 2015, is hereby incorporated by reference.
10.33	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement for awards under the Spirit Airlines, Inc. 2011 Equity Incentive Award Plan, filed as Exhibit 10.6 to the Company's Form 10-Q dated July 24, 2015, is hereby incorporated by reference.
10.34+	Robert L. Fornaro Employment Agreement, filed as Exhibit 10.35 to the Company's Form 10-K dated February 17, 2016, is hereby incorporated by reference.
10.35+	B. Ben Baldanza Separation Agreement, filed as Exhibit 10.36 to the Company's Form 10-K dated February 17, 2016, is hereby incorporated by reference.
10.36	Spirit Airlines, Inc. 2017 Executive Severance Plan, filed as Exhibit 10.1 to the Company's Form 8-K dated August 22, 2017, is hereby incorporated by reference.
10.37	Form of Performance Award Grant Notice and Performance Award Agreement under the Spirit Airlines, Inc. 2015 Equity Incentive Award Plan, filed as Exhibit 10.41 to the Company's Form 10-K dated February 13, 2018, is hereby incorporated by reference.
10.38	Form of Severance and Release Agreement, filed as Exhibit 10.42 to the Company's Form 10-K dated February 13, 2018, is hereby incorporated by reference.
10.39	Aircraft Sale Agreement, dated as of March 28, 2018, among Spirit Airlines, Inc. as Buyer and Wilmington Trust Company (acting not in its individual capacity, but solely as owner trustee under each Trust Agreement) as Sellers and AerCap Global Aviation Trust as Owner Participant; Aircraft Make and Model: 14 used Airbus model A319-100; Aircraft Manufacturer's Serial Numbers: 2433, 2470, 2473, 2485, 2490, 2673, 2679, 2704, 2711, 2978, 3007, 3017, 3026 and 3165; Make and Model of Engines: International Aero Engines AG (IAE) model V2524-A5, filed as Exhibit 10.1 to the Company's Form 10-Q dated April 26, 2018, is hereby incorporated by reference.
10.40+	Letter Agreement, effective January 1, 2018, by and between Spirit Airlines, Inc. and Edward M. Christie III, filed as Exhibit 10.2 to the Company's Form 10-Q dated April 26, 2018, is hereby incorporated by reference.
10.41	Amendment No. 26 to Navitaire Hosted Services Agreement, effective as of February 1, 2018, by and between Navitaire LLC and Spirit Airlines, Inc., filed as Exhibit 10.3 to the Company's Form 10-Q dated April 26, 2018, is hereby incorporated by reference.

10.42	Amendment No. 26 to Navitaire Hosted Services Agreement, effective as of February 1, 2018, by and between Navitaire LLC and Spirit Airlines, Inc., filed as Exhibit 10.3 to the Company's Form 10-Q dated June 12, 2018, is hereby incorporated by reference.
10.43+	Rocky B. Wiggins Offer Letter, filed as Exhibit 10.1 to the Company's Form 10-Q dated October 24, 2018, is hereby incorporated by reference.
10.44+	Scott M. Haralson Offer Letter, filed as Exhibit 10.2 to the Company's Form 10-Q dated October 24, 2018, is hereby incorporated by reference.
10.45+	Edward M. Christie Employment Agreement Amendment, filed as Exhibit 10.1 to the Company's Form 10-K dated February 13. 2019, is hereby incorporated by reference.
10.46+	Robert L. Fornaro Employment Agreement Amendment , filed as Exhibit 10.2 to the Company's Form 10-K dated February 13, 2019, is hereby incorporate by reference.
10.47	Credit and Guaranty Agreement, dated as of March 30, 2020, between Citibank, N.A, as Administrative Agent and Wilmington Trust, National Association, as Collateral Agent, filed as Exhibit 10.1 to the Company's Form 10-Q dated May 6, 2020, is hereby incorporated by reference.
10.48	Payroll Support Program Agreement, dated April 20, 2020, between the Company and the United States Department of the Treasury, filed as Exhibit 10.2 to the Company's Form 10-Q dated May 6, 2020, is hereby incorporated by reference.
10.49	Promissory Note, dated April 20, 2020, issued by the Company in the name of the United States Department of the Treasury, filed as Exhibit 10.3 to the Company's Form 10-Q dated May 6, 2020, is hereby incorporated by reference.
10.50+	Matt Klein Offer Letter, filed as Exhibit 10.4 to the Company's Form 10-Q dated May 6, 2020, is hereby incorporated by reference.
10.51†	Amendment No. 1, dated as of June 24, 2020, to the A320 NEO Family Purchase Agreement, by and between Airbus S.A.S. and Spirit Airlines, Inc., dated as of December 20, 2019, together with the amended and restated Letter Agreement No. 8, dated as of December 20, 2019, filed as Exhibit 10.1 to the Company's Form 10-Q dated July 22, 2020, is hereby incorporated by reference.
10.52†	Amendment No. 26, dated as of June 24, 2020, to the Airbus A320 Family Purchase Agreement, by and between the Company and Airbus S.A.S. (legal successor to AVSA S.A.R.L.), dated May 5, 2004, filed as Exhibit 10.2 to the Company's Form 10-Q dated July 22, 2020, is hereby incorporated by reference.
10.53	Payroll Support Program Agreement, dated January 15, 2021, between the Company and the United States Department of the Treasury.
10.54	Promissory Note, dated January 15, 2021, issued by the Company in the name of the United States Department of the Treasury.
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

† Confidential treatment granted for certain portions of this Exhibit pursuant to Rule 406 under the Securities Act or Rule 24b-2 under the Exchange Act, which portions are omitted and filed separately with the Securities and Exchange Commission.

+ Indicates a management contract or compensatory plan or arrangement.

* Exhibits 32.1 is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act or the Exchange Act, except as otherwise specifically stated in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPIRIT AIRLINES, INC.

Date: February 10, 2021

By: **/s/ Scott M. Haralson**

Scott M. Haralson

Senior Vice President and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Edward Christie, Scott Haralson and Thomas Canfield, and each of them, their true and lawful attorneys-in-fact, each with full power of substitution, for them in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated

Signature	Title	Date
/s/ Edward M. Christie Edward M. Christie	President, Chief Executive Officer and Director (Principal Executive Officer)	February 10, 2021
/s/ Scott M. Haralson Scott M. Haralson	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	February 10, 2021
/s/ Brian J. McMenamy Brian J. McMenamy	Vice President, Controller (Principal Accounting Officer)	February 10, 2021
/s/ H. McIntyre Gardner H. McIntyre Gardner	Director (Chairman of the Board)	February 10, 2021
/s/ Carlton D. Donaway Carlton D. Donaway	Director	February 10, 2021
/s/ Mark B. Dunkerley Mark B. Dunkerley	Director	February 10, 2021
/s/ Robert D. Johnson Robert D. Johnson	Director	February 10, 2021
/s/ Barclay G. Jones Barclay G. Jones	Director	February 10, 2021
/s/ Christine P. Richards Christine P. Richards	Director	February 10, 2021
/s/ Myrna M. Soto Myrna M. Soto	Director	February 10, 2021
/s/ Dawn M. Zier Dawn M. Zier	Director	February 10, 2021

Exhibit 4.63

DESCRIPTION OF CAPITAL STOCK

General

As of February 3, 2021, there were 99,556,646 shares of our voting common stock issued, 97,783,282 shares of our voting common stock outstanding and no shares of our non-voting common stock issued and outstanding.

Our amended and restated certificate of incorporation authorizes us to issue up to 240,000,000 shares of voting common stock, $0.0001 par value per share, 50,000,000 shares of non-voting common stock, $0.0001 par value per share, and 10,000,000 shares of preferred stock, $0.0001 par value per share. All of our issued and outstanding shares of common stock and preferred stock, if any, are duly authorized, validly issued, fully paid and non-assessable. Our shares of voting common stock and non-voting common stock are not redeemable and do not have preemptive rights.

The remaining shares of authorized and unissued capital stock are available for future issuance, subject to our amended and restated certificate of incorporation, amended and restated bylaws and applicable law, including any regulations governing the exchange on which our shares of capital stock are then listed. While the additional shares are not designed to deter or prevent a change of control, under some circumstances we could use the additional shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing those shares in private placements to purchasers who might side with our board of directors in opposing a hostile takeover bid.

The following description of our capital stock and provisions of our amended and restated certificate of incorporation and amended and restated bylaws summarize the material terms and provisions of our capital stock. Such descriptions are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws, copies of which have been filed with the Securities and Exchange Commission (“SEC”).

Voting Common Stock

Dividend Rights. Holders of our voting common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds ratably with shares of our non-voting common stock, subject to preferences that may be applicable to any then outstanding preferred stock and limitations under the Delaware General Corporation Law.

Voting Rights. Each holder of our voting common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our stockholders do not have cumulative voting rights in the election of directors. Accordingly,

holders of a majority of the voting shares are able to elect all of the directors properly up for election at any given stockholders' meeting.

Liquidation. In the event of our liquidation, dissolution or winding up, holders of our voting common stock will be entitled to share ratably with shares of our non-voting common stock in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

Rights and Preferences. Other than under the Rights Agreement (as defined below) holders of our voting common stock have no preemptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to our voting common stock. The rights, preferences and privileges of the holders of our voting common stock are subject to and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

Non-Voting Common Stock

Dividend Rights. Holders of our non-voting common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds ratably with shares of our voting common stock, subject to preferences that may be applicable to any then outstanding preferred stock and limitations under the Delaware General Corporation Law.

Voting Rights. Shares of our non-voting common stock are not entitled to vote on any matters submitted to a vote of the stockholders, including the election of directors, except to the extent required under the Delaware General Corporation Law.

Conversion Rights. Shares of our non-voting common stock are convertible on a share-for-share basis into voting common stock at the election of the holder. Please see "—Limited Voting by Foreign Owners."

Liquidation. In the event of our liquidation, dissolution or winding up, holders of our non-voting common stock will be entitled to share ratably with shares of our voting common stock in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

Rights and Preferences. Other than under the Rights Agreement, holders of our non-voting common stock have no preemptive, subscription or other rights, and there are no redemption or sinking fund provisions applicable to our non-voting common stock. The rights, preferences and privileges of the holders of our non-voting common stock are subject to and may be adversely

affected by, the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

Shareholder Rights Agreement

We adopted a Rights Agreement, dated March 29, 2020, between Spirit and Equiniti Trust Company, as Rights Agent (the "Rights Agreement"), pursuant to which each holder of a share of our common stock received a dividend of one preferred stock purchase right (a "Right"). The Rights will initially trade with, and will be inseparable from, our common stock, and the registered holders of our common stock will be deemed to be the registered holders of the Rights. Issuances of new shares of our common stock after April 9, 2020, the date the dividend was paid, but before the Distribution Date (as defined below), will be accompanied by new Rights. The Rights will not be exercisable until after the Distribution Date. After the Distribution Date, each Right will be exercisable to purchase, for $60.00 (the "Purchase Price"), one one-thousandth of a share of our Series A Participating Cumulative Preferred Stock, par value $0.0001 per share (the "Preferred Stock"). This portion of a share of Preferred Stock will give the holder approximately the same dividend, voting or liquidation rights as would one share of our common stock. Prior to exercise, Rights holders in their capacity as such have no rights as a stockholder of Spirit, including the right to vote and to receive dividends. Prior to the Distribution Date, the Rights will be evidenced by the certificates for (or by the book entry account that evidences record ownership of) our common stock. After the Distribution Date, Equiniti Trust Company will mail separate certificates evidencing the Rights to each record holder of our common stock as of the close of business on the Distribution Date, and thereafter the Rights will be transferable separately from our common stock.

Our board of directors may redeem all of the Rights at a price of $0.001 per Right at any time before any person has become an Acquiring Person. If our board of directors redeems any Rights, it must redeem all of the Rights. At any time before any person has become an Acquiring Person, the Rights Agreement may be amended in any respect. After such time, the Rights Agreement may be amended (i) to cure any ambiguity, (ii) to correct any defective or inconsistent provision, or (iii) in any respect that does not adversely affect Rights holders (other than any Acquiring Person, its affiliates and associates). The Rights will expire on March 29, 2021, unless earlier exercised, exchanged, amended or redeemed.

The "Distribution Date" generally means the earlier of: the close of business on the 10th business day after the date of the first public announcement that a person or any of its affiliates and associates has become an "Acquiring Person," as defined below; and the close of business on the 10th business day (or such later day as may be designated by the board of directors before any person has become an Acquiring Person) after the date of the commencement of a tender or exchange offer by any person which would, if consummated, result in such person becoming an Acquiring Person. An "Acquiring Person" generally means any person who or which, together

with all affiliates and associates of such person obtains beneficial ownership of 10% or more of shares of our common stock, with certain exceptions, including that an Acquiring Person does not include us, any of our subsidiaries, any employee benefit plan of Spirit or any of our subsidiaries, any entity or trustee holding our common stock for or pursuant to the terms of any such plan or for the purpose of funding any such plan or other benefits for our employees or of any of our subsidiaries or any passive investor. A passive investor generally means any person beneficially owning shares of our common stock without a plan or an intent to seek control of or influence us.

The above summary of the Rights Agreement does not purport to be complete. The description of the terms of the Rights are set forth in the Rights Agreement, a copy of which has been filed with the SEC.

The Rights Agreement may make it difficult to remove our board of directors and management and may discourage or delay "change of control" transactions, which could adversely affect the price of our common stock.

Preferred Stock

Under our amended and restated certificate of incorporation, our board of directors has the authority, without further action by our stockholders, to issue up to 10,000,000 shares of preferred stock, par value $0.0001 per share, in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. Our issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control of our company or other corporate action.

Our board of directors authorized a series of preferred stock designated as Series A Participating Cumulative Preferred Stock, par value $0.0001 per share (the "Preferred Stock") in connection with the issuance of the Rights, as noted above. We are authorized to issue up to 240,000 shares of Preferred Stock. Holders of the Preferred Stock will be entitled to quarterly dividend payments of $0.01 per share, or an amount equal to 1,000 times the dividend paid on one share of our common stock, whichever is greater. Holders of the Preferred Stock will have the same voting rights per share as 1,000 shares of our common stock, and will vote as a single class with our common stock except as described in the Certificate of Designations of Series A Participating Cumulative Preferred Stock.

Holders of the Preferred Stock will be entitled upon our liquidation, dissolution or winding up to the amount of accrued and unpaid dividends and distributions plus either $1.00 per share or an amount equal to 1,000 times the payment made on one share of our common stock, whichever is greater. The Preferred Stock is not subject to redemption. As of February 3, 2021, no shares of Preferred Stock were outstanding.

Anti-Takeover Provisions of Our Certificate of Incorporation and Bylaws

Our amended and restated certificate of incorporation provides for our board of directors to be divided into three classes, with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the shares of voting common stock outstanding will be able to elect all of our directors up for election at any given stockholders' meeting. At any given stockholders' meeting for the election of directors at which a quorum is present, a plurality of the votes cast shall be sufficient to elect a director up for election. Except as otherwise required by applicable law or the rights and preferences of any then-outstanding preferred stock, our amended and restated certificate of incorporation and amended and restated bylaws provide that a director may be removed from the board of directors with cause by a majority vote of the shares of voting common stock outstanding, but vacancies may only be filled by the board of directors. Our amended and restated certificate of incorporation and amended and restated bylaws provide that all stockholder action must be effected at a duly called meeting of stockholders and not by a consent in writing, and that only our corporate secretary, upon the direction of our board of directors, or the Chairman of the Board may call a special meeting of stockholders. Our amended and restated bylaws also establish advance notice procedures with regard to all stockholder proposals to be brought before meetings of our stockholders, including proposals for the nomination of candidates for election as directors, all of which must be brought in a timely manner. Timely, for purposes of our amended and restated bylaws, generally means delivery of notice to us not less than 90 days nor more than 120 days prior to the first anniversary of the prior year's annual meeting date.

Our amended and restated certificate of incorporation and amended and restated bylaws requires a 66 2/3% stockholder vote for the amendment, repeal or modification of certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws including, among other things, relating to the classification of our board of directors, the requirement that stockholder actions be effected at a duly called meeting, and the designated parties entitled to call a special meeting of the stockholders. The combination of the classification of our board of directors, the lack of cumulative voting and the 66 2/3% stockholder voting requirements make it more difficult for our stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these

provisions could also make it more difficult for stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in our management.

Section 203 of the Delaware General Corporation Law. We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Limited Voting by Foreign Owners

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our amended and restated certificate of incorporation and amended and restated bylaws restrict voting of shares of our capital stock by non-U.S. citizens. The restrictions imposed by federal law currently require that no more than 25% of our voting stock be voted, directly or indirectly, by persons who are not U.S. citizens, and that our president and at least two-thirds of the members of our board of directors and senior management be U.S. citizens. Our amended and restated bylaws provide that no shares of our capital stock may be voted by or at the direction of non-U.S. citizens unless such shares are registered on a separate stock record, which we refer to as the foreign stock record. Our amended and restated bylaws further provide that no shares of our capital stock will be registered on the foreign stock record if the amount so registered would exceed the foreign ownership restrictions imposed by federal law.

Delaware as Sole and Exclusive Forum

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of us, (b) any action asserting a claim of breach of a fiduciary duty

owed by any of our directors or officers to us or our stockholders, (c) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law or our amended and restated certificate of incorporation or amended and restated bylaws or (d) any action asserting a claim against us governed by the internal affairs doctrine. As a result, any action brought by any of our stockholders with regard to any of these matters will need to be filed in the Court of Chancery of the State of Delaware and cannot be filed in any other jurisdiction.

Limitations of Liability and Indemnification

Our amended and restated certificate of incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation provides that we may indemnify our directors and officers, in each case to the fullest extent permitted by the Delaware General Corporation Law. Our amended and restated bylaws also provide that we are obligated to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law and advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and they permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of the Delaware General Corporation Law. We have entered into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these limitation of liability provisions and indemnification agreements are necessary to attract and retain

qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation, amended and restated bylaws and indemnification agreements may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty.

Our amended and restated certificate of incorporation provides that any such lawsuit must be brought in the Court of Chancery of the State of Delaware. However, because the applicability of the exclusive forum provision is limited to the extent permitted by applicable law, we do not intend for the exclusive forum provision to apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, and acknowledge that federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act. We note that there is uncertainty as to whether a court would enforce the provision as it applies to the Securities Act and that stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. The foregoing provisions may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders.

Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. At present, there is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

Market Listing

Our common stock is listed and traded on the New York Stock Exchange under the symbol "SAVE."

Exhibit 4.64
Execution Version

WARRANT AGREEMENT

TABLE OF CONTENTS

LIST OF ANNEXES

INDEX OF DEFINED TERMS

WARRANT AGREEMENT dated as of January 15, 2021 (this "Agreement"), between SPIRIT AIRLINES, INC., a corporation organized under the laws of Delaware (the "Company") and the UNITED STATES DEPARTMENT OF THE TREASURY ("Treasury").

WHEREAS, the Company has requested that Treasury provide financial assistance to the Recipient (as defined in the PSP2 Agreement) that shall exclusively be used for the continuation of payment of employee wages, salaries, and benefits as is permissible under Section 402(a) of Title IV of Division N of the Consolidated Appropriations Act, 2021 (December 27, 2020), as the same may be amended from time to time, and Treasury is willing to do so on the terms and conditions set forth in that certain Payroll Support Program Extension Agreement dated as of January 15, 2021, between Spirit Airlines, Inc. and Treasury (the "PSP2 Agreement"); and

WHEREAS, as appropriate compensation to the Federal Government of the United States of America for the provision of financial assistance under the PSP2 Agreement, Spirit Airlines, Inc. has agreed to issue a note to be repaid to Treasury on the terms and conditions set forth in the promissory note dated as of January 15, 2021, issued by Spirit Airlines, Inc., in the name of Treasury as the holder (the "Promissory Note") and agreed to issue in a private placement warrants to purchase the number of shares of its Common Stock determined in accordance with Schedule 1 to this Agreement (the "Warrants") to Treasury;

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

Article I
Closing

1.1 Issuance.

(a) On the terms and subject to the conditions set forth in this Agreement, the Company agrees to issue to Treasury, on each Warrant Closing Date, Warrants for a number of shares of Common Stock determined by the formula set forth in Schedule 1.

1.2 Initial Closing; Warrant Closing Date.

(a) On the terms and subject to the conditions set forth in this Agreement, the closing of the initial issuance of the Warrants (the "Initial Closing") will take place on the Closing Date (as defined in the Promissory Note) or, if on the Closing Date the principal amount of the Promissory Note is $0, the first date on which such principal amount is increased. After the Initial Closing, the closing of any subsequent issuance will take place on the date of each increase, if any, of the principal amount of the Promissory Note (each subsequent closing, together with the Initial Closing, a "Closing" and each such date a "Warrant Closing Date").

(b) On each Warrant Closing Date, the Company will issue to Treasury a duly executed Warrant or Warrants for a number of shares of Common Stock determined by the formula set forth in Schedule 1, as evidenced by one or more certificates dated the Warrant Closing Date and bearing appropriate legends as hereinafter provided for and in substantially the form attached hereto as Annex B.

(c) On each Warrant Closing Date, the Company shall deliver to Treasury (i) a written opinion from counsel to the Company (which may be internal counsel) addressed to Treasury and dated as of such Warrant Closing Date, in substantially the form attached hereto as Annex A and (ii) a certificate executed by the chief executive officer, president, executive vice president, chief financial officer, principal accounting officer, treasurer or controller confirming that the representations and warranties of the Company in this Agreement are true and correct with the same force and effect as though expressly made at and as of such Warrant Closing Date and the Company has complied with all agreements on its part to be performed or satisfied hereunder at or prior to such Closing.

(d) On the initial Warrant Closing Date, the Company shall deliver to Treasury (i) such customary certificates of resolutions or other action, incumbency certificates and/or other certificates of the chief executive officer, president, executive vice president, chief financial officer, principal accounting officer, treasurer or controller as Treasury may require evidencing the identity, authority and capacity of each such officer thereof authorized to act as such officer in connection with this Agreement and (ii) customary resolutions or evidence of corporate authorization, secretary's certificates and such other documents and certificates (including Organizational Documents and good standing certificates) as Treasury may reasonably request relating to the organization, existence and good standing of the Company and any other legal matters relating to the Company, this Agreement, the Warrants or the transactions contemplated hereby or thereby.

1.3 Interpretation.

(a) When a reference is made in this Agreement to “Recitals,” “Articles,” “Sections,” or “Annexes” such reference shall be to a Recital, Article or Section of, or Annex to, this Warrant Agreement, unless otherwise indicated. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to “herein”, “hereof”, “hereunder” and the like refer to this Agreement as a whole and not to any particular section or provision, unless the context requires otherwise. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed followed by the words “without limitation.” No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. All references to “$” or “dollars” mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section.

(b) Capitalized terms not defined herein have the meanings ascribed thereto in Annex B.

Article II
Representations and Warranties

2.1 Representations and Warranties of the Company. The Company represents and warrants to Treasury that as of the date hereof and each Warrant Closing Date (or such other date specified herein):

(a) Existence, Qualification and Power. The Company is duly organized or formed, validly existing and, if applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, and the Company and each Subsidiary (a) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the this Agreement and the Warrants, and (b) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, except, in each case referred to in clause (a)(i) or (b), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) Capitalization. The authorized capital stock of the Company, and the outstanding capital stock of the Company (including securities convertible into, or exercisable or exchangeable for, capital stock of the Company) as of the most recent fiscal month-end preceding the date hereof (the "Capitalization Date") is set forth in Schedule 2. The outstanding shares of capital stock of the Company have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights). Except as provided in the Warrants, as of the date hereof, the Company does not have outstanding any securities or other obligations providing the holder the right to acquire Common Stock that is not reserved for issuance as specified on Schedule 2, and the Company has not made any other commitment to authorize, issue or sell any Common Stock. Since the Capitalization Date, the Company has not issued any shares of Common Stock, other than (i) shares issued upon the exercise of stock options or delivered under other equity-based awards or other convertible securities or warrants which were issued and outstanding on the Capitalization Date and disclosed on Schedule 2 and (ii) shares disclosed on Schedule 2 as it may be updated by written notice from the Company to Treasury in connection with each Warrant Closing Date.

(c) Listing. The Common Stock has been registered pursuant to Section 12(b) of the Exchange Act and the shares of the Common Stock outstanding on the date hereof are listed on a national securities exchange. The Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or the listing of the Common Stock on such national securities exchange, nor has the Company received any notification that the Securities and Exchange Commission (the "SEC") or such exchange is contemplating terminating such registration or listing. The Company is in compliance with applicable continued listing requirements of such exchange in all material respects.

(d) Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company of this Agreement, except for such approvals, consents, exemptions, authorizations, actions or notices that have been duly obtained, taken or made and are in full force and effect.

(e) Execution and Delivery; Binding Effect. This Agreement has been duly authorized, executed and delivered by the Company. This Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other Laws affecting creditors' rights generally and by general principles of equity.

(f) The Warrants and Warrant Shares. Each Warrant has been duly authorized and, when executed and delivered as contemplated hereby, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other Laws affecting creditors' rights generally and by general principles of equity. The Warrant Shares have been duly authorized and reserved for issuance upon exercise of the Warrants and when so issued in accordance with the terms of the Warrants will be validly issued, fully paid and non-assessable, subject, if applicable, to the approvals of its stockholders set forth on Schedule 3.

(g) Authorization, Enforceability.

(i) The Company has the corporate power and authority to execute and deliver this Agreement and the Warrants and, subject, if applicable, to the approvals of its stockholders set forth on Schedule 3, to carry out its obligations hereunder and thereunder (which includes the issuance of the Warrants and Warrant Shares). The execution, delivery and performance by the Company of this Agreement and the Warrants and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate or other organizational action on the part of the Company and its stockholders, and no further approval or authorization is required on the part of the Company, subject, in each case, if applicable, to the approvals of its stockholders set forth on Schedule 3.

(ii) The execution, delivery and performance by the Company of this Agreement do not and will not (a) contravene the terms of its Organizational Documents, (b) conflict with or result in any breach or contravention of, or the creation of any Lien (as defined in the Promissory Note) under, or require any payment to be made under (i) any material Contractual Obligation to which the Company is a party or affecting the Company or the properties of the Company or any Subsidiary or (ii) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which the Company or any Subsidiary or its property is subject or (c) violate any Law, except to

the extent that such violation could not reasonably be expected to have a Material Adverse Effect.

(iii) Other than any current report on Form 8-K required to be filed with the SEC (which shall be made on or before the date on which it is required to be filed), such filings and approvals as are required to be made or obtained under any state "blue sky" laws, the filing of any proxy statement contemplated by Section 3.1 and such filings and approvals as have been made or obtained, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any Governmental Authority is required to be made or obtained by the Company in connection with the execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the issuance of the Warrants except for any such notices, filings, exemptions, reviews, authorizations, consents and approvals the failure of which to make or obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(h) Anti-takeover Provisions and Rights Plan. The Board of Directors of the Company (the "Board of Directors") has taken all necessary action, and will in the future take any necessary action, to ensure that the transactions contemplated by this Agreement and the Warrants and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrants in accordance with their terms, will be exempt from any anti-takeover or similar provisions of the Company's Organizational Documents, and any other provisions of any applicable "moratorium", "control share", "fair price", "interested stockholder" or other anti-takeover laws and regulations of any jurisdiction, whether existing on the date hereof or implemented after the date hereof. The Company has taken all actions necessary, and will in the future take any necessary action, to render any stockholders' rights plan of the Company inapplicable to this Agreement and the Warrants and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrants by Treasury in accordance with its terms.

(i) Reports.

(i) Since December 31, 2017, the Company and each Subsidiary has timely filed all reports, registrations, documents, filings, statements and submissions, together with any amendments thereto, that it was required to file with any Governmental Authority (the foregoing, collectively, the "Company Reports") and has paid all fees and assessments due and payable in connection therewith, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As of their respective dates of filing, the Company Reports complied in all material respects with all statutes and applicable rules and regulations of the applicable Governmental Authority. In the case of each such Company Report filed with or furnished to the SEC, such Company Report (A) did not, as of its date or if amended prior to the date hereof, as of the date of such amendment, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (B) complied as to form in all material respects with the applicable requirements of

the Securities Act and the Exchange Act. With respect to all other Company Reports, the Company Reports were complete and accurate in all material respects as of their respective dates. No executive officer of the Company or any Subsidiary has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act of 2002.

(ii) The Company (A) has implemented and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to ensure that material information relating to the Company, including its Subsidiaries, is made known to the chief executive officer and the chief financial officer of the Company by others within those entities, and (B) has disclosed, based on its most recent evaluation prior to the date hereof, to the Company's outside auditors and the audit committee of the Board of Directors (x) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(j) Offering of Securities. Neither the Company nor any person acting on its behalf has taken any action (including any offering of any securities of the Company under circumstances which would require the integration of such offering with the offering of any of the Warrants under the Securities Act, and the rules and regulations of the Securities and Exchange Commission (the "SEC") promulgated thereunder), which might subject the offering, issuance or sale of any of the Warrants to Treasury pursuant to this Agreement to the registration requirements of the Securities Act.

(k) Brokers and Finders. No broker, finder or investment banker is entitled to any financial advisory, brokerage, finder's or other fee or commission in connection with this Agreement or the Warrants or the transactions contemplated hereby or thereby based upon arrangements made by or on behalf of the Company or any Subsidiary for which Treasury could have any liability.

Article III
Covenants

3.1 Commercially Reasonable Efforts.

(a) Subject to the terms and conditions of this Agreement, each of the parties will use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, to enable consummation of the transactions contemplated hereby and shall use commercially reasonable efforts to cooperate with the other party to that end.

(b) If the Company is required to obtain any stockholder approvals set forth on Schedule 3, then the Company shall comply with this Section 3.1(b) and Section 3.1(c). The

Company shall call a special meeting of its stockholders, as promptly as practicable following the Initial Closing, to vote on proposals (collectively, the "Stockholder Proposals") to (i) approve the exercise of the Warrants for Common Stock for purposes of the rules of the national securities exchange on which the Common Stock is listed and/or (ii) amend the Company's Organizational Documents to increase the number of authorized shares of Common Stock to at least such number as shall be sufficient to permit the full exercise of the Warrants for Common Stock and comply with the other provisions of this Section 3.1(b) and Section 3.1(c). The Board of Directors shall recommend to the Company's stockholders that such stockholders vote in favor of the Stockholder Proposals. In connection with such meeting, the Company shall prepare (and Treasury will reasonably cooperate with the Company to prepare) and file with the SEC as promptly as practicable (but in no event more than ten Business Days after the Initial Closing) a preliminary proxy statement, shall use its reasonable best efforts to respond to any comments of the SEC or its staff thereon and to cause a definitive proxy statement related to such stockholders' meeting to be mailed to the Company's stockholders not more than five Business Days after clearance thereof by the SEC, and shall use its reasonable best efforts to solicit proxies for such stockholder approval of the Stockholder Proposals. The Company shall notify Treasury promptly of the receipt of any comments from the SEC or its staff with respect to the proxy statement and of any request by the SEC or its staff for amendments or supplements to such proxy statement or for additional information and will supply Treasury with copies of all correspondence between the Company or any of its representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to such proxy statement. If at any time prior to such stockholders' meeting there shall occur any event that is required to be set forth in an amendment or supplement to the proxy statement, the Company shall as promptly as practicable prepare and mail to its stockholders such an amendment or supplement. Each of Treasury and the Company agrees promptly to correct any information provided by it or on its behalf for use in the proxy statement if and to the extent that such information shall have become false or misleading in any material respect, and the Company shall as promptly as practicable prepare and mail to its stockholders an amendment or supplement to correct such information to the extent required by applicable laws and regulations. The Company shall consult with Treasury prior to filing any proxy statement, or any amendment or supplement thereto, and provide Treasury with a reasonable opportunity to comment thereon. In the event that the approval of any of the Stockholder Proposals is not obtained at such special stockholders meeting, the Company shall include a proposal to approve (and the Board of Directors shall recommend approval of) each such proposal at a meeting of its stockholders no less than once in each subsequent six-month period beginning on March 31, 2021 until all such approvals are obtained or made.

(c) None of the information supplied by the Company or any of the Company Subsidiaries for inclusion in any proxy statement in connection with any such stockholders meeting of the Company will, at the date it is filed with the SEC, when first mailed to the Company's stockholders and at the time of any stockholders meeting, and at the time of any amendment or supplement thereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

3.2 Expenses. The Company shall pay (i) all reasonable out-of-pocket expenses incurred by Treasury (including the reasonable fees, charges and disbursements of any counsel

for Treasury) in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the Warrants, any other agreements or documents executed in connection herewith or therewith, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by Treasury (including the fees, charges and disbursements of any counsel for Treasury), in connection with the enforcement or protection of its rights in connection with this Agreement and the Warrants, any other agreements or documents executed in connected herewith or therewith, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including all such out-of-pocket expenses incurred during any workout, restructuring, negotiations or enforcement in respect of such Warrant Agreement, Warrant and other agreements or documents executed in connection herewith or therewith.

3.3 Sufficiency of Authorized Common Stock; Exchange Listing.

During the period from each Warrant Closing Date (or, if the approval of the Stockholder Proposals is required, the date of such approval) until the date on which no Warrants remain outstanding, the Company shall at all times have reserved for issuance, free of preemptive or similar rights, a sufficient number of authorized and unissued Warrant Shares to effectuate such exercise. Nothing in this Section 3.3 shall preclude the Company from satisfying its obligations in respect of the exercise of the Warrants by delivery of shares of Common Stock which are held in the treasury of the Company. As soon as reasonably practicable following each Warrant Closing Date, the Company shall, at its expense, cause the Warrant Shares to be listed on the same national securities exchange on which the Common Stock is listed, subject to official notice of issuance, and shall maintain such listing for so long as any Common Stock is listed on such exchange. The Company will use commercially reasonable efforts to maintain the listing of Common Stock on such national securities exchange so long as any Warrants or Warrant Shares remain outstanding. Neither the Company nor any of its Subsidiaries shall take any action which would be reasonably expected to result in the delisting or suspension of the Common Stock on such exchange. The foregoing shall not preclude the Company from undertaking any transaction set forth in Section 4.3 subject to compliance with that provision.

Article IV
Additional Agreements

4.1 Investment Purposes. Treasury acknowledges that the Warrants and the Warrant Shares have not been registered under the Securities Act or under any state securities laws. Treasury (a) is acquiring the Warrants pursuant to an exemption from registration under the Securities Act solely for investment without a view to sell and with no present intention to distribute them to any person in violation of the Securities Act or any applicable U.S. state securities laws; (b) will not sell or otherwise dispose of any of the Warrants or the Warrant Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable U.S. state securities laws; and (c) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of

evaluating the merits and risks of the Warrants and the Warrant Shares and of making an informed investment decision.

4.2 Legends.

(a) Treasury agrees that all certificates or other instruments representing the Warrants and the Warrant Shares will bear a legend substantially to the following effect:

"THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS."

(b) In the event that any Warrants or Warrant Shares (i) become registered under the Securities Act or (ii) are eligible to be transferred without restriction in accordance with Rule 144 or another exemption from registration under the Securities Act (other than Rule 144A), the Company shall issue new certificates or other instruments representing such Warrants or Warrant Shares, which shall not contain the legend in Section 4.2(a) above; *provided* that Treasury surrenders to the Company the previously issued certificates or other instruments.

4.3 Certain Transactions. The Company will not merge or consolidate with, or sell, transfer or lease all or substantially all of its property or assets to, any other party unless the successor, transferee or lessee party (or its ultimate parent entity), as the case may be (if not the Company), expressly assumes the due and punctual performance and observance of each and every covenant, agreement and condition of this Agreement and the Warrants to be performed and observed by the Company.

4.4 Transfer of Warrants and Warrant Shares. Subject to compliance with applicable securities laws, Treasury shall be permitted to transfer, sell, assign or otherwise dispose of ("Transfer") all or a portion of the Warrants or Warrant Shares at any time, and the Company shall take all steps as may be reasonably requested by Treasury to facilitate the Transfer of the Warrants and the Warrant Shares.

4.5 Registration Rights.

(a) Registration.

(i) Subject to the terms and conditions of this Agreement, the Company covenants and agrees that on or before the earlier of (A) 30 days after the date on which all Warrants that may be issued pursuant to this Agreement have been issued and (B) March 31, 2021 (the end of such period, the "Registration Commencement Date"), the Company shall prepare and file with the SEC a Shelf Registration Statement covering the maximum number of Registrable Securities (or otherwise designate an existing Shelf Registration Statement filed with the SEC to cover the Registrable Securities) that may be

issued pursuant to this Agreement and any Warrants outstanding at that time, and, to the extent the Shelf Registration Statement has not theretofore been declared effective or is not automatically effective upon such filing, the Company shall use reasonable best efforts to cause such Shelf Registration Statement to be declared or become effective and to keep such Shelf Registration Statement continuously effective and in compliance with the Securities Act and usable for resale of such Registrable Securities for a period from the date of its initial effectiveness until such time as there are no Registrable Securities remaining (including by refiling such Shelf Registration Statement (or a new Shelf Registration Statement) if the initial Shelf Registration Statement expires). So long as the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities Act) at the time of filing of the Shelf Registration Statement with the SEC, such Shelf Registration Statement shall be designated by the Company as an automatic Shelf Registration Statement. Notwithstanding the foregoing, if on the date hereof the Company is not eligible to file a registration statement on Form S-3, then the Company shall not be obligated to file a Shelf Registration Statement unless and until it is so eligible and is requested to do so in writing by Treasury.

(ii) Any registration pursuant to Section 4.5(a)(i) shall be effected by means of a shelf registration on an appropriate form under Rule 415 under the Securities Act (a "Shelf Registration Statement"). If Treasury or any other Holder intends to distribute any Registrable Securities by means of an underwritten offering it shall promptly so advise the Company and the Company shall take all reasonable steps to facilitate such distribution, including the actions required pursuant to Section 4.5(c); *provided* that the Company shall not be required to facilitate an underwritten offering of Registrable Securities unless the total number of Warrant Shares and Warrants expected to be sold in such offering exceeds, or are exercisable for, at least 20% of the total number of Warrant Shares for which Warrants issued under this Agreement could be exercised (giving effect to the anti-dilution adjustments in Warrants); and *provided*, *further* that the Company shall not be required to facilitate more than two completed underwritten offerings within any 12-month period. The lead underwriters in any such distribution shall be selected by the Holders of a majority of the Registrable Securities to be distributed.

(iii) The Company shall not be required to effect a registration (including a resale of Registrable Securities from an effective Shelf Registration Statement) or an underwritten offering pursuant to Section 4.5(a): (A) prior to the Registration Commencement Date; (B) with respect to securities that are not Registrable Securities; or (C) if the Company has notified Treasury and all other Holders that in the good faith judgment of the Board of Directors, it would be materially detrimental to the Company or its securityholders for such registration or underwritten offering to be effected at such time, in which event the Company shall have the right to defer such registration or offering for a period of not more than 45 days after receipt of the request of Treasury or any other Holder; *provided* that such right to delay a registration or underwritten offering shall be exercised by the Company (1) only if the Company has generally exercised (or is concurrently exercising) similar black-out rights against holders of similar securities that have registration rights and (2) not more than three times in any 12-month period and not more than 90 days in the aggregate in any 12-month period. The Company shall notify

the Holders of the date of any anticipated termination of any such deferral period prior to such date.

(iv) If during any period when an effective Shelf Registration Statement is not available, the Company proposes to register any of its equity securities, other than a registration pursuant to Section 4.5(a)(i) or a Special Registration, and the registration form to be filed may be used for the registration or qualification for distribution of Registrable Securities, the Company will give prompt written notice to Treasury and all other Holders of its intention to effect such a registration (but in no event less than ten days prior to the anticipated filing date) and will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten Business Days after the date of the Company's notice (a "Piggyback Registration"). Any such person that has made such a written request may withdraw its Registrable Securities from such Piggyback Registration by giving written notice to the Company and the managing underwriter, if any, on or before the fifth Business Day prior to the planned effective date of such Piggyback Registration. The Company may terminate or withdraw any registration under this Section 4.5(a)(iv) prior to the effectiveness of such registration, whether or not Treasury or any other Holders have elected to include Registrable Securities in such registration.

(v) If the registration referred to in Section 4.5(a)(iv) is proposed to be underwritten, the Company will so advise Treasury and all other Holders as a part of the written notice given pursuant to Section 4.5(a)(iv). In such event, the right of Treasury and all other Holders to registration pursuant to Section 4.5(a) will be conditioned upon such persons' participation in such underwriting and the inclusion of such person's Registrable Securities in the underwriting if such securities are of the same class of securities as the securities to be offered in the underwritten offering, and each such person will (together with the Company and the other persons distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company; *provided* that Treasury (as opposed to other Holders) shall not be required to indemnify any person in connection with any registration. If any participating person disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the managing underwriters and Treasury (if Treasury is participating in the underwriting).

(vi) If either (x) the Company grants "piggyback" registration rights to one or more third parties to include their securities in an underwritten offering under the Shelf Registration Statement pursuant to Section 4.5(a)(ii) or (y) a Piggyback Registration under Section 4.5(a)(iv) relates to an underwritten offering on behalf of the Company, and in either case the managing underwriters advise the Company that in their reasonable opinion the number of securities requested to be included in such offering exceeds the number which can be sold without adversely affecting the marketability of such offering (including an adverse effect on the per share offering price), the Company will include in such offering only such number of securities that in the reasonable opinion of such managing underwriters can be sold without adversely affecting the marketability of the

offering (including an adverse effect on the per share offering price), which securities will be so included in the following order of priority: (A) first, in the case of a Piggyback Registration under Section 4.5(a)(iv), the securities the Company proposes to sell, (B) then the Registrable Securities of Treasury and all other Holders who have requested inclusion of Registrable Securities pursuant to Section 4.5(a)(ii) or Section 4.5(a)(iv), as applicable, *pro rata* on the basis of the aggregate number of such securities or shares owned by each such person and (C) lastly, any other securities of the Company that have been requested to be so included, subject to the terms of this Agreement; *provided, however,* that if the Company has, prior to the date hereof, entered into an agreement with respect to its securities that is inconsistent with the order of priority contemplated hereby then it shall apply the order of priority in such conflicting agreement to the extent that this Agreement would otherwise result in a breach under such agreement.

(b) Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance hereunder shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder shall be borne by the holders of the securities so registered *pro rata* on the basis of the aggregate offering or sale price of the securities so registered.

(c) Obligations of the Company. The Company shall use its reasonable best efforts, for so long as there are Registrable Securities outstanding, to take such actions as are under its control to not become an ineligible issuer (as defined in Rule 405 under the Securities Act) and to remain a well-known seasoned issuer (as defined in Rule 405 under the Securities Act) if it has such status on the date hereof or becomes eligible for such status in the future. In addition, whenever required to effect the registration of any Registrable Securities or facilitate the distribution of Registrable Securities pursuant to an effective Shelf Registration Statement, the Company shall, as expeditiously as reasonably practicable:

(i) Prepare and file with the SEC a prospectus supplement with respect to a proposed offering of Registrable Securities pursuant to an effective registration statement, subject to Section 4.5(d), keep such registration statement effective and keep such prospectus supplement current until the securities described therein are no longer Registrable Securities. The plan of distribution included in such registration statement, or, as applicable, prospectus supplement thereto, shall include, among other things, an underwritten offering, ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers, block trades, privately negotiated transactions, the writing or settlement of options or other derivative transactions and any other method permitted pursuant to applicable law, and any combination of any such methods of sale.

(ii) Prepare and file with the SEC such amendments and supplements to the applicable registration statement and the prospectus or prospectus supplement used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(iii) Furnish to the Holders and any underwriters such number of copies of the applicable registration statement and each such amendment and supplement thereto (including in each case all exhibits) and of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned or to be distributed by them.

(iv) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders or any managing underwriter(s), to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action which may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such Holder; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Notify each Holder of Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the applicable prospectus, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

(vi) Give written notice to the Holders:

(A) when any registration statement filed pursuant to Section 4.5(a) or any amendment thereto has been filed with the SEC (except for any amendment effected by the filing of a document with the SEC pursuant to the Exchange Act) and when such registration statement or any post-effective amendment thereto has become effective;

(B) of any request by the SEC for amendments or supplements to any registration statement or the prospectus included therein or for additional information;

(C) of the issuance by the SEC of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose;

(D) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Common Stock for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(E) of the happening of any event that requires the Company to make changes in any effective registration statement or the prospectus related to the

registration statement in order to make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made); and

(F) if at any time the representations and warranties of the Company contained in any underwriting agreement contemplated by Section 4.5(c)(x) cease to be true and correct.

(vii) Use its reasonable best efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any registration statement referred to in Section 4.5(c)(vi)(C) at the earliest practicable time.

(viii) Upon the occurrence of any event contemplated by Section 4.5(c)(v), 4.5(c)(vi)(E) or 4.5(d), promptly prepare a post-effective amendment to such registration statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to the Holders and any underwriters, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with Section 4.5(c)(vi)(E) to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Holders and any underwriters shall suspend use of such prospectus and use their reasonable best efforts to return to the Company all copies of such prospectus (at the Company's expense) other than permanent file copies then in such Holders' or underwriters' possession. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days. The Company shall notify the Holders of the date of any anticipated termination of any such suspension period prior to such date.

(ix) Use reasonable best efforts to procure the cooperation of the Company's transfer agent in settling any offering or sale of Registrable Securities, including with respect to the transfer of physical stock certificates into book-entry form in accordance with any procedures reasonably requested by the Holders or any managing underwriter(s).

(x) If an underwritten offering is requested pursuant to Section 4.5(a)(ii), enter into an underwriting agreement in customary form, scope and substance and take all such other actions reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith or by the managing underwriter(s), if any, to expedite or facilitate the underwritten disposition of such Registrable Securities, and in connection therewith in any underwritten offering (including making members of management and executives of the Company available to participate in "road shows", similar sales events and other marketing activities), (A) make such representations and warranties to the Holders that are selling stockholders and the managing underwriter(s), if any, with respect to the business of the Company and its subsidiaries, and the Shelf Registration Statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in customary form, substance and scope,

and, if true, confirm the same if and when requested, (B) use its reasonable best efforts to furnish the underwriters with opinions and "10b-5" letters of counsel to the Company, addressed to the managing underwriter(s), if any, covering the matters customarily covered in such opinions and letters requested in underwritten offerings, (C) use its reasonable best efforts to obtain "cold comfort" letters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any business acquired by the Company for which financial statements and financial data are included in the Shelf Registration Statement) who have certified the financial statements included in such Shelf Registration Statement, addressed to each of the managing underwriter(s), if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters, (D) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures customary in underwritten offerings (provided that Treasury shall not be obligated to provide any indemnity), and (E) deliver such documents and certificates as may be reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith, their counsel and the managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to clause (A) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

(xi) Make available for inspection by a representative of Holders that are selling stockholders, the managing underwriter(s), if any, and any attorneys or accountants retained by such Holders or managing underwriter(s), at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Company, and cause the officers, directors and employees of the Company to supply all information in each case reasonably requested (and of the type customarily provided in connection with due diligence conducted in connection with a registered public offering of securities) by any such representative, managing underwriter(s), attorney or accountant in connection with such Shelf Registration Statement.

(xii) Use reasonable best efforts to cause all such Registrable Securities to be listed on each national securities exchange on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then listed on any national securities exchange, use its reasonable best efforts to cause all such Registrable Securities to be listed on such securities exchange as Treasury may designate.

(xiii) If requested by Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith, or the managing underwriter(s), if any, promptly include in a prospectus supplement or amendment such information as the Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith or managing underwriter(s), if any, may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or such amendment as soon as practicable after the Company has received such request.

(xiv) Timely provide to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(d) Suspension of Sales. Upon receipt of written notice from the Company that a registration statement, prospectus or prospectus supplement contains or may contain an untrue statement of a material fact or omits or may omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that circumstances exist that make inadvisable use of such registration statement, prospectus or prospectus supplement, Treasury and each Holder of Registrable Securities shall forthwith discontinue disposition of Registrable Securities until Treasury and/or Holder has received copies of a supplemented or amended prospectus or prospectus supplement, or until Treasury and/or such Holder is advised in writing by the Company that the use of the prospectus and, if applicable, prospectus supplement may be resumed, and, if so directed by the Company, Treasury and/or such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in Treasury and/or such Holder's possession, of the prospectus and, if applicable, prospectus supplement covering such Registrable Securities current at the time of receipt of such notice. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days. The Company shall notify Treasury prior to the anticipated termination of any such suspension period of the date of such anticipated termination

(e) Termination of Registration Rights. A Holder's registration rights as to any securities held by such Holder shall not be available unless such securities are Registrable Securities.

(f) Furnishing Information.

(i) Neither Treasury nor any Holder shall use any free writing prospectus (as defined in Rule 405) in connection with the sale of Registrable Securities without the prior written consent of the Company.

(ii) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 4.5(c) that Treasury and/or the selling Holders and the underwriters, if any, shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registered offering of their Registrable Securities.

(g) Indemnification.

(i) The Company agrees to indemnify each Holder and, if a Holder is a person other than an individual, such Holder's officers, directors, employees, agents, representatives and Affiliates, and each Person, if any, that controls a Holder within the meaning of the Securities Act (each, an "Indemnitee"), against any and all losses, claims, damages, actions, liabilities, costs and expenses (including reasonable fees, expenses and disbursements of attorneys and other professionals incurred in connection with investigating, defending, settling, compromising or paying any such losses, claims, damages, actions, liabilities, costs and expenses), joint or several, arising out of or based

upon any untrue statement or alleged untrue statement of material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto or any documents incorporated therein by reference or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto); or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, that the Company shall not be liable to such Indemnitee in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon (A) an untrue statement or omission made in such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto), in reliance upon and in conformity with information regarding such Indemnitee or its plan of distribution or ownership interests which was furnished in writing to the Company by such Indemnitee for use in connection with such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto, or (B) offers or sales effected by or on behalf of such Indemnitee "by means of" (as defined in Rule 159A) a "free writing prospectus" (as defined in Rule 405) that was not authorized in writing by the Company.

(ii) If the indemnification provided for in Section 4.5(g)(i) is unavailable to an Indemnitee with respect to any losses, claims, damages, actions, liabilities, costs or expenses referred to therein or is insufficient to hold the Indemnitee harmless as contemplated therein, then the Company, in lieu of indemnifying such Indemnitee, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages, actions, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the Indemnitee, on the one hand, and the Company, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, actions, liabilities, costs or expenses as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnitee, on the other hand, shall be determined by reference to, among other factors, whether the untrue statement of a material fact or omission to state a material fact relates to information supplied by the Company or by the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; the Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 4.5(g)(ii) were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 4.5(g)(i). No Indemnitee guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from the Company if the Company was not guilty of such fraudulent misrepresentation.

(h) Assignment of Registration Rights. The rights of Treasury to registration of Registrable Securities pursuant to Section 4.5(a) may be assigned by Treasury to a transferee or assignee of Registrable Securities in connection with a transfer of a total number of Warrant Shares and/or Warrants exercisable for at least 20% of the total number of Warrant Shares for which Warrants issued and to be issued under this Agreement could be exercised (giving effect to the anti-dilution adjustments in Warrants); *provided*, *however*, the transferor shall, within ten days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the number and type of Registrable Securities that are being assigned.

(i) Clear Market. With respect to any underwritten offering of Registrable Securities by Treasury or other Holders pursuant to this Section 4.5, the Company agrees not to effect (other than pursuant to such registration or pursuant to a Special Registration) any public sale or distribution, or to file any Shelf Registration Statement (other than such registration or a Special Registration) covering, in the case of an underwritten offering of Common Stock or Warrants, any of its equity securities, or, in each case, any securities convertible into or exchangeable or exercisable for such securities, during the period not to exceed 30 days following the effective date of such offering. The Company also agrees to cause such of its directors and senior executive officers to execute and deliver customary lock-up agreements in such form and for such time period up to 30 days as may be requested by the managing underwriter. "Special Registration" means the registration of (A) equity securities and/or options or other rights in respect thereof solely registered on Form S-4 or Form S-8 (or successor form) or (B) shares of equity securities and/or options or other rights in respect thereof to be offered to directors, members of management, employees, consultants, customers, lenders or vendors of the Company or Company Subsidiaries or in connection with dividend reinvestment plans.

(j) Rule 144; Rule 144A. With a view to making available to Treasury and Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(i) make and keep adequate public information available, as those terms are understood and defined in Rule 144(c)(1) or any similar or analogous rule promulgated under the Securities Act, at all times after the date hereof;

(ii) (A) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act, and (B) if at any time the Company is not required to file such reports, make available, upon the request of any Holder, such information necessary to permit sales pursuant to Rule 144A (including the information required by Rule 144A(d)(4) under the Securities Act);

(iii) so long as Treasury or a Holder owns any Registrable Securities, furnish to Treasury or such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act, and of the Exchange Act; a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as Treasury or Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such

securities to the public without registration; *provided*, *however*, that the availability of the foregoing reports on the EDGAR filing system of the SEC will be deemed to satisfy the foregoing delivery requirements; and

(iv) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act.

(k) As used in this Section 4.5, the following terms shall have the following respective meanings:

(i) "Holder" means Treasury and any other holder of Registrable Securities to whom the registration rights conferred by this Agreement have been transferred in compliance with Section 4.5(h) hereof.

(ii) "Register," "registered," and "registration" shall refer to a registration effected by preparing and (A) filing a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of effectiveness of such registration statement or (B) filing a prospectus and/or prospectus supplement in respect of an appropriate effective registration statement on Form S-3.

(iii) "Registrable Securities" means (A) the Warrants (subject to Section 4.5(p)) and (B) any equity securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clause (A) by way of conversion, exercise or exchange thereof, including the Warrant Shares, or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other reorganization, *provided* that, once issued, such securities will not be Registrable Securities when (1) they are sold pursuant to an effective registration statement under the Securities Act, (2) except as provided below in Section 4.5(o), they may be sold pursuant to Rule 144 without limitation thereunder on volume or manner of sale, (3) they shall have ceased to be outstanding or (4) they have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned to the transferee of the securities. No Registrable Securities may be registered under more than one registration statement at any one time.

(iv) "Registration Expenses" mean all expenses incurred by the Company in effecting any registration pursuant to this Agreement (whether or not any registration or prospectus becomes effective or final) or otherwise complying with its obligations under this Section 4.5, including all registration, filing and listing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, expenses incurred in connection with any "road show", the reasonable fees and disbursements of Treasury's counsel (if Treasury is participating in the registered offering), and expenses of the Company's independent accountants in connection with any regular or special reviews or audits incident to or required by any such registration, but shall not include Selling Expenses.

(v) "Rule 144", "Rule 144A", "Rule 159A", "Rule 405" and "Rule 415" mean, in each case, such rule promulgated under the Securities Act (or any successor provision), as the same shall be amended from time to time.

(vi) "Selling Expenses" mean all discounts, selling commissions and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for any Holder (other than the fees and disbursements of Treasury's counsel included in Registration Expenses).

(l) At any time, any holder of Securities (including any Holder) may elect to forfeit its rights set forth in this Section 4.5 from that date forward; *provided*, that a Holder forfeiting such rights shall nonetheless be entitled to participate under Section 4.5(a)(iv) – (vi) in any Pending Underwritten Offering to the same extent that such Holder would have been entitled to if the holder had not withdrawn; and *provided*, *further*, that no such forfeiture shall terminate a Holder's rights or obligations under Section 4.5(f) with respect to any prior registration or Pending Underwritten Offering. "*Pending Underwritten Offering"* means, with respect to any Holder forfeiting its rights pursuant to this Section 4.5(l), any underwritten offering of Registrable Securities in which such Holder has advised the Company of its intent to register its Registrable Securities either pursuant to Section 4.5(a)(ii) or 4.5(a)(iv) prior to the date of such Holder's forfeiture.

(m) Specific Performance. The parties hereto acknowledge that there would be no adequate remedy at law if the Company fails to perform any of its obligations under this Section 4.5 and that Treasury and the Holders from time to time may be irreparably harmed by any such failure, and accordingly agree that Treasury and such Holders, in addition to any other remedy to which they may be entitled at law or in equity, to the fullest extent permitted and enforceable under applicable law shall be entitled to compel specific performance of the obligations of the Company under this Section 4.5 in accordance with the terms and conditions of this Section 4.5.

(n) No Inconsistent Agreements. The Company shall not, on or after the date hereof, enter into any agreement with respect to its securities that may impair the rights granted to Treasury and the Holders under this Section 4.5 or that otherwise conflicts with the provisions hereof in any manner that may impair the rights granted to Treasury and the Holders under this Section 4.5. In the event the Company has, prior to the date hereof, entered into any agreement with respect to its securities that is inconsistent with the rights granted to Treasury and the Holders under this Section 4.5 (including agreements that are inconsistent with the order of priority contemplated by Section 4.5(a)(vi)) or that may otherwise conflict with the provisions hereof, the Company shall use its reasonable best efforts to amend such agreements to ensure they are consistent with the provisions of this Section 4.5. Any transaction entered into by the Company that would reasonably be expected to require the inclusion in a Shelf Registration Statement or any Company Report filed with the SEC of any separate financial statements pursuant to Rule 3-05 of Regulation S-X or pro forma financial statements pursuant to Article 11 of Regulation S-X shall include provisions requiring the Company's counterparty to provide any information necessary to allow the Company to comply with its obligation hereunder.

(o) Certain Offerings by Treasury. In the case of any securities held by Treasury that cease to be Registrable Securities solely by reason of clause (2) in the definition of "Registrable Securities," the provisions of Sections 4.5(a)(ii), clauses (iv), (ix) and (x)-(xii) of Section 4.5(c), Section 4.5(g) and Section 4.5(i) shall continue to apply until such securities otherwise cease to be Registrable Securities. In any such case, an "underwritten" offering or other disposition shall include any distribution of such securities on behalf of Treasury by one or more broker-dealers, an "underwriting agreement" shall include any purchase agreement entered into by such broker-dealers, and any "registration statement" or "prospectus" shall include any offering document approved by the Company and used in connection with such distribution.

(p) Registered Sales of the Warrants. The Holders agree to sell the Warrants or any portion thereof under the Shelf Registration Statement only beginning 30 days after notifying the Company of any such sale, during which 30-day period Treasury and all Holders of the Warrants shall take reasonable steps to agree to revisions to the Warrants, at the expense of the Company, to permit a public distribution of the Warrants, including entering into a revised warrant agreement, appointing a warrant agent, and making the securities eligible for book entry clearing and settlement at the Depositary Trust Company.

4.6 Voting of Warrant Shares

. Notwithstanding anything in this Agreement to the contrary, Treasury shall not exercise any voting rights with respect to the Warrant Shares.

Article V
Miscellaneous

5.1 Survival of Representations and Warranties. The representations and warranties of the Company made herein or in any certificates delivered in connection with the Initial Closing or any subsequent Closing shall survive such Closing without limitation.

5.2 Amendment. No amendment of any provision of this Agreement will be effective unless made in writing and signed by an officer or a duly authorized representative of each party; *provided* that Treasury may unilaterally amend any provision of this Agreement to the extent required to comply with any changes after the date hereof in applicable federal statutes. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative of any rights or remedies provided by law.

5.3 Waiver of Conditions. No waiver will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

5.4 **Governing Law: Submission to Jurisdiction, Etc. This Agreement will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State.**

Each of the parties hereto agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all civil actions, suits or proceedings arising out of or relating to this Agreement or the Warrants or the transactions contemplated hereby or thereby, and (b) that notice may be served upon (i) the Company at the address and in the manner set forth for notices to the Company in Section 5.5 and (ii) Treasury in accordance with federal law. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to this Agreement or the Warrants or the transactions contemplated hereby or thereby.

5.5 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second Business Day following the date of dispatch if delivered by a recognized next day courier service. All notices to the Company shall be delivered as set forth below, or pursuant to such other instruction as may be designated in writing by the Company to Treasury. All notices to Treasury shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by Treasury to the Company.

If to the Company:

Legal Department
Spirit Airlines, Inc.
2800 Executive Way
Miramar, Florida 33025
Telephone: (202) 622-0283
Facsimile: (954) 447-7854
Email: legaldepartment@spirit.com

If to Treasury:

United States Department of the Treasury
1500 Pennsylvania Avenue, NW, Room 2312
Washington, D.C. 20220
Attention: Assistant General Counsel (Banking and Finance)

5.6 Definitions.

(a) The term "Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

(b) The term "Laws" has the meaning ascribed thereto in the Promissory Note.

(c) The term "Lien" has the meaning ascribed thereto in the Promissory Note.

(d) The term "Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect on, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Company and its Subsidiaries taken as a whole; or (b) a material adverse effect on (i) the ability of the Company to perform its obligations under this Agreement or any Warrant or (ii) the legality, validity, binding effect or enforceability against the Company of this Agreement or any Warrant to which it is a party.

(e) The term "Organizational Documents" has the meaning ascribed thereto in the Promissory Note.

(f) The term "Subsidiary" has the meaning ascribed thereto in the Promissory Note.

5.7 Assignment. Neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except (a) an assignment, in the case of a Business Combination where such party is not the surviving entity, or a sale of substantially all of its assets, to the entity which is the survivor of such Business Combination or the purchaser in such sale and (b) as provided in Section 4.5.

5.8 Severability. If any provision of this Agreement or the Warrants, or the application thereof to any person or circumstance, is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, will remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

5.9 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity other than the Company and Treasury any benefit, right or remedies, except that the provisions of Section 4.5 shall inure to the benefit of the persons referred to in that Section.

* * *

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE UNITED STATES DEPARTMENT OF THE TREASURY

By: /s/ Steven Mnuchin
Name: Steven Mnuchin
Title: Secretary

SPIRIT AIRLINES, INC.

By: /s/ Scott Haralson
Name: Scott Haralson
Title: Senior Vice President and Chief Financial Officer

Annex A

FORM OF OPINION

[SEE ATTACHED]

New York
Northern California
Washington DC
São Paulo
London
Paris
Madrid
Tokyo
Beijing
Hong Kong

Davis Polk

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017

212 450 4000 tel
212 701 5800 fax

January 15, 2021

To The United States Department of the Treasury, as Holder

Ladies and Gentlemen:

We have acted as special counsel for Spirit Airlines, Inc., a Delaware corporation (the "**Company**") in connection with (1) that certain Promissory Note dated as of the date hereof (the "**Note**") made by the Company in favor of the United States Department of the Treasury (the "**Treasury**") and (2) that certain Warrant Agreement dated as of the date hereof (the "**Warrant Agreement**") between the Company and the Treasury. This opinion is issued in connection with the January 15, 2021 disbursement to the Company pursuant to the PSP Agreement referred to below. Terms used (but not defined) herein have the meanings assigned to them in the Note or the Warrant Agreement, as the case may be.

We have reviewed executed copies of:

(a) the Payroll Support Program Extension Agreement dated as of the date hereof (the "**PSP Agreement**") between the Company and the Treasury relating to financial assistance being provided by the Treasury to the Company under Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021;

(b) the Note; and

(c) the Warrant Agreement and the form of warrant attached thereto (each, when executed and delivered, a "**Warrant**" and collectively, the "**Warrants**").

The PSP Agreement, the Note, the Warrant Agreement and the Warrants are sometimes hereinafter referred to, collectively, as the "**Documents**" and each a "**Document**".

We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records and certificates of public officials and officers or representatives of the Company and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion. In rendering the opinions expressed herein, we have, without independent inquiry or investigation, assumed that (i) all documents submitted to us as originals are authentic and complete, (ii) all documents submitted to us as copies conform to authentic, complete originals, (iii) all signatures on all documents that we reviewed are genuine, (iv) all natural persons executing documents had and have the legal capacity to do so, (v) all statements in certificates of public officials and officers or representatives of the Company that we reviewed were and are accurate and (vi) all representations made by the Company as to matters of fact in the documents that we reviewed were and are accurate. Without limitation of the foregoing, we have relied as to certain matters of fact upon the officer's certificate delivered to us and dated as of January 15, 2021.

Based on the foregoing, and subject to the additional assumptions and qualifications set forth below, we are of the opinion that:

1. The Company is validly existing as a corporation in good standing under the laws of the State of Delaware, and the Company has corporate power and authority to execute the Note, the Warrant Agreement and the Warrants and to perform its obligations thereunder, including the issuance of the Warrants and the Warrant Shares.

2. The execution, delivery and performance by the Company of the Note and the Warrant Agreement and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company and its stockholders, and no further corporate approval or authorization is required on the part of the Company.

3. The Note and the Warrant Agreement have been duly executed and delivered by the Company.

4. The execution and delivery by the Company of the Note, and the performance by the Company of the Note, (a) require no consent, approval, authorization, registration or qualification of or with any governmental body, agency or official under applicable United States federal or New York State law or the Delaware General Corporation Law and (b) do not on the date hereof contravene any provision of applicable United States federal or New York State statutory law, rule or regulation nor the Delaware General Corporation Law, in each case that in our experience is normally applicable to general business corporations in relation to transactions of the type contemplated by the Note.

5. The shares of Common Stock issuable upon exercise of the Warrants have been duly authorized and reserved for issuance upon exercise of the Warrants and when so issued in accordance with the terms of the Warrants will be validly issued, fully paid and non-assessable.

6. The Note constitutes a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

7. The Warrant Agreement is a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms. Each of the Warrants, when executed and delivered as contemplated by the Warrant Agreement, will constitute, a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

8. The Company is not required to register as an “investment company” under the Investment Company Act of 1940, as amended or the rules and regulations thereunder, and will not be required to register as such after application of the proceeds of the initial disbursement under the Note in accordance with the Note.

9. It is not necessary in connection with the offer, sale and delivery of the Note to the Treasury in the manner contemplated by the Note to register the Note under the Securities Act of 1933, as amended, or to qualify an indenture under the Trust Indenture Act of 1939, as amended, it being understood that no opinion is expressed as to any subsequent offer or resale of the Note.

10. No registration of the Warrants and the Common Stock issuable upon exercise of the Warrants under the U.S. Securities Act of 1933, as amended, is required for the offer and sale of the Warrants or the Common Stock issuable upon exercise of the Warrants by the Company to the Holder pursuant to and in the manner contemplated by the Warrant Agreement, it being understood that no opinion is expressed as to any subsequent offer or resale of the Warrants or such Common Stock.

The foregoing opinions are subject to the following assumptions and qualifications:

(a) Our opinion in paragraphs 6 and 7 above (i) are subject to (x) applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally (and the validity and the enforceability of indemnification provisions may be limited by federal or state laws or policies underlying such laws), and (y) equitable principles of general applicability and (ii) may be subject to possible judicial or regulatory actions giving effect to governmental actions or foreign laws affecting creditors' rights. In addition, to the extent that any provision of the Note, Warrants or Warrant Agreement is governed by and to be construed in accordance with the federal law of the United States, we have assumed that such law is the same in all relevant respects as the law of the State of New York applicable to similar contracts made and to be performed entirely within the State of New York.

(b) We express no opinion with respect to Section 4.5(g) of the Warrant Agreement or the severability provisions of the Warrant Agreement insofar as Section 4.5(g) is concerned.

(c) We express no opinion as to (i) the effect of fraudulent conveyance, fraudulent transfer or similar provisions of applicable law on the opinions expressed above or (ii) any provision of any Document that purports to avoid the effect of fraudulent conveyance, fraudulent transfer or similar provisions of applicable law by limiting the amount of the Company's obligations.

(d) We express no opinion as to any provision in any Document that purports to (i) indemnify (including through providing reimbursement to) any Person for its own gross negligence or willful misconduct or (ii) grant any Person a right to specific performance or to receive liquidated damages.

(e) We express no opinion as to any provision in any Document that purports to create rights of set-off in favor of participants or that provides for set-off to be made otherwise than in accordance with applicable laws.

(f) We express no opinion as to any provision in any Document that purports to waive objections to venue, claims that a particular jurisdiction is an inconvenient forum or the like.

(g) We express no opinion as to whether a United States federal court would have subject matter jurisdiction over a controversy arising under the Documents or as to whether a New York State or United States federal court would enforce the exclusivity of the jurisdiction of any New York State or United States federal court provided for in any Document.

(h) We express no opinion on the effectiveness of any service of process made other than in accordance with applicable law.

(i) We express no opinion as to any matters covering federal aviation law or any similar state or federal laws, rules or regulations.

(j) We express no opinion as to the effect (if any) of any law of any jurisdiction (except the State of New York) in which a Holder is located which may limit the rate of interest that such Holder may charge or collect.

(k) Except as expressly set forth in paragraphs 8, 9 and 10, we express no opinion as to the United States federal securities laws or any state securities laws.

(l) We have assumed, without independent verification, that the execution, delivery and performance by the Company of each Document do not contravene, or constitute a default

under, any law, rule or regulation (other than United States federal and New York State statutory laws, in each case that in our experience are normally applicable to general business corporations in relation to transactions of the type contemplated by the Documents) or any order, injunction, decree, agreement, contract or instrument to which it is a party or by which it is bound.

(m) In rendering the opinions set forth in paragraphs 9 and 10 above, we have assumed the accuracy of, and compliance with, the representations, warranties and covenants of the Company and the Treasury relating to the offer and sale of the Note and the Warrants, and the offer of the Common Stock issuable upon exercise of such Warrants.

(n) In rendering the opinion in paragraph 7 above, we have assumed that the execution, delivery and performance by the Company of the Warrants and the Warrant Agreement require no action by or in respect of, or filing with, any governmental body, agency or official not already specified in the Warrants and Warrant Agreement.

We have assumed, without any independent verification, that (i) the execution, delivery and performance by the Company of each Document do not require any consent, approval, authorization, registration or qualification of or with any governmental body, agency or official (with respect to the Note only, other than under New York State law) and (ii) the execution, delivery and performance by the Company of each Document do not contravene any law (with respect to the Note only, other than United States federal and New York State statutory law, in each case that in our experience are normally applicable to general business corporations in relation to transactions of the type contemplated by the Note) or any order, injunction, decree, agreement, contract or instrument to which it is a party or by which it or its property is bound.

The foregoing opinion is limited to the laws of the State of New York and the federal laws of the United States of America and, with respect to paragraphs 1, 2 and 4 above only, the Delaware General Corporation Law, except that we express no opinion as to any law, rule or regulation that is applicable to the Company, the Documents or the transactions contemplated thereby solely because such law, rule or regulation is part of a regulatory regime applicable to any party to any of the Documents or any of its affiliates due to the specific assets or business of such party or such affiliate.

This opinion is delivered to you in connection with the Note and the Warrant Agreement, including the Warrants contemplated by such agreement. This opinion may not be relied upon by you for any other purpose or relied upon by or delivered to any other person without our prior written consent except that this opinion may be furnished without our prior consent (1) to accountants and counsel for the Treasury and (2) pursuant to judicial or government order or legal requirements. The opinions expressed herein are, however, rendered on and as of the date hereof, and we assume no obligation to advise you or any such assignee or other person, or to make any investigations, as to any legal developments or factual matters arising subsequent to the date hereof that might affect the opinions expressed herein.

Very truly yours,

January 15, 2021

To the Addressee Listed on Schedule 1 Attached Hereto

Re: Spirit Airlines, Inc.

Payroll Support Program

Ladies and Gentlemen:

I am the General Counsel of Spirit Airlines, Inc., a corporation organized and existing under the laws of the State of Delaware (the "**Company**"), and I am furnishing this opinion to you in connection with the transactions contemplated by (1) that certain Promissory Note dated as of the date hereof (the "**Note**") made by the Company in favor of the United States Department of the Treasury (the "**Treasury**") and (2) that certain Warrant Agreement dated as of the date hereof (the "**Warrant Agreement**") between the Company and the Treasury. This opinion is issued in connection with the January 15, 2021 disbursement to the Company pursuant to the Payroll Support Program Extension Agreement dated as of the date hereof between the Company and the Treasury relating to the financial assistance being provided by the Treasury to the Company under Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021. Unless otherwise defined herein, capitalized terms used herein shall have the respective meanings ascribed to them in the Note or the Warrant Agreement, as the case may be.

For purposes of rendering this opinion, I have examined counterparts or copies of the Note and the Warrant Agreement, including associated exhibits, schedules and appendices thereto, including, without limitation, the form of Warrant attached as Annex B to the Warrant Agreement (each, when executed and delivered, a "**Warrant**", and collectively, the "**Warrants**"), and have examined and relied upon the representations and warranties as to factual matters contained therein or made pursuant thereto. I have also examined the Amended and Restated Certificate of Incorporation of the Company (the "**Certificate of Incorporation**"), the Amended and Restated By-Laws of the Company (the "**By-Laws**"), the resolutions approved by the Board of Directors of the Company by unanimous written consent on January 11, 2021, and such other documents, agreements, records and instruments, and such treaties, laws, rules, regulations, decrees and the like, as I have deemed necessary as a basis for the opinions hereinafter expressed.

In arriving at the opinions expressed below, I have assumed (A) the genuineness of all signatures; (B) the due authorization, execution and delivery by the parties thereto of the Note

and the Warrant Agreement (other than the Company); (C) the authenticity of all such documents submitted to me as originals; and (D) the conformity to the originals of all such documents submitted to me as copies.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, I am of the opinion that:

1. Neither the execution and delivery of the Note, the Warrant Agreement and the Warrants, nor the performance by the Company of its obligations under the Note, the Warrant Agreement and the Warrants, will (A) conflict with or violate (i) any judgment, injunction, decree or order known to me to be binding on the Company, (ii) any Generally Applicable Law (as defined below), or (iii) the Certificate of Incorporation or By-Laws; or (B) not result in a breach of any of the terms and provisions of, or result in a default under any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, lease, credit agreement or other agreement, in each case, governing Material Indebtedness to which the Company is a party.

2. The Company's execution, delivery and performance of the Note, the Warrant Agreement and the Warrants and the consummation of the transactions contemplated thereby do not require the consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any United States Federal, State of New York or State of Delaware governmental authority.

The foregoing opinions are subject to the qualification that I have assumed, without investigation or inquiry, the accuracy of the opinion, dated today and addressed to you of Davis Polk & Wardwell LLP, New York counsel. Subject to the following sentence, as used herein the term "**Generally Applicable Law**" means any government rule, law, statute or regulation of Delaware or the United States that a Delaware lawyer exercising customary professional diligence would recognize as being applicable to the Company or the transactions contemplated by the Note, the Warrant Agreement and the Warrants. I express no opinion as to the laws of any jurisdiction other than the General Corporation Law of the State of Delaware, the State of New York and the Federal laws of the United States of America (each as currently in effect on the date hereof), except that I express no opinion with respect to antitrust, bankruptcy, environmental, intellectual property, securities, tax or usury laws or laws governing pensions or employee benefits, including the Employee Retirement Income Security Act of 1974, as amended, in each case of any jurisdiction. The opinions set forth in paragraphs 1 and 2 as to the performance by the Company of its obligations in accordance with the terms of the Note are based solely upon the facts and circumstances as they exist on the date hereof and are rendered as if such obligations are performed as they exist under such facts and circumstances on the date hereof.

This opinion letter is limited to the matters stated, and no opinion is implied or may be inferred beyond those opinions expressly stated herein. The opinions expressed herein are rendered only as of the date hereof, and I assume no responsibility to advise you of changes in

law, facts, circumstances, events or developments which hereafter may be brought to my attention and which may alter, affect or modify such opinions. The opinions expressed herein are solely for the benefit of the addressees of this opinion letter, and without my prior written consent may not be relied on in any other context, quoted in whole or in part or otherwise referred to in any legal opinion, document or other report, or furnished to any other person or entity, without my prior written consent.

Very truly yours,

Thomas Canfield
General Counsel
Spirit Airlines, Inc.

Schedule 1

The United States Department of the Treasury, as the Holder

Annex B

FORM OF WARRANT

[SEE ATTACHED]

FORM OF WARRANT TO PURCHASE COMMON STOCK

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS.

WARRANT

to purchase
[_____]

Shares of Common Stock

of Spirit Airlines, Inc.

Issue Date: [___], 2021

1. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

"*Affiliate*" means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") when used with respect to any person, means the possession, directly or indirectly, of the power to cause the direction of management and/or policies of such person, whether through the ownership of voting securities by contract or otherwise.

"*Aggregate Net Cash Settlement Amount*" has the meaning ascribed thereto in Section 2(i).

"*Aggregate Net Share Settlement Amount*" has the meaning ascribed thereto in Section 2(ii).

"*Appraisal Procedure*" means a procedure whereby two independent appraisers, one chosen by the Company and one by the Original Warrantholder, shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within 10 days after the Appraisal Procedure is invoked. If within 30 days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent appraiser shall be chosen within 10 days thereafter by the mutual consent of such first two appraisers. The decision of the third appraiser so appointed and chosen shall be given within 30 days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination

by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive upon the Company and the Original Warrantholder; otherwise, the average of all three determinations shall be binding upon the Company and the Original Warrantholder. The costs of conducting any Appraisal Procedure shall be borne by the Company.

"*Average Market Price*" means, with respect to any security, the arithmetic average of the Market Price of such security for the 15 consecutive trading day period ending on and including the trading day immediately preceding the determination date.

"*Board of Directors*" means the board of directors of the Company, including any duly authorized committee thereof.

"*Business Combination*" means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Company's stockholders.

"*Business Day*" means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close; *provided* that banks shall be deemed to be generally open for business in the event of a "shelter in place" or similar closure of physical branch locations at the direction of any governmental entity if such banks' electronic funds transfer system (including wire transfers) are open for use by customers on such day.

"*Capital Stock*" means (A) with respect to any Person that is a corporation or company, any and all shares, interests, participations or other equivalents (however designated) of capital or capital stock of such Person and (B) with respect to any Person that is not a corporation or company, any and all partnership or other equity interests of such Person.

"*Charter*" means, with respect to any Person, its certificate or articles of incorporation, articles of association, or similar organizational document.

"*Common Stock*" means common stock of the Company, par value $0.0001 subject to adjustment as provided in Section 13(E).

"*Company*" means the Person whose name, corporate or other organizational form and jurisdiction of organization is set forth in Item 1 of Schedule A hereto.

"*conversion*" has the meaning set forth in Section 13(B).

"*convertible securities*" has the meaning set forth in Section 13(B).

"*Depositary*" means The Depositary Trust Company, its nominees and their respective successors.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"*Exercise Date*" means each date a Notice of Exercise substantially in the form annexed hereto is delivered to the Company in accordance with Section 2 hereof.

"*Exercise Price*" means the amount set forth in Item 2 of Schedule A hereto, subject to adjustment as contemplated herein.

"*Fair Market Value*" means, with respect to any security or other property, the fair market value of such security or other property as determined by the Board of Directors, acting in good faith in reliance on an opinion of a nationally recognized independent investment banking firm retained by the Company for this purpose. For so long as the Original Warrantholder holds this Warrant or any portion thereof, it may object in writing to the Board of Director's calculation of fair market value within 10 days of receipt of written notice thereof. If the Original Warrantholder and the Company are unable to agree on fair market value during the 10-day period following the delivery of the Original Warrantholder's objection, the Appraisal Procedure may be invoked by either party to determine Fair Market Value by delivering written notification thereof not later than the 30th day after delivery of the Original Warrantholder's objection.

"*Initial Number*" has the meaning set forth in Section 13(B).

"Issue Date" means the date set forth in Item 3 of Schedule A hereto.

"*Market Price*" means, with respect to a particular security, on any given day, the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and ask prices regular way, in either case on the principal national securities exchange on which the applicable securities are listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, the average of the closing bid and ask prices as furnished by two members of the Financial Industry Regulatory Authority, Inc. selected from time to time by the Company for that purpose. "Market Price" shall be determined without reference to after hours or extended hours trading. If such security is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price of such security shall be deemed to be (i) in the event that any portion of the Warrant is held by the Original Warrantholder, the fair market value per share of such security as determined in good faith by the Original Warrantholder or (ii) in all other circumstances, the fair market value per share of such security as determined in good faith by the Board of Directors in reliance on an opinion of a nationally recognized independent investment banking corporation retained by the Company for this purpose and certified in a resolution to the Warrantholder.

"*Original Warrantholder*" means the United States Department of the Treasury. Any actions specified to be taken by the Original Warrantholder hereunder may only be taken by such Person and not by any other Warrantholder.

"*Permitted Transactions*" has the meaning set forth in Section 13(B).

"*Per Share Net Cash Settlement Amount*" means the Average Market Price of a share of Common Stock determined as of the relevant Exercise Date less the then applicable Exercise Price.

"*Per Share Net Share Settlement Amount*" means the quotient of (i) the Average Market Price of a share of Common Stock determined as of the relevant Exercise Date less the then applicable Exercise Price *divided by* (ii) the Average Market Price of a share of Common Stock determined as of the relevant Exercise Date.

"*Person*" has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

"*Per Share Fair Market Value*" has the meaning set forth in Section 13(C).

"*Pro Rata Repurchases*" means any purchase of shares of Common Stock by the Company or any Affiliate thereof pursuant to (A) any tender offer or exchange offer subject to Section 13(e) or 14(e) of the Exchange Act or Regulation 14E promulgated thereunder or (B) any other offer available to substantially all holders of Common Stock, in the case of both (A) or (B), whether for cash, shares of Capital Stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other Person or any other property (including, without limitation, shares of Capital Stock, other securities or evidences of indebtedness of a subsidiary), or any combination thereof, effected while this Warrant is outstanding. The "*Effective Date*" of a Pro Rata Repurchase shall mean the date of acceptance of shares for purchase or exchange by the Company under any tender or exchange offer which is a Pro Rata Repurchase or the date of purchase with respect to any Pro Rata Repurchase that is not a tender or exchange offer.

"*Regulatory Approvals*" with respect to the Warrantholder, means, to the extent applicable and required to permit the Warrantholder to exercise this Warrant for shares of Common Stock and to own such Common Stock without the Warrantholder being in violation of applicable law, rule or regulation, the receipt of any necessary approvals and authorizations of, filings and registrations with, notifications to, or expiration or termination of any applicable waiting period under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"trading day" means (A) if the shares of Common Stock are not traded on any national or regional securities exchange or association or over-the-counter market, a Business Day or (B) if the shares of Common Stock are traded on any national or regional securities exchange or association or over-the-counter market, a Business Day on which such relevant exchange or quotation system is scheduled to be open for business and on which the shares of Common Stock (i) are not suspended from trading on any national or regional securities exchange or association

or over-the-counter market for any period or periods aggregating one half hour or longer; and (ii) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the shares of Common Stock.

"*U.S. GAAP*" means United States generally accepted accounting principles.

"*Warrant*" means this Warrant, issued pursuant to the Warrant Agreement.

"*Warrant Agreement*" means the Warrant Agreement, dated as of the date set forth in Item 4 of Schedule A hereto, as amended from time to time, between the Company and the United States Department of the Treasury.

"*Warrantholder*" has the meaning set forth in Section 2.

"*Warrant Shares*" has the meaning set forth in Section 2.

2. Number of Warrant Shares; Net Exercise. This certifies that, for value received, the United States Department of the Treasury or its permitted assigns (the "*Warrantholder*") is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the Company, in whole or in part, after the receipt of all applicable Regulatory Approvals, if any, up to an aggregate of the number of fully paid and nonassessable shares of Common Stock set forth in Item 5 of Schedule A hereto. The number of shares of Common Stock (the "*Warrant Shares*") issuable upon exercise of this Warrant and the Exercise Price are subject to adjustment as provided herein, and all references to "Common Stock," "Warrant Shares" and "Exercise Price" herein shall be deemed to include any such adjustment or series of adjustments.

Upon exercise of the Warrant in accordance with Section 3 hereof, the Company shall elect to pay or deliver, as the case may be, to the exercising Warrantholder (a) cash ("*Net Cash Settlement*") or (b) Warrant Shares together with cash, if applicable, in lieu of delivering any fractional shares in accordance with Section 5 of this Warrant ("*Net Share Settlement*"). The Company will notify the exercising Warrantholder of its election of a settlement method within one Business Day after the relevant Exercise Date and if it fails to deliver a timely notice shall be deemed to have elected Net Share Settlement.

(a) *Net Cash Settlement.* If the Company elects Net Cash Settlement, it shall pay to the Warrantholder cash equal to the Per Share Net Cash Settlement Amount multiplied by the number of Warrant Shares as to which the Warrant has been exercised as indicated in the Notice of Exercise (the "*Aggregate Net Cash Settlement Amount*").

(b) *Net Share Settlement*. If the Company elects Net Share Settlement, it shall deliver to the Warrantholder a number of shares of Common Stock equal to the Per Share Net Share Settlement Amount multiplied by the number of Warrant Shares as to which the Warrant has been exercised as indicated in the Notice of Exercise (the "*Aggregate Net Share Settlement Amount*").

3. Term; Method of Exercise. Subject to Section 2, to the extent permitted by applicable laws and regulations, this Warrant is exercisable, in whole or in part by the Warrantholder, at any time or from time to time after the execution and delivery of this Warrant by the Company on the date hereof, but in no event later than 5:00 p.m., New York City time on the fifth anniversary of the Issue Date of this Warrant, by the surrender of this Warrant and delivery of the Notice of Exercise annexed hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Company located at the address set forth in Item 6 of Schedule A hereto (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company).

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant, and in any event not exceeding three Business Days after the date thereof, a new warrant in substantially identical form for the purchase of that number of Warrant Shares equal to the difference between the number of Warrant Shares subject to this Warrant and the number of Warrant Shares as to which this Warrant is so exercised. Notwithstanding anything in this Warrant to the contrary, the Warrantholder hereby acknowledges and agrees that its exercise of this Warrant for Warrant Shares is subject to the condition that the Warrantholder will have first received any applicable Regulatory Approvals.

4. Method of Settlement.

(a) *Net Cash Settlement*. If the Company elects Net Cash Settlement, the Company shall, within a reasonable time, not to exceed five Business Days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant, pay to the exercising Warrantholder the Aggregate Net Cash Settlement Amount.

(b) *Net Share Settlement*. If the Company elects Net Share Settlement, shares of Common Stock equal to the Aggregate Net Share Settlement Amount shall be (x) issued in such name or names as the exercising Warrantholder may designate and (y) delivered by the Company or the Company's transfer agent to such Warrantholder or its nominee or nominees (i) if the shares are then able to be so delivered, via book-entry transfer crediting the account of such Warrantholder (or the relevant agent member for the benefit of such Warrantholder) through the Depositary's DWAC system (if the Company's transfer agent participates in such system), or (ii) otherwise in certificated form by physical delivery to the address specified by the Warrantholder in the Notice of Exercise, within a reasonable time, not to exceed three Business Days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Warrant Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder, income and franchise taxes incurred in connection with the exercise of the Warrant or taxes in respect of any transfer occurring contemporaneously therewith). The Company agrees that the Warrant Shares so issued will be

deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Warrant Shares may not be actually delivered on such date. The Company will at all times reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Common Stock then issuable upon exercise of this Warrant at any time. The Company will (A) procure, at its sole expense, the listing of the Warrant Shares issuable upon exercise of this Warrant at any time, subject to issuance or notice of issuance, on all principal stock exchanges on which the Common Stock is then listed or traded and (B) maintain such listings of such Warrant Shares at all times after issuance. The Company will use reasonable best efforts to ensure that the Warrant Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Warrant Shares are listed or traded.

5. No Fractional Warrant Shares or Scrip. No fractional Warrant Shares or scrip representing fractional Warrant Shares shall be issued upon any exercise of this Warrant. In lieu of any fractional Share to which the Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Average Market Price of the Common Stock determined as of the Exercise Date multiplied by such fraction of a share, less the pro-rated Exercise Price for such fractional share.

6. No Rights as Stockholders; Transfer Books. This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.

7. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; *provided*, *however*, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate, or any certificates or other securities in a name other than that of the registered holder of the Warrant surrendered upon exercise of the Warrant.

8. Transfer/Assignment.

(i)Subject to compliance with clause (B) of this Section 8, this Warrant and all rights hereunder are transferable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 3. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 8 shall be paid by the Company.

(ii)If and for so long as required by the Warrant Agreement, this Warrant shall contain the legend as set forth in Sections 4.2(a) of the Warrant Agreement.

9. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Warrant Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Warrant Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

11. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding day that is a Business Day.

12. Information. With a view to making available to Warrantholders the benefits of certain rules and regulations of the SEC which may permit the sale of the Warrants and Warrant Shares to the public without registration, the Company agrees to use its reasonable best efforts to:

a. make and keep adequate public information available, as those terms are understood and defined in Rule 144(c) or any similar or analogous rule promulgated under the Securities Act, at all times after the date hereof;

b. (x) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Securities Act and the Exchange Act, and (y) if at any time the Company is not required to file such reports, make available, upon the request of any Warrantholder, such information necessary to permit sales pursuant to Rule 144A (including the information required by Rule 144A(d)(4) under the Securities Act);

c. furnish to any holder of Warrants or Warrant Shares forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of the Exchange Act and Rule 144(c)(1); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as the Warrantholder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities to the public without registration; and

d. take such further action as any Warrantholder may reasonably request, all to the extent required from time to time to enable such Waranthholder to sell Warrants or Warrant Shares without registration under the Securities Act.

13. Adjustments and Other Rights. The Exercise Price and the number of Warrant Shares issuable upon exercise of the Warrant shall be subject to adjustment from time to time as follows; *provided*, that if more than one subsection of this Section 13 is applicable to a single event, the subsection shall be applied that produces the largest adjustment and no single event shall cause an adjustment under more than one subsection of this Section 13 so as to result in duplication:

i. Stock Splits, Subdivisions, Reclassifications or Combinations. If the Company shall (i) declare and pay a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding shares of Common Stock into a smaller number of shares, the number of Warrant Shares issuable upon exercise of this Warrant at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the Warrantholder after such date shall be entitled to acquire the number of shares of Common Stock which such holder would have owned or been entitled to receive in respect of the shares of Common Stock subject to this Warrant after such date had this Warrant been exercised immediately prior to such date. In such event, the Exercise Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted to the number obtained by dividing (x) the product of (1) the number of Warrant Shares issuable upon the exercise of this Warrant before such adjustment and (2) the Exercise Price in effect immediately prior to the record or effective date, as the case may be, for the dividend, distribution, subdivision, combination or reclassification giving rise to this adjustment by (y) the new number of Warrant Shares issuable upon exercise of the Warrant determined pursuant to the immediately preceding sentence.

ii. Certain Issuances of Common Stock or Convertible Securities. If the Company shall issue shares of Common Stock (or rights or warrants or other securities exercisable or convertible into or exchangeable (collectively, a "*conversion*") for shares of Common Stock) (collectively, "*convertible securities*") (other than in Permitted Transactions (as defined below) or a transaction to which subsection (A) of this Section 13 is applicable) without consideration or at a consideration per share (or having a conversion price per share) that is less than 90% of the Average Market Price determined as of the date of the agreement on pricing such shares (or such convertible securities) then, in such event:

1. the number of Warrant Shares issuable upon the exercise of this Warrant immediately prior to the date of the agreement on pricing of such shares (or of such convertible securities) (the "*Initial Number*") shall be increased to the number obtained by multiplying the Initial Number by a fraction (A) the numerator of which shall be the sum of (x) the number of shares of Common Stock of the Company outstanding on such date and (y) the number of additional

shares of Common Stock issued (or into which convertible securities may be exercised or convert) and (B) the denominator of which shall be the sum of (I) the number of shares of Common Stock outstanding on such date and (II) the number of shares of Common Stock which the aggregate consideration receivable by the Company for the total number of shares of Common Stock so issued (or into which convertible securities may be exercised or convert) would purchase at the Average Market Price determined as of the date of the agreement on pricing such shares (or such convertible securities); and

2. the Exercise Price payable upon exercise of the Warrant shall be adjusted by multiplying such Exercise Price in effect immediately prior to the date of the agreement on pricing of such shares (or of such convertible securities) by a fraction, the numerator of which shall be the number of shares of Common Stock issuable upon exercise of this Warrant prior to such date and the denominator of which shall be the number of shares of Common Stock issuable upon exercise of this Warrant immediately after the adjustment described in clause (A) above.

For purposes of the foregoing, the aggregate consideration receivable by the Company in connection with the issuance of such shares of Common Stock or convertible securities shall be deemed to be equal to the sum of the net offering price (including the Fair Market Value of any non-cash consideration and after deduction of any related expenses payable to third parties) of all such securities plus the minimum aggregate amount, if any, payable upon exercise or conversion of any such convertible securities into shares of Common Stock; and "*Permitted Transactions*" shall mean issuances (i) as consideration for or to fund the acquisition of businesses and/or related assets, (ii) in connection with employee benefit plans and compensation related arrangements in the ordinary course and consistent with past practice approved by the Board of Directors, (iii) in connection with a public or broadly marketed offering and sale of Common Stock or convertible securities for cash conducted by the Company or its affiliates pursuant to registration under the Securities Act or Rule 144A thereunder on a basis consistent with capital raising transactions by comparable institutions and (iv) in connection with the exercise of preemptive rights on terms existing as of the Issue Date. Any adjustment made pursuant to this Section 13(B) shall become effective immediately upon the date of such issuance.

iii.Other Distributions. In case the Company shall fix a record date for the making of a distribution to all holders of shares of its Common Stock of securities, evidences of indebtedness, assets, cash, rights or warrants (excluding dividends of its Common Stock and other dividends or distributions referred to in Section 13(A)), in each such case, the Exercise Price in effect prior to such record date shall be reduced immediately thereafter to the price determined by multiplying the Exercise Price in effect immediately prior to the reduction by the quotient of (x) the Average Market Price of the Common Stock determined as of the first date on which the Common Stock trades regular way on the principal national securities exchange on which the Common Stock is listed or admitted to trading without the right to receive such distribution, minus the amount of cash and/or the Fair Market Value of the securities, evidences of indebtedness, assets, rights or warrants to be so distributed in respect of one share of Common Stock (such amount and/or Fair Market Value, the "*Per Share Fair Market Value*") divided by (y) the Average Market Price

specified in clause (x); such adjustment shall be made successively whenever such a record date is fixed. In such event, the number of Warrant Shares issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Warrant Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the distribution giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. In the event that such distribution is not so made, the Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant then in effect shall be readjusted, effective as of the date when the Board of Directors determines not to distribute such shares, evidences of indebtedness, assets, rights, cash or warrants, as the case may be, to the Exercise Price that would then be in effect and the number of Warrant Shares that would then be issuable upon exercise of this Warrant if such record date had not been fixed.

iv.Certain Repurchases of Common Stock. In case the Company effects a Pro Rata Repurchase of Common Stock, then the Exercise Price shall be reduced to the price determined by multiplying the Exercise Price in effect immediately prior to the Effective Date of such Pro Rata Repurchase by a fraction of which the numerator shall be (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Pro Rata Repurchase and (y) the Average Market Price of a share of Common Stock determined as of the date of the first public announcement by the Company or any of its Affiliates of the intent to effect such Pro Rata Repurchase, minus (ii) the aggregate purchase price of the Pro Rata Repurchase, and of which the denominator shall be the product of (i) the number of shares of Common Stock outstanding immediately prior to such Pro Rata Repurchase minus the number of shares of Common Stock so repurchased and (ii) the Average Market Price per share of Common Stock determined as of the date of the first public announcement by the Company or any of its Affiliates of the intent to effect such Pro Rata Repurchase. In such event, the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased to the number obtained by dividing (x) the product of (1) the number of Warrant Shares issuable upon the exercise of this Warrant before such adjustment, and (2) the Exercise Price in effect immediately prior to the Pro Rata Repurchase giving rise to this adjustment by (y) the new Exercise Price determined in accordance with the immediately preceding sentence. For the avoidance of doubt, no increase to the Exercise Price or decrease in the number of Warrant Shares issuable upon exercise of this Warrant shall be made pursuant to this Section 13(D).

v.Business Combinations. In case of any Business Combination or reclassification of Common Stock (other than a reclassification of Common Stock referred to in Section 13(A)), the Warrantholder's right to receive Warrant Shares upon exercise of this Warrant shall be converted into the right to exercise this Warrant to acquire the number of shares of stock or other securities or property (including cash) which the Common Stock issuable (at the time of such Business Combination or reclassification) upon exercise of this Warrant immediately prior to such Business Combination or reclassification would have been entitled to receive upon consummation of such Business Combination or reclassification; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the Warrantholder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to the Warrantholder's right to exercise this Warrant in exchange for any shares of stock or

other securities or property pursuant to this paragraph. In determining the kind and amount of stock, securities or the property receivable upon exercise of this Warrant following the consummation of such Business Combination, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such Business Combination, then the consideration that the Warrantholder shall be entitled to receive upon exercise shall be deemed to be the types and amounts of consideration received by the majority of all holders of the shares of common stock that affirmatively make an election (or of all such holders if none make an election).

vi. Rounding of Calculations; Minimum Adjustments. All calculations under this Section 13 shall be made to the nearest one-tenth (1/10th) of a cent or to the nearest one- hundredth (1/100th) of a share, as the case may be. Any provision of this Section 13 to the contrary notwithstanding, no adjustment in the Exercise Price or the number of Warrant Shares shall be made if the amount of such adjustment would be less than $0.01 or one-tenth (1/10th) of a share of Common Stock, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate $0.01 or 1/10th of a share of Common Stock, or more.

vii. Timing of Issuance of Additional Common Stock Upon Certain Adjustments. In any case in which the provisions of this Section 13 shall require that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Warrantholder of this Warrant exercised after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such exercise by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Warrantholder any amount of cash in lieu of a fractional share of Common Stock; *provided*, *however*, that the Company upon request shall deliver to such Warrantholder a due bill or other appropriate instrument evidencing such Warrantholder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

viii. Other Events. For so long as the Original Warrantholder holds this Warrant or any portion thereof, if any event occurs as to which the provisions of this Section 13 are not strictly applicable or, if strictly applicable, would not, in the good faith judgment of the Board of Directors of the Company, fairly and adequately protect the purchase rights of the Warrants in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board of Directors, to protect such purchase rights as aforesaid. The Exercise Price or the number of Warrant Shares shall not be adjusted in the event of a change in the par value of the Common Stock or a change in the jurisdiction of incorporation of the Company.

ix. Statement Regarding Adjustments. Whenever the Exercise Price or the number of Warrant Shares shall be adjusted as provided in Section 13, the Company shall forthwith file at

the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect and the number of Warrant Shares after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company's records.

x. Notice of Adjustment Event. In the event that the Company shall propose to take any action of the type described in this Section 13 (but only if the action of the type described in this Section 13 would result in an adjustment in the Exercise Price or the number of Warrant Shares or a change in the type of securities or property to be delivered upon exercise of this Warrant), the Company shall give notice to the Warrantholder, in the manner set forth in Section 13(J), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

xi. Proceedings Prior to Any Action Requiring Adjustment. As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 13, the Company shall take any action which may be necessary, including obtaining regulatory, New York Stock Exchange, NASDAQ Stock Market or other applicable national securities exchange or stockholder approvals or exemptions, as applicable, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 13.

xii. Adjustment Rules. Any adjustments pursuant to this Section 13 shall be made successively whenever an event referred to herein shall occur. If an adjustment in Exercise Price made hereunder would reduce the Exercise Price to an amount below par value of the Common Stock, then such adjustment in Exercise Price made hereunder shall reduce the Exercise Price to the par value of the Common Stock.

14. No Impairment. The Company will not, by amendment of its Charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.

15. Governing Law. **This Warrant will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the Company**

and the Warrantholder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Warrant or the transactions contemplated hereby, and (b) that notice may be served upon the Company at the address in Section 19 below and upon the Warrantholder at the address for the Warrantholder set forth in the registry maintained by the Company pursuant to Section 9 hereof. To the extent permitted by applicable law, each of the Company and the Warrantholder hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to the Warrant or the transactions contemplated hereby or thereby.

16. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

17. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

18. Prohibited Actions. The Company agrees that it will not take any action which would entitle the Warrantholder to an adjustment of the Exercise Price if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise of all outstanding options, warrants, conversion and other rights, would exceed the total number of shares of Common Stock then authorized by its Charter.

19. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second Business Day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth in Item 7 of Schedule A hereto, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

20. Entire Agreement. This Warrant, the forms attached hereto and Schedule A hereto (the terms of which are incorporated by reference herein), and the Warrant Agreement (including all documents incorporated therein), contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

[Form of Notice of Exercise]

Date:____

TO: **[Company]**

RE: Exercise of Warrant

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby notifies the Company of its intention to exercise its option with respect to the number of shares of the Common Stock set forth below covered by such Warrant. Pursuant to Section 4 of the Warrant, the undersigned acknowledges that the Company may settle this exercise in net cash or shares. Cash to be paid pursuant to a Net Cash Settlement or payment of fractional shares in connection with a Net Share Settlement should be deposited to the account of the Warrantholder set forth below. Common Stock to be delivered pursuant to a Net Share Settlement shall be delivered to the Warrantholder as indicated below. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, if any, should be issued in the name set forth below.

Number of Warrant Shares:__

Aggregate Exercise Price: __

Address for Delivery of Warrant Shares: __

Wire Instructions:

Proceeds to be delivered: **$**
Name of Bank:
City/ State of Bank:
ABA Number of Bank
SWIFT #
Name of Account:
Account Number at Bank:

Securities to be issued to:

If in book-entry form through the Depositary:

Depositary Account Number: _____

Name of Agent Member: _____

If in certificated form:

Social Security Number or Other Identifying Number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

Any unexercised Warrants evidenced by the exercising Warrantholder's interest in the Warrant:

Social Security Number or Other Identifying Number: _____

Name: _____

Street Address: _____

City, State and Zip Code: _____

Holder: ____
By: ____
Name: ____
Title: ____

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.
Dated: __

COMPANY: SPIRIT AIRLINES, INC.

By: _____

Name: Scott Haralson

Title: Senior Vice President and Chief Financial Officer

Attest:

By: _____

Name: Thomas C. Canfield

Title: General Counsel and Secretary

[Signature Page to Warrant]

SCHEDULE A

Item 1
Name: Spirit Airlines, Inc.
Corporate or other organizational form: corporation
Jurisdiction of organization: Delaware

Item 2
Exercise Price: $24.42

Item 3
Issue Date: [__], 2021

Item 4
Date of Warrant Agreement between the Company and the United States Department of the Treasury: January 12, 2021

Item 5
Number of shares of Common Stock: [___]

Item 6
Company's address: 2800 Executive Way, Miramar, Florida 33025

Item 7
Notice information: Legal Department, Spirit Airlines, Inc., 2800 Executive Way, Miramar, Florida 33025 (Telephone No. (954) 447-7920; Email: legaldepartment@spirit.com)

SCHEDULE 1

WARRANT SHARES FORMULA

The number of Warrant Shares for which Warrants issued on each Warrant Closing Date shall be exercisable shall equal:

(i) On the Closing Date, the quotient of (x) the product of the principal amount of the Promissory Note multiplied *by* 0.1 *divided by* (y) the Exercise Price (as defined in Annex B); and

(ii) On each subsequent Warrant Closing Date, the quotient of (x) the product of the amount by which the principal amount of the Promissory Note is increased on such Warrant Closing Date multiplied *by* 0.1 *divided by* (y) the Exercise Price.

SCHEDULE 2

CAPITALIZATION

As of 12/31/20

Security	Authorized (Shares)	Issued and Outstanding (Shares)	Reserved for Issuance (Shares)	Notes
Common Stock, $0.0001 par value	240,000,000	Issued: 99,427,203 Less, Held in Treasury: (1,737,620) Outstanding: 97,689,583	1,618,417	Shares reserved for issuance underlie equity Incentive awards, including restricted stock units and performance share units (PSUs). PSUs assumed at maximum 200% of target payout upon settlement.
Non-Voting Common Stock, $0.0001 par value	50,000,000	0		
Preferred Stock	10,000,000	0	240,000	Series A Participating Cumulative Preferred Stock reserved for issuance upon exercise of Preferred Stock Purchase Rights
Preferred Stock Purchase Rights				Expire on March 30, 2021, if not exercised or earlier terminated

SCHEDULE 3

REQUIRED STOCKHOLDER APPROVALS

None.

PAYROLL SUPPORT PROGRAM EXTENSION AGREEMENT

Recipient: Spirit Airlines, Inc. 2800 Executive Way Miramar, FL 33025	**PSP Participant Number:** PSA-2004030420 **Employer Identification Number:** 38-1747023 **DUNS Number:** _____
Additional Recipients: N/A	
Amount of Initial Payroll Support Payment: $92,230,762	
The Department of the Treasury (Treasury) hereby provides Payroll Support (as defined herein) under Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021. The Signatory Entity named above, on behalf of itself and its Affiliates (as defined herein), agrees to comply with this Agreement and applicable Federal law as a condition of receiving Payroll Support. The Signatory Entity and its undersigned authorized representatives acknowledge that a materially false, fictitious, or fraudulent statement (or concealment or omission of a material fact) in connection with this Agreement may result in administrative remedies as well as civil and/or criminal penalties.	

The undersigned hereby agree to the attached Payroll Support Program Extension Agreement.

/s/ Steven Mnuchin
Department of the Treasury
Name: Steven Mnuchin
Title: Secretary
Date: January 15, 2021

/s/ Edward Christie
Spirit Airlines, Inc.
First Authorized Representative: Ted Christie
Title: President & CEO
Date: January 15, 2021

/s/ Scott Haralson
Spirit Airlines, Inc.
Second Authorized Representative: Scott Haralson
Title: Senior Vice President & Chief Financial Officer
Date: January 15, 2021

OMB Approval No. 1505-0263

PAYROLL SUPPORT PROGRAM EXTENSION AGREEMENT

INTRODUCTION

Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021 (PSP Extension Law) directs the Department of the Treasury (Treasury) to provide Payroll Support (as defined herein) to passenger air carriers and certain contractors that must be exclusively used for the continuation of payment of Employee Salaries, Wages, and Benefits (as defined herein). The PSP Extension Law permits Treasury to provide Payroll Support in such form, and on such terms and conditions, as the Secretary of the Treasury determines appropriate, and requires certain assurances from the Recipient (as defined herein).

This Payroll Support Program Extension Agreement, including the application and all supporting documents submitted by the Recipient and the Payroll Support Program Extension Certification attached hereto (collectively, Agreement), memorializes the binding terms and conditions applicable to the Recipient.

DEFINITIONS

As used in this Agreement, the following terms shall have the following respective meanings, unless the context clearly requires otherwise. In addition, this Agreement shall be construed in a manner consistent with any public guidance Treasury may from time to time issue regarding the implementation of the PSP Extension Law.

Additional Payroll Support Payment means any disbursement of Payroll Support occurring after the first disbursement of Payroll Support under this Agreement.

Affiliate means any Person that directly or indirectly controls, is controlled by, or is under common control with, the Recipient. For purposes of this definition, "control" of a Person shall mean having the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, whether by ownership of voting equity, by contract, or otherwise.

Benefits means, without duplication of any amounts counted as Salary or Wages, pension expenses in respect of Employees, all expenses for accident, sickness, hospital, and death benefits to Employees, and the cost of insurance to provide such benefits; any Severance Pay or Other Benefits payable to Employees pursuant to a bona fide voluntary early retirement program or voluntary furlough; and any other similar expenses paid by the Recipient for the benefit of Employees, including any other fringe benefit expense described in lines 10 and 11 of Financial Reporting Schedule P-6, Form 41, as published by the Department of Transportation, but excluding any Federal, state, or local payroll taxes paid by the Recipient.

Corporate Officer means, with respect to the Recipient, its president; any vice president in charge of a principal business unit, division, or function (such as sales, administration or finance); any other officer who performs a policy-making function; or any other person who performs similar policy making functions for the Recipient. Executive officers of subsidiaries or parents of the Recipient may be

deemed Corporate Officers of the Recipient if they perform such policy-making functions for the Recipient.

Employee means an individual who is employed by the Recipient and whose principal place of employment is in the United States (including its territories and possessions), including salaried, hourly, full-time, part-time, temporary, and leased employees, but excluding any individual who is a Corporate Officer or independent contractor.

Involuntary Termination or Furlough means the Recipient terminating the employment of one or more Employees or requiring one or more Employees to take a temporary suspension or unpaid leave for any reason, including a shut-down or slow-down of business; provided, however, that an Involuntary Termination or Furlough does not include a Permitted Termination or Furlough.

Maximum Awardable Amount means the amount determined by the Secretary with respect to the Recipient pursuant to section 403(a) of the PSP Extension Law.

Payroll Support means funds disbursed by the Secretary to the Recipient under this Agreement, including the first disbursement of Payroll Support and any Additional Payroll Support Payment.

PSP Extension Law means Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021.

Permitted Termination or Furlough means, with respect to an Employee, (1) a voluntary furlough, voluntary leave of absence, voluntary resignation, or voluntary retirement, (2) termination of employment resulting from such Employee's death or disability, or (3) the Recipient terminating the employment of such Employee for cause or placing such Employee on a temporary suspension or unpaid leave of absence for disciplinary reasons, in either case, as reasonably determined by the Recipient acting in good faith.

Person means any natural person, corporation, limited liability company, partnership, joint venture, trust, business association, governmental entity, or other entity.

PSP1 means the Payroll Support Program established under Division A, Title IV, Subtitle B of the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136).

Recall means the dispatch of a notice by the Recipient, via mail, courier, or electronic mail, to an Employee who was subject to an Involuntary Termination or Furlough notifying the Employee that (1) the Employee must, within a specified period of time that is not less than 14 days or such other period for recall as is specified in an existing collective bargaining agreement entered into before December 27, 2020, elect either (a) to return to employment or bypass return to employment, in accordance with an applicable collective bargaining agreement or, in the absence of a collective bargaining agreement, the Recipient's policy; or (b) to permanently separate from employment with the Recipient; and (2) failure to respond within such time period specified shall be considered an election under clause (1)(b) of this definition.

Recipient means, collectively, the Signatory Entity; its Affiliates that are listed on the signature page hereto as Additional Recipients; and their respective heirs, executors, administrators, successors, and assigns.

Returning Employee means an Employee of the Recipient who was subject to an Involuntary Termination or Furlough and who has elected to return to employment pursuant to a Recall.

Salary means, without duplication of any amounts counted as Benefits, a predetermined regular payment, typically paid on a weekly or less frequent basis but which may be expressed as an hourly, weekly, annual or other rate, as well as cost-of-living differentials, vacation time, paid time off, sick leave, and overtime pay, paid by the Recipient to its Employees, but excluding any Federal, state, or local payroll taxes paid by the Recipient.

Secretary means the Secretary of the Treasury.

Severance Pay or Other Benefits means any severance payment or other similar benefits, including cash payments, health care benefits, perquisites, the enhancement or acceleration of the payment or vesting of any payment or benefit or any other in-kind benefit payable (whether in lump sum or over time, including after October 1, 2022) by the Recipient to a Corporate Officer or Employee in connection with any termination of such Corporate Officer's or Employee's employment (including, without limitation, resignation, severance, retirement, or constructive termination), which shall be determined and calculated in respect of any Employee or Corporate Officer of the Recipient in the manner prescribed in 17 CFR 229.402(j) (without regard to its limitation to the five most highly compensated executives and using the actual date of termination of employment rather than the last business day of the Recipient's last completed fiscal year as the trigger event).

Signatory Entity means the passenger air carrier or contractor that has entered into this Agreement.

Taxpayer Protection Instruments means warrants, options, preferred stock, debt securities, notes, or other financial instruments issued by the Recipient or an Affiliate to Treasury as compensation for the Payroll Support under this Agreement, if applicable.

Total Compensation means compensation including salary, wages, bonuses, awards of stock, and any other financial benefits provided by the Recipient or an Affiliate, as applicable, which shall be determined and calculated for the 2019 calendar year or any applicable 12-month period in respect of any Employee or Corporate Officer of the Recipient in the manner prescribed under paragraph e.6 of the award term in 2 CFR part 170, App. A, but excluding any Severance Pay or Other Benefits in connection with a termination of employment.

Wage means, without duplication of any amounts counted as Benefits, a payment, typically paid on an hourly, daily, or piecework basis, including cost-of-living differentials, vacation, paid time off, sick leave, and overtime pay, paid by the Recipient to its Employees, but excluding any Federal, state, or local payroll taxes paid by the Recipient.

PAYROLL SUPPORT PAYMENTS

1. Upon the execution of this Agreement by Treasury and the Recipient, the Secretary shall approve the Recipient's application for Payroll Support.

2. The Recipient may receive Payroll Support in multiple payments up to the Maximum Awardable Amount, and the amounts (individually and in the aggregate) and timing of such payments will be determined by the Secretary in his sole discretion. The Secretary may, in his sole discretion, increase or reduce the Maximum Awardable Amount (a) consistent with section 403(a) of the PSP Extension Law and (b) on a pro rata basis in order to address any shortfall in available funds, pursuant to section 403(c) of the PSP Extension Law.

3. The Secretary may determine in his sole discretion that any Payroll Support shall be conditioned on, and subject to, compliance by the Recipient with all applicable requirements under PSP1 if the Recipient received financial assistance in PSP1, and such additional terms and conditions (including the receipt of, and any terms regarding, Taxpayer Protection Instruments) to which the parties may agree in writing.

TERMS AND CONDITIONS

Retaining and Paying Employees

4. The Recipient shall use the Payroll Support exclusively for the continuation of payment of Wages, Salaries, and Benefits to the Employees of the Recipient, including the payment of lost Wages, Salaries, and Benefits to Returning Employees.

    a. *Furloughs and Layoffs*. The Recipient shall not conduct an Involuntary Termination or Furlough of any Employee between the date of this Agreement and March 31, 2021.

    b. *Employee Salary, Wages, and Benefits*

        i. *Salary and Wages*. Except in the case of a Permitted Termination or Furlough, the Recipient shall not, between the date of this Agreement and March 31, 2021, reduce, without the Employee's consent, (A) the pay rate of any Employee earning a Salary, or (B) the pay rate of any Employee earning Wages.

        ii. *Benefits*. Except in the case of a Permitted Termination or Furlough, the Recipient shall not, between the date of this Agreement and March 31, 2021, reduce, without the Employee's consent, the Benefits of any Employee; provided, however, that for purposes of this paragraph, personnel expenses associated with the performance of work duties, including those described in line 10 of Financial Reporting Schedule P-6, Form 41, as published by the Department of Transportation, may be reduced to the extent the associated work duties are not performed.

4.1. If the Recipient received financial assistance in PSP1, the Recipient shall:

a. Recall, not later than 72 hours after this Agreement has been executed by each party hereto, any Employees who were subject to an Involuntary Termination or Furlough between October 1, 2020, and the effective date of this Agreement, and enable each Returning Employee to return to employment within 30 days after making the election to do so;

b. compensate, not later than 30 days after a Returning Employee returns to employment, such Returning Employee for lost Salary, Wages, and Benefits (offset by any amounts received by the Returning Employee from the Recipient or an Affiliate as a result of such Returning Employee's Involuntary Termination or Furlough, including any Severance Pay or Other Benefits or furlough pay) between December 1, 2020, and the effective date of this Agreement; and

c. restore the rights and protections for any Returning Employees as if such Returning Employees had not been subject to an Involuntary Termination or Furlough.

4.2. If the Recipient did not receive financial assistance in PSP1, the Recipient shall:

a. Recall, not later than 72 hours after this Agreement has been executed by each party hereto, any Employees who were subject to an Involuntary Termination or Furlough between March 27, 2020, and the effective date of this Agreement, and enable each Returning Employee to return to employment within 30 days of making the election to do so;

b. compensate, not later than 30 days after a Returning Employee returns to employment, such Returning Employee for lost Salary, Wages, and Benefits (offset by any amounts received by the Returning Employee from the Recipient or an Affiliate as a result of such Returning Employee's Involuntary Termination or Furlough, including any Severance Pay or Other Benefits or furlough pay) between December 1, 2020, and the effective date of this Agreement; and

c. restore the rights and protections for any Returning Employees as if such Returning Employees had not been subject to an Involuntary Termination or Furlough.

Dividends and Buybacks

5. Through March 31, 2022, neither the Recipient nor any Affiliate shall, in any transaction, purchase an equity security of the Recipient or of any direct or indirect parent company of the Recipient that, in either case, is listed on a national securities exchange.

6. Through March 31, 2022, the Recipient shall not pay dividends, or make any other capital distributions, with respect to the common stock (or equivalent equity interest) of the Recipient.

Limitations on Certain Compensation

7. Beginning October 1, 2020, and ending October 1, 2022, the Recipient and its Affiliates shall not pay any of the Recipient's Corporate Officers or Employees whose Total Compensation exceeded

$425,000 in calendar year 2019 (other than an Employee whose compensation is determined through an existing collective bargaining agreement entered into before December 27, 2020):

a. Total Compensation which exceeds, during any 12 consecutive months of such two-year period, the Total Compensation the Corporate Officer or Employee received in calendar year 2019; or

b. Severance Pay or Other Benefits in connection with a termination of employment with the Recipient which exceed twice the maximum Total Compensation received by such Corporate Officer or Employee in calendar year 2019.

8. Beginning October 1, 2020, and ending October 1, 2022, the Recipient and its Affiliates shall not pay, during any 12 consecutive months of such two-year period, any of the Recipient's Corporate Officers or Employees whose Total Compensation exceeded $3,000,000 in calendar year 2019 Total Compensation in excess of the sum of:

a. $3,000,000; and

b. 50 percent of the excess over $3,000,000 of the Total Compensation received by such Corporate Officer or Employee in calendar year 2019.

9. For purposes of determining applicable amounts under paragraphs 7 and 8 with respect to any Corporate Officer or Employee who was employed by the Recipient or an Affiliate for less than all of calendar year 2019, the amount of Total Compensation in calendar year 2019 shall mean such Corporate Officer's or Employee's Total Compensation on an annualized basis.

Continuation of Service

10. If the Recipient is an air carrier, until March 1, 2022, the Recipient shall comply with any applicable requirement issued by the Secretary of Transportation under section 407) of the PSP Extension Law to maintain scheduled air transportation service to any point served by the Recipient before March 1, 2020.

Effective Date

11. This Agreement shall be effective as of the date of its execution by both parties.

Reporting and Auditing

12. Until the calendar quarter that begins after the later of October 1, 2022, and the date on which no Taxpayer Protection Instrument is outstanding, not later than 45 days after the end of each of the first three calendar quarters of each calendar year and 90 days after the end of each calendar year, the Signatory Entity, on behalf of itself and each other Recipient, shall certify to Treasury that it is in compliance with the terms and conditions of this Agreement and provide a report containing the following:

a. the amount of Payroll Support funds expended during such quarter;

b. the Recipient's financial statements (audited by an independent certified public accountant, in the case of annual financial statements);

c. a copy of the Recipient's IRS Form 941 filed with respect to such quarter; and

d. a detailed summary describing, with respect to the Recipient, (a) any changes in Employee headcount during such quarter and the reasons therefor, including any Involuntary Termination or Furlough, (b) any changes in the amounts spent by the Recipient on Employee Wages, Salary, and Benefits during such quarter, and (c) any changes in Total Compensation for, and any Severance Pay or Other Benefits in connection with the termination of, Corporate Officers and Employees subject to limitation under this Agreement during such quarter; and the reasons for any such changes.

13. If the Recipient or any Affiliate, or any Corporate Officer of the Recipient or any Affiliate, becomes aware of facts, events, or circumstances that may materially affect the Recipient's compliance with the terms and conditions of this Agreement, the Recipient or Affiliate shall promptly provide Treasury with a written description of the events or circumstances and any action taken, or contemplated, to address the issue.

14. In the event the Recipient contemplates any action to commence a bankruptcy or insolvency proceeding in any jurisdiction, the Recipient shall promptly notify Treasury.

15. The Recipient shall:

a. Promptly provide to Treasury and the Treasury Inspector General a copy of any Department of Transportation Inspector General report, audit report, or report of any other oversight body, that is received by the Recipient relating to this Agreement.

b. Immediately notify Treasury and the Treasury Inspector General of any indication of fraud, waste, abuse, or potentially criminal activity pertaining to the Payroll Support.

c. Promptly provide Treasury with any information Treasury may request relating to compliance by the Recipient and its Affiliates with this Agreement.

16. The Recipient and Affiliates will provide Treasury, the Treasury Inspector General, and such other entities as authorized by Treasury timely and unrestricted access to all documents, papers, or other records, including electronic records, of the Recipient related to the Payroll Support, to enable Treasury and the Treasury Inspector General to make audits, examinations, and otherwise evaluate the Recipient's compliance with the terms of this Agreement. This right also includes timely and reasonable access to the Recipient's and its Affiliates' personnel for the purpose of interview and discussion related to such documents. This right of access shall continue as long as records are required to be retained. In addition, the Recipient will provide timely reports as reasonably required by Treasury, the Treasury Inspector General, and such other entities as authorized by Treasury to comply with applicable law and to assess program effectiveness.

Recordkeeping and Internal Controls

17. If the Recipient is a debtor as defined under 11 U.S.C. § 101(13), the Payroll Support funds, any claim or account receivable arising under this Agreement, and any segregated account holding funds received under this Agreement shall not constitute or become property of the estate under 11 U.S.C. § 541.

18. The Recipient shall expend and account for Payroll Support funds in a manner sufficient to:

    a. Permit the preparation of accurate, current, and complete quarterly reports as required under this Agreement.

    b. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used as required under this Agreement.

19. The Recipient shall establish and maintain effective internal controls over the Payroll Support; comply with all requirements related to the Payroll Support established under applicable Federal statutes and regulations; monitor compliance with Federal statutes, regulations, and the terms and conditions of this Agreement; and take prompt corrective actions in accordance with audit recommendations. The Recipient shall promptly remedy any identified instances of noncompliance with this Agreement.

20. The Recipient and Affiliates shall retain all records pertinent to the receipt of Payroll Support and compliance with the terms and conditions of this Agreement (including by suspending any automatic deletion functions for electronic records, including e-mails) for a period of three years following the period of performance. Such records shall include all information necessary to substantiate factual representations made in the Recipient's application for Payroll Support, including ledgers and sub-ledgers, and the Recipient's and Affiliates' compliance with this Agreement. While electronic storage of records (backed up as appropriate) is preferable, the Recipient and Affiliates may store records in hardcopy (paper) format. The term "records" includes all relevant financial and accounting records and all supporting documentation for the information reported on the Recipient's quarterly reports.

21. If any litigation, claim, investigation, or audit relating to the Payroll Support is started before the expiration of the three-year period, the Recipient and Affiliates shall retain all records described in paragraph 20 until all such litigation, claims, investigations, or audit findings have been completely resolved and final judgment entered or final action taken.

Remedies

22. If Treasury believes that an instance of noncompliance by the Recipient or an Affiliate with (a) this Agreement, (b) sections 404 or 406 of the PSP Extension Law, or (c) the Internal Revenue Code of 1986 as it applies to the receipt of Payroll Support has occurred, Treasury may notify the Recipient in writing of its proposed determination of noncompliance, provide an explanation of the nature of the noncompliance, and specify a proposed remedy. Upon receipt of such notice, the Recipient shall, within seven days, accept Treasury's proposed remedy, propose an alternative remedy, or

provide information and documentation contesting Treasury's proposed determination. Treasury shall consider any such submission by the Recipient and make a final written determination, which will state Treasury's findings regarding noncompliance and the remedy to be imposed.

23. If Treasury makes a final determination under paragraph 22 that an instance of noncompliance has occurred, Treasury may, in its sole discretion, withhold any Additional Payroll Support Payments; require the repayment of the amount of any previously disbursed Payroll Support, with appropriate interest; require additional reporting or monitoring; initiate suspension or debarment proceedings as authorized under 2 CFR Part 180; terminate this Agreement; or take any such other action as Treasury, in its sole discretion, deems appropriate.

24. Treasury may make a final determination regarding noncompliance without regard to paragraph 22 if Treasury determines, in its sole discretion, that such determination is necessary to protect a material interest of the Federal Government. In such event, Treasury shall notify the Recipient of the remedy that Treasury, in its sole discretion, shall impose, after which the Recipient may contest Treasury's final determination or propose an alternative remedy in writing to Treasury. Following the receipt of such a submission by the Recipient, Treasury may, in its sole discretion, maintain or alter its final determination.

25. Any final determination of noncompliance and any final determination to take any remedial action described herein shall not be subject to further review. To the extent permitted by law, the Recipient waives any right to judicial review of any such determinations and further agrees not to assert in any court any claim arising from or relating to any such determination or remedial action.

26. Instead of, or in addition to, the remedies listed above, Treasury may refer any noncompliance or any allegations of fraud, waste, or abuse to the Treasury Inspector General.

27. Treasury, in its sole discretion, may grant any request by the Recipient for termination of this Agreement, which such request shall be in writing and shall include the reasons for such termination, the proposed effective date of the termination, and the amount of any unused Payroll Support funds the Recipient requests to return to Treasury. Treasury may, in its sole discretion, determine the extent to which the requirements under this Agreement may cease to apply following any such termination.

28. If Treasury determines that any remaining portion of the Payroll Support will not accomplish the purpose of this Agreement, Treasury may terminate this Agreement in its entirety to the extent permitted by law.

Debts

29. Any Payroll Support in excess of the amount which Treasury determines, at any time, the Recipient is authorized to receive or retain under the terms of this Agreement constitutes a debt to the Federal Government.

30. Any debts determined to be owed by the Recipient to the Federal Government shall be paid promptly by the Recipient. A debt is delinquent if it has not been paid by the date specified in

Treasury's initial written demand for payment, unless other satisfactory arrangements have been made. Interest, penalties, and administrative charges shall be charged on delinquent debts in accordance with 31 U.S.C. § 3717, 31 CFR 901.9, and paragraphs 31 and 32. Treasury will refer any debt that is more than 180 days delinquent to Treasury's Bureau of the Fiscal Service for debt collection services.

31. Penalties on any debts shall accrue at a rate of not more than 6 percent per year or such other higher rate as authorized by law.

32. Administrative charges relating to the costs of processing and handling a delinquent debt shall be determined by Treasury.

33. The Recipient shall not use funds from other federally sponsored programs to pay a debt to the government arising under this Agreement.

Protections for Whistleblowers

34. In addition to other applicable whistleblower protections, in accordance with 41 U.S.C. § 4712, the Recipient shall not discharge, demote, or otherwise discriminate against an Employee as a reprisal for disclosing information to a Person listed below that the Employee reasonably believes is evidence of gross mismanagement of a Federal contract or grant, a gross waste of Federal funds, an abuse of authority relating to a Federal contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a Federal contract (including the competition for or negotiation of a contract) or grant:

    a. A Member of Congress or a representative of a committee of Congress;

    b. An Inspector General;

    c. The Government Accountability Office;

    d. A Treasury employee responsible for contract or grant oversight or management;

    e. An authorized official of the Department of Justice or other law enforcement agency;

    f. A court or grand jury; or

    g. A management official or other Employee of the Recipient who has the responsibility to investigate, discover, or address misconduct.

Lobbying

35. The Recipient shall comply with the provisions of 31 U.S.C. § 1352, as amended, and with the regulations at 31 CFR Part 21.

Non-Discrimination

36. The Recipient shall comply with, and hereby assures that it will comply with, all applicable Federal statutes and regulations relating to nondiscrimination including:

    a. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*), including Treasury's implementing regulations at 31 CFR Part 22;

    b. Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794);

    c. The Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101–6107), including Treasury's implementing regulations at 31 CFR Part 23 and the general age discrimination regulations at 45 CFR Part 90; and

    d. The Air Carrier Access Act of 1986 (49 U.S.C. § 41705).

Additional Reporting

37. Within seven days after the date of this Agreement, the Recipient shall register in SAM.gov, and thereafter maintain the currency of the information in SAM.gov until at least October 1, 2022. The Recipient shall review and update such information at least annually after the initial registration, and more frequently if required by changes in the Recipient's information. The Recipient agrees that this Agreement and information related thereto, including the Maximum Awardable Amount and any executive total compensation reported pursuant to paragraph 38, may be made available to the public through a U.S. Government website, including SAM.gov.

38. For purposes of paragraph 37, the Recipient shall report total compensation as defined in paragraph e.6 of the award term in 2 CFR part 170, App. A for each of the Recipient's five most highly compensated executives for the preceding completed fiscal year, if:

    a. the total Payroll Support is $25,000 or more;

    b. in the preceding fiscal year, the Recipient received:

        i. 80 percent or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance, as defined at 2 CFR 170.320 (and subawards); and

        ii. $25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance, as defined at 2 CFR 170.320 (and subawards); and

    c. the public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. To determine if the public has access to the compensation information, the Recipient shall refer to U.S. Securities and Exchange Commission total compensation filings at http://www.sec.gov/answers/execomp.htm.

39. The Recipient shall report executive total compensation described in paragraph 38:

    a. as part of its registration profile at https://www.sam.gov; and

    b. within five business days after the end of each month following the month in which this Agreement becomes effective, and annually thereafter.

40. The Recipient agrees that, from time to time, it will, at its own expense, promptly upon reasonable request by Treasury, execute and deliver, or cause to be executed and delivered, or use its commercially reasonable efforts to procure, all instruments, documents and information, all in form and substance reasonably satisfactory to Treasury, to enable Treasury to ensure compliance with, or effect the purposes of, this Agreement, which may include, among other documents or information, (a) certain audited financial statements of the Recipient, (b) documentation regarding the Recipient's revenues derived from its business as a passenger air carrier or regarding the passenger air carriers for which the Recipient provides services as a contractor (as the case may be), and (c) the Recipient's most recent quarterly Federal tax returns. The Recipient agrees to provide Treasury with such documents or information promptly.

41. If the total value of the Recipient's currently active grants, cooperative agreements, and procurement contracts from all Federal awarding agencies exceeds $10,000,000 for any period before termination of this Agreement, then the Recipient shall make such reports as required by 2 CFR part 200, Appendix XII.

Other

42. The Recipient acknowledges that neither Treasury, nor any other actor, department, or agency of the Federal Government, shall condition the provision of Payroll Support on the Recipient's implementation of measures to enter into negotiations with the certified bargaining representative of a craft or class of employees of the Recipient under the Railway Labor Act (45 U.S.C. 151 *et seq.*) or the National Labor Relations Act (29 U.S.C. 151 *et seq.*), regarding pay or other terms and conditions of employment.

43. Notwithstanding any other provision of this Agreement, the Recipient has no right to, and shall not, transfer, pledge, mortgage, encumber, or otherwise assign this Agreement or any Payroll Support provided under this Agreement, or any interest therein, or any claim, account receivable, or funds arising thereunder or accounts holding Payroll Support, to any party, bank, trust company, or other Person without the express written approval of Treasury.

44. The Signatory Entity will cause its Affiliates to comply with all of their obligations under or relating to this Agreement.

45. Unless otherwise provided in guidance issued by Treasury or the Internal Revenue Service, the form of any Taxpayer Protection Instrument held by Treasury and any subsequent holder will be treated as such form for purposes of the Internal Revenue Code of 1986 (for example, a Taxpayer

Protection Instrument in the form of a note will be treated as indebtedness for purposes of the Internal Revenue Code of 1986).

46. This Agreement may not be amended or modified except pursuant to an agreement in writing entered into by the Recipient and Treasury, except that Treasury may unilaterally amend this Agreement if required in order to comply with applicable Federal law or regulation.

47. Subject to applicable law, Treasury may, in its sole discretion, waive any term or condition under this Agreement imposing a requirement on the Recipient or any Affiliate.

48. This Agreement shall bind and inure to the benefit of the parties and their respective heirs, executors, administrators, successors, and assigns.

49. The Recipient represents and warrants to Treasury that this Agreement, and the issuance and delivery to Treasury of the Taxpayer Protection Instruments, if applicable, have been duly authorized by all requisite corporate and, if required, stockholder action, and will not result in the violation by the Recipient of any provision of law, statute, or regulation, or of the articles of incorporation or other constitutive documents or bylaws of the Recipient, or breach or constitute an event of default under any material contract to which the Recipient is a party.

50. The Recipient represents and warrants to Treasury that this Agreement has been duly executed and delivered by the Recipient and constitutes a legal, valid, and binding obligation of the Recipient enforceable against the Recipient in accordance with its terms.

51. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute a single contract.

52. The words “execution,” “signed,” “signature,” and words of like import in any assignment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act. Notwithstanding anything herein to the contrary, delivery of an executed counterpart of a signature page of this Agreement by electronic means, or confirmation of the execution of this Agreement on behalf of a party by an email from an authorized signatory of such party, shall be effective as delivery of a manually executed counterpart of this Agreement.

53. The captions and paragraph headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

54. This Agreement is governed by and shall be construed in accordance with Federal law. Insofar as there may be no applicable Federal law, this Agreement shall be construed in accordance with the laws of the State of New York, without regard to any rule of conflicts of law (other than section

5-1401 of the New York General Obligations Law) that would result in the application of the substantive law of any jurisdiction other than the State of New York.

55. Nothing in this Agreement shall require any unlawful action or inaction by either party.

56. The requirement pertaining to trafficking in persons at 2 CFR 175.15(b) is incorporated herein and made applicable to the Recipient.

57. This Agreement, together with the attachments hereto, including the Payroll Support Program Extension Certification and any attached terms regarding Taxpayer Protection Instruments, constitute the entire agreement of the parties relating to the subject matter hereof and supersede any previous agreements and understandings, oral or written, relating to the subject matter hereof. There may exist other agreements between the parties as to other matters, which are not affected by this Agreement and are not included within this integration clause.

58. No failure by either party to insist upon the strict performance of any provision of this Agreement or to exercise any right or remedy hereunder, and no acceptance of full or partial Payroll Support (if applicable) or other performance by either party during the continuance of any such breach, shall constitute a waiver of any such breach of such provision.

ATTACHMENT

Payroll Support Program Extension Certification of Corporate Officer of Recipient

PAYROLL SUPPORT PROGRAM EXTENSION

CERTIFICATION OF CORPORATE OFFICER OF RECIPIENT

In connection with the Payroll Support Program Extension Agreement (Agreement) between Spirit Airlines, Inc. and the Department of the Treasury (Treasury) relating to Payroll Support being provided by Treasury to the Recipient under Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021, I hereby certify under penalty of perjury to the Treasury that all of the following are true and correct. Capitalized terms used but not defined herein have the meanings set forth in the Agreement.

(1) I have the authority to make the following representations on behalf of myself and the Recipient. I understand that these representations will be relied upon as material in the decision by Treasury to provide Payroll Support to the Recipient.

(2) The information and certifications provided by the Recipient in an application for Payroll Support, and in any attachments or other information provided by the Recipient to Treasury related to the application, are true and correct and do not contain any materially false, fictitious, or fraudulent statement, nor any concealment or omission of any material fact.

(3) The Recipient has the legal authority to apply for the Payroll Support, and it has the institutional, managerial, and financial capability to comply with all obligations, terms, and conditions set forth in the Agreement and any attachment thereto.

(4) The Recipient and any Affiliate will give Treasury, Treasury's designee or the Treasury Office of Inspector General (as applicable) access to, and opportunity to examine, all documents, papers, or other records of the Recipient or Affiliate pertinent to the provision of Payroll Support made by Treasury based on the application, in order to make audits, examinations, excerpts, and transcripts.

(5) No Federal appropriated funds, including Payroll Support, have been paid or will be paid, by or on behalf of the Recipient, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(6) If the Payroll Support exceeds $100,000, the Recipient shall comply with the disclosure requirements in 31 CFR Part 21 regarding any amounts paid for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the Payroll Support.

I acknowledge that a materially false, fictitious, or fraudulent statement (or concealment or omission of a material fact) in this certification, or in the application that it supports, may be the subject of criminal prosecution and also may subject me and the Recipient to civil penalties and/or administrative remedies for false claims or otherwise.

/s/ Scott Haralson	/s/ Thomas Canfield
Corporate Officer of Signatory Entity	Second Authorized Representative
Name: Scott Haralson	Name: Thomas Canfield
Title: Senior Vice President and Chief Financial Officer	Title: General Counsel
Date: January 15, 2021	Date: January 15, 2021

PROMISSORY NOTE

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

Reference is made to that certain Payroll Support Program Extension Agreement ("PSP2 Agreement") dated as of the date hereof by and among Spirit Airlines, Inc., a Delaware corporation ("Issuer"), having an office at 2800 Executive Way, Miramar, Florida 33025 and the United States Department of the Treasury ("Treasury"), having an office at 1500 Pennsylvania Avenue, NW, Washington, D.C. 20220, entered into by Issuer and Treasury pursuant to the Consolidated Appropriations Act, 2021 (December 27, 2020) ("PSP Extension Law").

WHEREAS, Issuer has requested that Treasury provide financial assistance to the Issuer and certain of its Affiliates (as defined below) that are Recipients (as defined in the PSP2 Agreement) that shall be used for the continuation of payment of employee wages, salaries, and benefits as is permissible under Section 402(a) of the PSP Extension Law.

WHEREAS, as appropriate compensation to the Federal Government of the United States of America for the provision of financial assistance under the PSP2 Agreement, Issuer has agreed to issue this Promissory Note ("Note") to Treasury on the terms and conditions set forth herein.

FOR VALUE RECEIVED, Issuer unconditionally promises to pay to the Holder (as defined below) the principal sum of ZERO DOLLARS ($0), subject to increases and/or decreases made pursuant to Section 2.1, as permissible under the PSP2 Agreement, or Section 2.3, in each case as noted by the Holder in Schedule I (the "Principal Amount"), outstanding hereunder, together with all accrued interest thereon on the Maturity Date (as defined below) as provided in this Note. Notations made by the Holder in Schedule I shall be final and conclusive absent manifest error; provided, however, that any failure by the Holder to make such notations or any error by omission by the Holder in this regard shall not affect the obligation of the Issuer to pay the full amount of the principal of and interest on the Note or any other amount owing hereunder.

1 DEFINITIONS

1.1 Defined Terms. As used in this Note, capitalized terms have the meanings specified in Annex A.

1.2 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." The word "or" is not exclusive. The word "year" shall refer (i) in the case of a leap year, to a year of three hundred sixty-six (366) days, and (ii) otherwise, to a year of three hundred sixty-five (365) days. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Note in its entirety and not to any particular provision hereof, (d) all references herein to Sections, Annexes and Schedules shall be construed to refer to Sections of, and Annexes and Schedules to, this Note, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

1.3 Accounting Terms. All accounting terms not otherwise defined herein shall be construed in conformity with GAAP, as in effect from time to time.

2 NOTE

2.1 Principal Amount. Upon any disbursement to the Issuer under the PSP2 Agreement after the Closing Date, the Principal Amount of this Note shall be increased in an amount equal to 30 % of any such disbursement; provided,

however, that no increases in the Principal Amount of this Note shall occur pursuant to this Section until the aggregate principal amount of any disbursements to the Issuer under the PSP2 Agreement is greater than $100,000,000.

2.2 Maturity Date. The aggregate unpaid principal amount of the Note, all accrued and unpaid interest, and all other amounts payable under this Note shall be due and payable on the Maturity Date, unless otherwise provided in Section 5.1.

2.3 Prepayments.

(a) Optional Prepayments. The Issuer may, upon written notice to the Holder, at any time and from time to time prepay the Note in whole or in part without premium or penalty in a minimum aggregate principal amount equal to the lesser of $5,000,000 and the Principal Amount outstanding.

(b) Mandatory Prepayments. If a Change of Control occurs, within thirty (30) days following the occurrence of such Change of Control, the Issuer shall prepay the aggregate principal amount outstanding under the Note and any accrued interest or other amounts owing under the Note. The Issuer will not, and will not permit any Subsidiary to, enter into any Contractual Obligation (other than this Note) that, directly or indirectly, restricts the ability of the Issuer or any Subsidiary to make such prepayment hereunder.

2.4 Interest.

(a) Interest Rate. Subject to paragraph (b) of this Section, the Note shall bear interest on the Principal Amount outstanding from time to time at a rate per annum equal to 1.00% until the fifth anniversary of the Closing Date, and the Applicable SOFR Rate plus 2.00% thereafter until the Maturity Date. All interest hereunder shall be computed on the basis of the actual number of days in each interest period and a year of 365 or 366 days, as applicable, until the fifth anniversary of the Closing Date and computed in a manner determined by the Holder thereafter, based on prevailing customary market conventions for the use of the Applicable SOFR Rate in floating-rate debt instruments at the time of the announcement of the Applicable SOFR Rate. Each interest period will be from, and including, the Closing Date, or from and including the most recent interest payment date to which interest has been paid or provided for, to, but excluding the next interest payment date.

(b) Default Interest. If any amount payable by the Issuer or any Guarantor under this Note (including principal of the Note, interest, fees or other amount) is not paid when due, whether at stated maturity, upon acceleration or otherwise, such amount shall thereafter bear interest at a rate per annum equal to the applicable Default Rate. While any Event of Default exists, the Issuer or any Guarantor shall pay interest on the principal amount of the Note outstanding hereunder at a rate per annum equal to the applicable Default Rate.

(c) Payment Dates. Accrued interest on the Note shall be payable in arrears on the last Business Day of March and September of each year, beginning with March 31, 2021 , and on the Maturity Date and at such other times as may be specified herein; provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand and (ii) in the event of any repayment or prepayment of the Note, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) SOFR Fallback. If, at any time, the Holder or its designee determines that a Benchmark Transition Event has occurred with respect to the Applicable SOFR Rate or SOFR, or any successor rate, the Holder or its designee will designate a Benchmark Replacement and, as applicable, make Benchmark Conforming Changes in a manner consistent with the methodology set forth in the ARRC Fallback Provisions. Any determination, decision or election that may be made by the Holder or its designee pursuant to this Section 2.4(d), and any decision to take or refrain from taking any action or making any determination, decision or election arising out of or relating to this Section 2.4(d), shall be conclusive and binding absent manifest error, may be made by the Holder or its designee in its sole discretion, and, notwithstanding anything to the contrary in this Note, shall become effective without the consent of the Issuer, any Guarantor or any other party. Any terms used in this Section 2.4(d) but not defined in this Note shall be construed in a manner consistent with the ARRC Fallback Provisions.

2.5 Payments Generally.

(a) Payments by Issuer. All payments to be made by the Issuer hereunder shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, (i) for so long as Treasury is the Holder of this Note, each payment under this Note shall be paid in immediately available funds by electronic funds transfer to the account of the United States Treasury maintained at the Federal Reserve Bank of New York specified by Treasury in a written notice to the Issuer, or to such other account as may be specified from

time to time by Treasury in a written notice to the Issuer, or (ii) in the event that Treasury is not the Holder of this Note, then each payment under this Note shall be made in immediately available funds by electronic funds transfer to such account as shall be specified by the Holder in a written notice to the Issuer, in each case not later than 12:00 noon (Washington, D.C. time) on the date specified herein. All amounts received by the Holder after such time on any date shall be deemed to have been received on the next succeeding Business Day and any applicable interest or fees shall continue to accrue. If any payment to be made by the Issuer shall fall due on a day that is not a Business Day, payment shall be made on the next succeeding Business Day and such extension of time shall be reflected in computing interest or fees, as the case may be; provided that, if such next succeeding Business Day would fall after the Maturity Date, payment shall be made on the immediately preceding Business Day. Except as otherwise expressly provided herein, all payments hereunder shall be made in Dollars.

(b) Application of Insufficient Payments. If at any time insufficient funds are received by and available to the Holder to pay fully all amounts of principal, interest, fees and other amounts then due hereunder, such funds shall be applied (i) first, to pay interest, fees and other amounts then due hereunder, and (ii) second, to pay principal then due hereunder.

3 REPRESENTATIONS AND WARRANTIES

The Issuer and each Guarantor represents and warrants to the Holder on the Closing Date and is deemed to represent and warrant to the Holder on any date on which the amount of the Note is increased pursuant to the terms hereof and in accordance with the PSP2 Agreement that:

3.1 Existence, Qualification and Power. The Issuer, each Guarantor and each Subsidiary (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Note, and (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, except, in each case referred to in clause (a) (other than with respect to the Issuer and each Guarantor), (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

3.2 Authorization; No Contravention. The execution, delivery and performance by the Issuer and each Guarantor of the Note have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of its Organizational Documents, (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any material Contractual Obligation to which the Issuer or any Guarantor is a party or affecting the Issuer or any Guarantor or the material properties of the Issuer, any Guarantor or any Subsidiary or (ii) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which the Issuer, the Guarantor or any Subsidiary or its property is subject or (c) violate any Law, except to the extent that such violation could not reasonably be expected to have a Material Adverse Effect.

3.3 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Issuer or any Guarantor of this Note, except for such approvals, consents, exemptions, authorizations, actions or notices that have been duly obtained, taken or made and in full force and effect.

3.4 Execution and Delivery; Binding Effect. This Note has been duly executed and delivered by the Issuer and each Guarantor. This Note constitutes a legal, valid and binding obligation of the Issuer and each Guarantor, enforceable against the Issuer and each Guarantor in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other Laws affecting creditors' rights generally and by general principles of equity.

4 COVENANTS

Until all Obligations shall have been paid in full or until any later date as provided for in this Note, the Issuer covenants and agrees with the Holder that:

4.1 Notices. The Issuer will promptly notify the Holder of the occurrence of any Default.

4.2 Guarantors. The Guarantors listed on the signature page to this Note hereby Guarantee the Guaranteed Obligations as set forth in Annex B. If any Subsidiary (other than an Excluded Subsidiary) is formed or acquired after the Closing Date or if any Subsidiary ceases to be an Excluded Subsidiary, then the Issuer will cause such Subsidiary to become a Guarantor of this Note within 30 days of such Subsidiary being formed or acquired or of such Subsidiary ceasing to be an Excluded Subsidiary pursuant to customary documentation reasonably acceptable to the Holder and on the terms and conditions set forth in Annex B.

4.3 Pari Passu Ranking. The Obligations of the Issuer and any Guaranteed Obligations of any Guarantor under this Note shall be unsecured obligations of the Issuer and any Guarantor ranking *pari passu* with all existing and future senior unsecured Indebtedness of the Issuer or any Guarantor that is not subordinated in right of payment to the holder or lender of such Indebtedness.

5 EVENTS OF DEFAULT

5.1 Events of Default. If any of the following events (each, an "Event of Default") shall occur:

(a) the Issuer shall fail to pay any principal of the Note when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Issuer shall fail to pay any interest on the Note, or any fee or any other amount (other than an amount referred to in clause (a) of this Section) payable under this Note, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of two (2) or more Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Issuer or any Guarantor, including those made prior to the Closing Date, in or in connection with this Note or any amendment or modification hereof, or any waiver hereunder, or in the PSP2 Agreement, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Note, the PSP2 Agreement or the PSP2 Application or any amendment or modification hereof or thereof, or any waiver hereunder or thereunder, shall prove to have been incorrect in any material respect (or, in the case of any such representation or warranty under this Note already qualified by materiality, such representation or warranty shall prove to have been incorrect) when made or deemed made;

(d) the Issuer shall fail to observe or perform any covenant, condition or agreement contained in Section 4.1;

(e) the Issuer or any Guarantor shall fail to observe or perform any covenant, condition or agreement contained in this Note (other than those specified in clause (a), (b) or (d) of this Section) and such failure shall continue unremedied for a period of 30 or more days after notice thereof by the Holder to the Issuer;

(f) (i) the Issuer or any Guarantor shall default in the performance of any obligation relating to any Indebtedness (other than Indebtedness under the Note) having an aggregate principal amount equal to or greater than $15,000,000 ("Material Indebtedness") and any applicable grace periods shall have expired and any applicable notice requirements shall have been complied with, and as a result of such default the holder or holders of such Material Indebtedness or any trustee or agent on behalf of such holder or holders shall have caused such Material Indebtedness to become due prior to its scheduled final maturity date or (ii) the Issuer or any Guarantor shall default in the payment of the outstanding principal amount due on the scheduled final maturity date of any Indebtedness outstanding under one or more agreements of the Issuer or any Guarantor, any applicable grace periods shall have expired and any applicable notice requirements shall have been complied with and such failure to make payment when due shall be continuing for a period of more than five (5) consecutive Business Days following the applicable scheduled final maturity date or the applicable grace period thereunder, in an aggregate principal amount at any single time unpaid exceeding $15,000,000;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Issuer, any Guarantor or any Subsidiary or its debts, or of a substantial part of its assets, under any Debtor Relief Law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or any of its Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for a period of 60 or more days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Issuer, any Guarantor or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Debtor Relief Law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in

clause (g) of this Section, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer, any Guarantor or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding or (v) make a general assignment for the benefit of creditors;

(i) the Issuer, any Guarantor or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(j) there is entered against the Issuer, any Guarantor or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount (as to all such judgments and orders) exceeding an amount equal to or greater than $15,000,000 (to the extent not covered by independent third-party insurance as to which the insurer has been notified of such judgment or order and has not denied or failed to acknowledge coverage), or (ii) a non-monetary final judgment or order that, either individually or in the aggregate, has or could reasonably be expected to have a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(k) any material provision of the Note, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all Obligations, ceases to be in full force and effect; or the Issuer, any Guarantor or any other Person contests in writing the validity or enforceability of any provision of the Note; or the Issuer or any Guarantor denies in writing that it has any or further liability or obligation under the Note, or purports in writing to revoke, terminate or rescind the Note;

then, and in every such event (other than an event with respect to the Issuer or any Guarantor described in clause (g) or (h) of this Section), and at any time thereafter during the continuance of such event, the Holder may, by notice to the Issuer, take any or all of the following actions, at the same or different times:

(i) declare any amounts then outstanding under the Note to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Note so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations of the Issuer accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Issuer and any Guarantor; and

(ii) exercise on all rights and remedies available to it under the Note and Applicable Law;

provided that, in case of any event with respect to the Issuer or any Guarantor described in clause (g) or (h) of this Section, the principal of the Note then outstanding, together with accrued interest thereon and all fees and other Obligations accrued hereunder, shall automatically become due and payable, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Issuer and any Guarantor.

6 **MISCELLANEOUS**

6.1 Notices.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by email as follows:

(i) if to the Issuer or any Guarantor, to Legal Department, Spirit Airlines, Inc., 2800 Executive Way, Miramar, Florida 33025 (Telephone No. (954) 447-7920; Email: legaldepartment@spirit.com);

(ii) if to the Holder, to the Department of the Treasury at 1500 Pennsylvania Avenue, NW, Washington D.C. 20220, Attention of Assistant General Counsel (Banking and Finance) (Telephone No. (202) 622-0283; Email: eric.froman@treasury.gov); and

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices delivered through electronic communications, to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Holder hereunder may be delivered or furnished by electronic communication (including e-mail, FpML, and Internet or intranet websites) pursuant to

procedures approved by the Holder. The Holder, the Issuer or any Guarantor may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Holder otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day.

6.2 Waivers; Amendments.

(a) No Waiver; Remedies Cumulative; Enforcement. No failure or delay by the Holder in exercising any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege, or any abandonment or discontinuance of steps to enforce such a right remedy, power or privilege, preclude any other or further exercise thereof or the exercise of any other right remedy, power or privilege. The rights, remedies, powers and privileges of the Holder hereunder and under the Note are cumulative and are not exclusive of any rights, remedies, powers or privileges that any such Person would otherwise have.

(b) Amendments, Etc. Except as otherwise expressly set forth in this Note, no amendment or waiver of any provision of this Note, and no consent to any departure by the Issuer therefrom, shall be effective unless in writing executed by the Issuer and the Holder, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

6.3 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Issuer shall pay (i) all reasonable out-of-pocket expenses incurred by the Holder (including the reasonable fees, charges and disbursements of any counsel for the Holder) in connection with the preparation, negotiation, execution, delivery and administration of this Note and the PSP2 Agreement, any other agreements or documents executed in connection herewith or therewith, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Holder (including the fees, charges and disbursements of any counsel for the Holder), in connection with the enforcement or protection of its rights in connection with this Note and the PSP2 Agreement, any other agreements or documents executed in connection herewith or therewith, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), including all such out-of-pocket expenses incurred during any workout, restructuring, negotiations or enforcement in respect of such Note, PSP2 Agreement and other agreements or documents executed in connection herewith or therewith.

(b) Indemnification by the Issuer. The Issuer shall indemnify the Holder and each of its Related Parties (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities, obligations, penalties, fines, settlements, judgments, disbursements and related costs and expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Issuer) arising out of, in connection with, or as a result of (i) the execution or delivery of this Note or any agreement or instrument contemplated hereby, the performance by the Issuer or any Guarantor of its obligations hereunder or the consummation of the transactions contemplated hereby, (ii) the Note or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Issuer or any Guarantor, and regardless of whether any Indemnitee is a party thereto.

(c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, the Issuer and any Guarantor shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Note or any agreement or instrument contemplated hereby, the transactions contemplated hereby, or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages

arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Note or the transactions contemplated hereby.

(d) Payments. All amounts due under this Section shall be payable not later than five (5) days after demand therefor.

(e) Survival. Each party's obligations under this Section shall survive the termination of the Note and payment of the obligations hereunder.

6.4 Successors and Assigns. Neither the Issuer nor any Guarantor may assign or transfer this Note or any of its rights or obligations hereunder and any purported assignment or transfer in violation of this Note shall be void. Holder may assign or participate a portion or all of its rights under this Note at any time in compliance with all Applicable Laws. This Note shall inure to the benefit of and be binding upon Issuer, any Guarantor and Holder and their permitted successors and assigns. Any Holder that assigns, or sells participations in, any portion of the Note will take such actions as are necessary for the Note and such portion to be in "registered form" (within the meaning of Treasury Regulations Section 5f.103-1).

6.5 Counterparts; Integration; Effectiveness. This Note and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single contract. This Note constitutes the entire contract between Issuer, any Guarantor and the Holder with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Notwithstanding anything herein to the contrary, delivery of an executed counterpart of a signature page of this Note by electronic means shall be effective as delivery of a manually executed counterpart of this Note.

6.6 Severability. If any term or provision of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such term or provision in any other jurisdiction.

6.7 Right of Setoff. If an Event of Default shall have occurred and be continuing, the Holder is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held, and other obligations (in whatever currency) at any time owing, by the Holder, to or for the credit or the account of the Issuer against any and all of the due and unpaid Obligations of the Issuer now or hereafter existing under this Note to the Holder, irrespective of whether or not the Holder shall have made any demand under this Note. The rights of the Holder under this Section are in addition to other rights and remedies (including other rights of setoff) that the Holder may have. The Holder agrees to notify the Issuer promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

6.8 Governing Law; Jurisdiction; Etc. This Note will be governed by and construed in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the Issuer, any Guarantor and the Holder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Note or the transactions contemplated hereby, and (b) that notice may be served upon the Issuer, any Guarantor or the Holder at the applicable address in Section 6.1 hereof (or upon any Holder that is not Treasury at an address provided by such Holder to Issuer in writing). To the extent permitted by Applicable Law, each of the Issuer, any Guarantor and the Holder hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to the Note or the transactions contemplated hereby.

6.9 Headings. Section headings used herein are for convenience of reference only, are not part of this Note and shall not affect the construction of, or be taken into consideration in interpreting, this Note.

IN WITNESS WHEREOF, the Issuer has executed this Note as of the day and year written below.

SPIRIT AIRLINES, INC.,

as Issuer

By /s/ Scott Haralson

Name: Scott Haralson
Title: Senior Vice President and Chief Financial Officer
Date: January 12, 2021

ANNEX A

DEFINITIONS

"Affiliate" means any Person that directly or indirectly Controls, is Controlled by, or is under common Control with, the Issuer.

"Applicable Law" means, as to any Person, all applicable Laws binding upon such Person or to which such a Person is subject.

"Applicable SOFR Rate" means a rate of interest based on SOFR that shall be determined by the Holder and publicly announced by the Holder on or prior to the fifth anniversary of the Closing Date and shall, to the extent reasonably practicable, be based on customary market conventions as in effect at the time of such announcement. In no event will the Applicable SOFR Rate be less than 0.00% per annum.

"ARRC Fallback Provisions" means the Fallback Language for New Issuances of LIBOR Floating Rate Notes set forth in the ARRC Recommendations Regarding More Robust Fallback Language for New Issuances of LIBOR Floating Rate Notes, dated April 25, 2019.

"ASU" means the Accounting Standards Update 2016-02, Leases (Topic 842) by the Financial Accounting Standards Board issued on February 25, 2016.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"Business Day" means any on which Treasury and the Federal Reserve Bank of New York are both open for business.

"Capitalized Lease Obligations" means, at the time any determination thereof is to be made, the amount of the liability in respect of a Capitalized Lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP; provided that all leases of such Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance of the ASU shall continue to be accounted for as operating leases for purposes of all financial definitions and calculations for purposes of this Note (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with the ASU (on a prospective or retroactive basis or otherwise) to be treated as capitalized lease obligations for other purposes.

"Capitalized Leases" means all leases that have been or should be, in accordance with GAAP as in effect on the Closing Date, recorded as capitalized leases; provided that for all purposes hereunder the amount of obligations under any Capitalized Lease shall be the amount thereof accounted for as a liability in accordance with GAAP; provided, further, that all leases of such Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance of the ASU shall continue to be accounted for as operating leases for purposes of all financial definitions and calculations for purposes of this Note (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with the ASU (on a prospective or retroactive basis or otherwise) to be treated as capitalized lease obligations for other purposes.

"Change of Control" means the occurrence of any of the following: (a) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries, or if the Issuer is a Subsidiary of any Guarantor, such Guarantor (the "Parent Guarantor") and its Subsidiaries, taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)); or (b) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above)) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer or Parent Guarantor, as applicable, (measured by voting power rather than number of shares), other than (i) any such transaction where the Voting Stock of the Issuer or Parent Guarantor, as applicable, (measured by voting power rather than number of shares) outstanding immediately prior to such transaction

constitutes or is converted into or exchanged for at least a majority of the outstanding shares of the Voting Stock of such Beneficial Owner (measured by voting power rather than number of shares), or (ii) any merger or consolidation of the Issuer or Parent Guarantor, as applicable, with or into any Person (including any "person" (as defined above)) which owns or operates (directly or indirectly through a contractual arrangement) a Permitted Business (a "Permitted Person") or a Subsidiary of a Permitted Person, in each case, if immediately after such transaction no Person (including any "person" (as defined above)) is the Beneficial Owner, directly or indirectly, of more than 50% of the total Voting Stock of such Permitted Person (measured by voting power rather than number of shares).

"Closing Date" means the date set forth on the Issuer's and each Guarantor's signature page to this Note.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings analogous thereto.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means an interest rate (before as well as after judgment) equal to the interest rate on the Note plus 2.00% per annum.

"Disqualified Equity Interest" means any equity interest that, by its terms (or the terms of any security or other equity interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for equity interests that are not Disqualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of Control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of Control or asset sale event shall be subject to the prior repayment in full of the Note and all other Obligations that are accrued and payable), (b) is redeemable at the option of the holder thereof, in whole or in part, (c) provides for scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other equity interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is ninety-one days after the Maturity Date; provided that if such equity interests are issued pursuant to a plan for the benefit of employees of the Issuer or any Subsidiary or by any such plan to such employees, such equity interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability.

"Dollar" and "$" mean lawful money of the United States.

"Event of Default" has the meaning specified in Section 5.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Subsidiary" means any Subsidiary of the Issuer that is not an obligor in respect of any Material Indebtedness that is unsecured of the Issuer or any of its Subsidiaries, unless such Subsidiary is required to be an obligor under any agreement, instrument or other document relating to any Material Indebtedness that is unsecured of the Issuer or any of its Subsidiaries.

"GAAP" means United States generally accepted accounting principles as in effect as of the date of determination thereof. Notwithstanding any other provision contained herein, (a) all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under FASB Accounting Standards Codification 825-Financial Instruments, or any successor thereto (including pursuant to the FASB Accounting Standards Codification), to value any Indebtedness of any

subsidiary at "fair value," as defined therein and (b) the amount of any Indebtedness under GAAP with respect to Capitalized Lease Obligations shall be determined in accordance with the definition of Capitalized Lease Obligations.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part) or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Guaranteed Obligations" has the meaning specified in Annex B.

"Guarantor" means each Guarantor listed on the signature page to this Note and any other Person that Guarantees this Note.

"Holder" means the United States Department of the Treasury or its designees or any other Person that shall have rights pursuant to an assignment hereunder.

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP: (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments; (b) all direct or contingent obligations of such Person arising under (i) letters of credit (including standby and commercial), bankers' acceptances and bank guaranties and (ii) surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person; (c) net obligations of such Person under any swap contract; (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business); (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; (f) attributable indebtedness in respect of any Capitalized Lease Obligation and any synthetic lease obligation of any Person; (g) all obligations of such Person in respect of Disqualified Equity Interests; and (h) all Guarantees of such Person in respect of any of the foregoing. For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any swap contract on any date shall be deemed to be the swap termination value thereof as of such date. The amount of any Indebtedness of any Person for purposes of clause (e) that is expressly made non-recourse or limited-recourse (limited solely to the assets securing such Indebtedness) to such Person shall be deemed to be equal to the lesser of (i) the aggregate principal amount of such Indebtedness and (ii) the fair market value of the property encumbered thereby as determined by such Person in good faith.

"Indemnitee" has the meaning specified in Section 6.3(b).

"Issuer" has the meaning specified in the preamble to this Note.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lien" means any mortgage, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect on, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Issuer and its Subsidiaries taken as a whole; or (b) a material adverse effect on (i) the ability of the Issuer or any Guarantor to perform its Obligations, (ii) the legality, validity, binding effect or enforceability against the Issuer or any Guarantors of the Note or (iii) the rights, remedies and benefits available to, or conferred upon, the Holder under the Note.

"Material Indebtedness" has the meaning specified in Section 5.1(f).

"Maturity Date" means the date that is ten years after the Closing Date (except that, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day).

"Note" has the meaning specified in the preamble to this Note.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, the Issuer arising under or otherwise with respect to the Note, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Issuer or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding. Without limiting the foregoing, the Obligations include (a) the obligation to pay principal, interest, charges, expenses, fees, indemnities and other amounts payable by the Issuer under the Note and (b) the obligation of the Issuer to reimburse any amount in respect of any of the foregoing that the Holder, in each case in its sole discretion, may elect to pay or advance on behalf of the Issuer.

"Obligee Guarantor" has the meaning specified in Annex B.

"Organizational Documents" means (a) as to any corporation, the charter or certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction), (b) as to any limited liability company, the certificate or articles of formation or organization and operating or limited liability agreement and (c) as to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"Permitted Business" means any business that is the same as, or reasonably related, ancillary, supportive or complementary to, the business in which the Issuer and its Subsidiaries are engaged on the date of this Note.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Principal Amount" has the meaning specified in the preamble to this Note.

"PSP Extension Law" has the meaning specified in the preamble to this Note.

"PSP2 Agreement" has the meaning specified in the preamble to this Note.

"PSP2 Application" means the application form and any related materials submitted by the Issuer to Treasury in connection with an application for financial assistance under Division N, Title IV, Subtitle A of the PSP Extension Law.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the agents, advisors and representatives of such Person and of such Person's Affiliates.

"SOFR" means the secured overnight financing rate published by the Federal Reserve Bank of New York, as administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York's (or such successor's) website.

"Subsidiary" of a Person means a corporation, partnership, limited liability company, association or joint venture or other business entity of which a majority of the equity interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time owned or the management of which is Controlled, directly, or indirectly through one or more intermediaries, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Issuer.

"Treasury" has the meaning specified in the preamble to this Note.

"United States" and "U.S." mean the United States of America.

"Voting Stock" of any specified Person as of any date means the equity interests of such Person that is at the time entitled to vote in the election of the board of directors of such Person.

ANNEX B

GUARANTEE

1. Guarantee of the Obligations. Each Guarantor jointly and severally hereby irrevocably and unconditionally guarantees to the Holder, the due and punctual payment in full of all Obligations (or such lesser amount as agreed by the Holder in its sole discretion) when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)) (collectively, the "Guaranteed Obligations").

2. Payment by a Guarantor. Each Guarantor hereby jointly and severally agrees, in furtherance of the foregoing and not in limitation of any other right which the Holder may have at law or in equity against any Guarantor by virtue hereof, that upon the failure of the Issuer to pay any of the Guaranteed Obligations when and as the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), such Guarantor will upon demand pay, or cause to be paid, in cash, to the Holder an amount equal to the sum of the unpaid principal amount of all Guaranteed Obligations then due as aforesaid, accrued and unpaid interest on such Guaranteed Obligations (including interest which, but for the Issuer's becoming the subject of a case under the Bankruptcy Code, would have accrued on such Guaranteed Obligations, whether or not a claim is allowed against the Issuer for such interest in the related bankruptcy case) and all other Guaranteed Obligations then owed to the Holder as aforesaid.

3. Liability of Guarantors Absolute. Each Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guaranteed Obligations. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees as follows:

(a) this Guarantee is a guarantee of payment when due and not of collectability;

(b) the Holder may enforce this Guarantee upon the occurrence of an Event of Default notwithstanding the existence of any dispute between the Issuer and the Holder with respect to the existence of such Event of Default;

(c) a separate action or actions may be brought and prosecuted against such Guarantor whether or not any action is brought against the Issuer or any other Guarantors and whether or not Issuer or such Guarantors are joined in any such action or actions;

(d) payment by any Guarantor of a portion, but not all, of the Guaranteed Obligations shall in no way limit, affect, modify or abridge any other Guarantor's liability for any portion of the Guaranteed Obligations which has not been paid;

(e) the Holder, upon such terms as it deems appropriate, without notice or demand and without affecting the validity or enforceability hereof or giving rise to any reduction, limitation, impairment, discharge or termination of any Guarantor's liability hereunder, from time to time may (i) renew, extend, accelerate, increase the rate of interest on, or otherwise change the time, place, manner or terms of payment of the Guaranteed Obligations; (ii) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guaranteed Obligations or subordinate the payment of the same to the payment of any other obligations; (iii) release, surrender, exchange, substitute, compromise, settle, rescind, waive, alter, subordinate or modify, with or without consideration, any security for payment of the Guaranteed Obligations, any other guarantees of the Guaranteed Obligations, or any other obligation of any Person (including any other Guarantor) with respect to the Guaranteed Obligations; and (iv) enforce its rights and remedies even though such action may operate to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Guarantor against the Issuer or any security for the Guaranteed Obligations; and

(f) this Guarantee and the obligations of each Guarantor hereunder shall be valid and enforceable and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason (other than payment in full of the Guaranteed Obligations), including the occurrence of any of the following: (i) any failure, delay or omission to assert or enforce or agreement or election not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy

with respect to the Guaranteed Obligations, or with respect to any security for the payment of the Guaranteed Obligations; (ii) any rescission, waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions hereof; (iii) the Guaranteed Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect; (iv) the Holder's consent to the change, reorganization or termination of the corporate structure or existence of the Issuer or any of its Subsidiaries and to any corresponding restructuring of the Guaranteed Obligations; (v) any defenses, set-offs or counterclaims which the Issuer or any Guarantor may allege or assert against the Holder in respect of the Guaranteed Obligations, including failure of consideration, lack of authority, validity or enforceability, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury; and (vi) any other event or circumstance that might in any manner vary the risk of any Guarantor as an obligor in respect of the Guaranteed Obligations.

4. Waivers by Guarantors. Each Guarantor hereby waives, for the benefit of the Holder: (a) any right to require the Holder, as a condition of payment or performance by such Guarantor, to (i) proceed against Issuer, any Guarantor or any other Person; (ii) proceed against or exhaust any security in favor of the Holder; or (iii) pursue any other remedy in the power of the Holder whatsoever or (b) presentment to, demand for payment from and protest to the Issuer or any Guarantor or notice of acceptance; and (c) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms hereof.

5. Guarantors' Rights of Subrogation, Contribution, etc. Until the Guaranteed Obligations shall have been paid in full, each Guarantor hereby waives any claim, right or remedy, direct or indirect, that such Guarantor now has or may hereafter have against the Issuer or any other Guarantor or any of its assets in connection with this Guarantee or the performance by such Guarantor of its obligations hereunder, including without limitation (a) any right of subrogation, reimbursement or indemnification that such Guarantor now has or may hereafter have against the Issuer with respect to the Guaranteed Obligations, (b) any right to enforce, or to participate in, any claim, right or remedy that the Holder now has or may hereafter have against the Issuer, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by the Holder. In addition, until the Guaranteed Obligations shall have been paid in full, each Guarantor shall withhold exercise of any right of contribution such Guarantor may have against any other guarantor (including any other Guarantor) of the Guaranteed Obligations. If any amount shall be paid to any Guarantor on account of any such subrogation, reimbursement, indemnification or contribution rights at any time when all Guaranteed Obligations shall not have been finally and paid in full, such amount shall be held in trust for the Holder and shall forthwith be paid over to the Holder to be credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms hereof.

6. Subordination. Any Indebtedness of the Issuer or any Guarantor now or hereafter held by any Guarantor (the "Obligee Guarantor") is hereby subordinated in right of payment to the Guaranteed Obligations, and any such indebtedness collected or received by the Obligee Guarantor after an Event of Default has occurred and is continuing shall be held in trust for the Holder and shall forthwith be paid over to the Holder to be credited and applied against the Guaranteed Obligations but without affecting, impairing or limiting in any manner the liability of the Obligee Guarantor under any other provision hereof.

7. Continuing Guarantee. This Guarantee is a continuing guarantee and shall remain in effect until all of the Guaranteed Obligations shall have been paid in full. Each Guarantor hereby irrevocably waives any right to revoke this Guarantee as to future transactions giving rise to any Guaranteed Obligations.

8. Financial Condition of the Issuer. The Note may be issued to the Issuer without notice to or authorization from any Guarantor regardless of the financial or other condition of the Issuer at the time of such grant. Each Guarantor has adequate means to obtain information from the Issuer on a continuing basis concerning the financial condition of the Issuer and its ability to perform its obligations under the Note, and each Guarantor assumes the responsibility for being and keeping informed of the financial condition of the Issuer and of all circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations.

9. Reinstatement. In the event that all or any portion of the Guaranteed Obligations are paid by the Issuer or any Guarantor, the obligations of any other Guarantor hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from the Holder as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Guaranteed Obligations for all purposes hereunder.

10. Discharge of Guarantee Upon Sale of the Guarantor. If, in compliance with the terms and provisions of the Note, all of the capital stock of any Guarantor that is a Subsidiary of the Issuer or any of its successors in interest hereunder shall be sold or otherwise disposed of (including by merger or consolidation) to any Person (other than to the Issuer or to any other Guarantor), the Guarantee of such Guarantor or such successor in interest, as the case may be, hereunder shall automatically be discharged and released without any further action by any beneficiary or any other Person effective as of the time of such asset sale.

SCHEDULE I

Date	Current Outstanding Principal Amount	Increase or Decrease in Outstanding Principal Amount	Resulting Outstanding Principal Amount	Notation Made By

Exhibit 21

SPIRIT AIRLINES, INC.

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	Incorporated
Spirit Finance Cayman 1 Ltd	Cayman Islands
Spirit Finance Cayman 2 Ltd	Cayman Islands
Spirit IP Cayman Ltd	Cayman Islands
Spirit Loyalty Cayman Ltd	Cayman Islands

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-223127) of Spirit Airlines, Inc. and the related Prospectus
(2) Registration Statement (Form S-8 No. 333-206350) pertaining to the 2015 Incentive Award Plan
(3) Registration Statement (Form S-8 No. 333-174812) pertaining to the Amended and Restated 2005 Incentive Stock Plan and the 2011 Equity Incentive Award Plan of Spirit Airlines, Inc.

of our reports dated February 10, 2021 with respect to the consolidated financial statements of Spirit Airlines, Inc. and the effectiveness of internal control over financial reporting of Spirit Airlines, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP
Certified Public Accountants

Miami, Florida
February 10, 2021

Exhibit 31.1

CERTIFICATION

I, Edward M. Christie, President and Chief Executive Officer of Spirit Airlines, Inc., certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2020, of Spirit Airlines, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as described in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 10, 2021

/s/ Edward M. Christie

Edward M. Christie
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Scott M. Haralson, Senior Vice President and Chief Financial Officer of Spirit Airlines, Inc., certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2020, of Spirit Airlines, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as described in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 10, 2021

/s/ Scott M. Haralson

Scott M. Haralson
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certifications Pursuant to 18 U.S.C. § 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each undersigned officer of Spirit Airlines, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i.) the Annual Report on Form 10-K of the Company for the year ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii.) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 10, 2021

/s/ Edward M. Christie

Edward M. Christie

President and Chief Executive Officer

Date: February 10, 2021

/s/ Scott M. Haralson

Scott M. Haralson

Senior Vice President and Chief Financial Officer