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

FORM 10-Q

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2021

Or

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

Commission File Number 001-40217

sun country airlines

Sun Country Airlines Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	82-4092570 (I.R.S. Employer Identification No.)
2005 Cargo Road Minneapolis, Minnesota (Address of principal executive offices)	55450 (Zip Code)

Registrant's telephone number, including area code: (651) 681-3900

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, par value $0.01 per share	SNCY	The Nasdaq Stock Market LLC

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 check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

Number of shares outstanding by each class of common stock, as of June 30, 2021:

Common Stock, $0.01 par value – 57,158,467 shares outstanding

Sun Country Airlines Holdings, Inc.
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PART I. Financial Information
ITEM 1. FINANCIAL STATEMENTS

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current Assets:		
Cash and Equivalents	$ 310,723	$ 62,028
Restricted Cash	4,762	8,335
Investments	6,076	5,624
Accounts Receivable, net of an allowance for credit losses of $297 and $224, respectively	25,989	28,690
Short-term Lessor Maintenance Deposits	1,490	3,101
Inventory, net of a reserve for obsolescence of $1,188 and $996, respectively	5,382	5,407
Prepaid Expenses	14,447	8,002
Derivative Assets	1,598	—
Other Current Assets	779	5,553
Total Current Assets	371,246	126,740
Property & Equipment, net:		
Aircraft and Flight Equipment	395,646	331,685
Leasehold Improvements and Ground Equipment	14,025	13,526
Computer Hardware and Software	8,331	7,845
Finance Lease Assets	161,649	117,833
Rotable Parts	9,094	8,691
Property & Equipment	588,745	479,580
Accumulated Depreciation & Amortization	(88,704)	(65,065)
Total Property & Equipment, net	500,041	414,515
Other Assets:		
Goodwill	222,223	222,223
Other Intangible Assets, net	91,110	93,110
Operating Lease Right-of-use Assets	70,715	121,269
Aircraft Lease Deposits	7,657	10,253
Long-term Lessor Maintenance Deposits	19,493	22,584
Deferred Tax Asset	21,342	36,216
Other Assets	6,137	6,357
Total Other Assets	438,677	512,012
Total Assets	$ 1,309,964	$ 1,053,267

See accompanying Notes to Condensed Consolidated Financial Statements

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2021 (Unaudited)	December 31, 2020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 36,847	$ 34,035
Accrued Salaries, Wages, and Benefits	17,855	16,368
Accrued Transportation Taxes	12,907	5,883
Air Traffic Liabilities	113,771	101,075
Derivative Liabilities	—	1,174
Over-market Liabilities	4,309	9,281
Finance Lease Obligations	9,601	11,460
Loyalty Program Liabilities	12,337	7,016
Operating Lease Obligations	18,239	34,492
Current Maturities of Long-term Debt	19,795	26,118
Other Current Liabilities	5,145	6,841
Total Current Liabilities	250,806	253,743
Long-term Liabilities:		
Over-market Liabilities	12,583	28,128
Finance Lease Obligations	135,091	95,710
Loyalty Program Liabilities	8,540	15,053
Operating Lease Obligations	68,408	112,707
Long-term Debt	267,684	256,345
Income Tax Receivable Agreement Liability	96,500	—
Other Long-term Liabilities	6,119	7,764
Total Long-term Liabilities	594,925	515,707
Total Liabilities	845,731	769,450
Commitments and Contingencies		
Stockholders' Equity:		
Common Stock	572	468
Common stock with $0.01 par value, 995,000,000 shares authorized, 57,158,467 and 46,839,659 issued at June 30, 2021 and December 31, 2020, respectively.		
Loans to Stockholders	—	(3,500)
Additional Paid In Capital	476,368	248,525
Retained Earnings (Deficit)	(12,707)	38,324
Total Stockholders' Equity	464,233	283,817
Total Liabilities and Stockholders' Equity	$ 1,309,964	$ 1,053,267

See accompanying Notes to Condensed Consolidated Financial Statements

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating Revenues:				
Passenger	$ 125,130	$ 31,341	$ 229,325	$ 209,827
Cargo	22,098	3,219	43,684	3,219
Other	1,961	816	3,793	2,660
Total Operating Revenue	149,189	35,376	276,802	215,706
Operating Expenses:				
Aircraft Fuel	29,709	677	53,984	56,238
Salaries, Wages, and Benefits	42,316	32,484	86,392	70,575
Aircraft Rent	3,815	5,934	9,414	16,966
Maintenance	11,300	2,426	20,510	8,904
Sales and Marketing	5,822	1,630	10,932	10,202
Depreciation and Amortization	13,460	12,175	26,075	22,702
Ground Handling	6,551	1,614	11,781	10,906
Landing Fees and Airport Rent	8,752	2,667	17,537	13,781
Special Items, net	(38,520)	(31,481)	(65,392)	(31,481)
Other Operating, net	16,746	9,484	31,397	23,917
Total Operating Expenses	99,951	37,610	202,630	202,710
Operating Income (Loss)	49,238	(2,234)	74,172	12,996
Non-operating Income (Expense):				
Interest Income	9	63	24	314
Interest Expense	(6,080)	(5,442)	(13,201)	(11,058)
Other, net	18,054	(325)	18,049	(494)
Total Non-operating Income (Expense), net	11,983	(5,704)	4,872	(11,238)
Income (Loss) before Income Tax	61,221	(7,938)	79,044	1,758
Income Tax Expense (Benefit)	9,468	(1,898)	14,875	547
Net Income (Loss)	$ 51,753	$ (6,040)	$ 64,169	$ 1,211
Net Income (Loss) per share to common stockholders:				
Basic	$ 0.91	$ (0.13)	$ 1.21	$ 0.03
Diluted	$ 0.83	$ (0.13)	$ 1.12	$ 0.02
Shares used for computation:				
Basic	57,156,159	46,805,950	52,850,041	46,805,950
Diluted	61,982,441	46,805,950	57,403,593	48,243,146

See accompanying Notes to Condensed Consolidated Financial Statements

SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30, 2020						
		Common Stock		Loans to	Additional	Retained	
	Warrants	Shares	Amount	Stockholders	Paid-in Capital	Earnings	Total
December 31, 2019	40,005,885	6,800,065	$ 68	$ (3,500)	$ 244,928	$ 42,228	$ 283,724
Exercise of Apollo Warrants	(40,005,885)	40,005,885	400	—	(379)	—	21
Net Income	—	—	—	—	—	7,251	7,251
Stock-based Compensation	—	—	—	—	369	—	369
March 31, 2020	—	46,805,950	$ 468	$ (3,500)	$ 244,918	$ 49,479	$ 291,365
Net Loss	—	—	—	—	—	(6,040)	(6,040)
Stock-based Compensation	—	—	—	—	388	—	388
June 30, 2020	—	46,805,950	$ 468	$ (3,500)	$ 245,306	$ 43,439	$ 285,713

	Six Months Ended June 30, 2021						
		Common Stock		Loans to	Additional	Retained Earnings	
	Warrants	Shares	Amount	Stockholders	Paid-in Capital	(Deficit)	Total
December 31, 2020	—	46,839,659	$ 468	$ (3,500)	$ 248,525	$ 38,324	$ 283,817
Shares Surrendered by Stockholders	—	(140,737)	(1)	3,500	(3,499)	—	—
Initial Public Offering	—	10,454,545	105	—	224,552	—	224,657
Net Income	—	—	—	—	—	12,416	12,416
Income Tax Receivable Agreement	—	—	—	—	—	(115,200)	(115,200)
Amazon Warrants	—	—	—	—	1,400	—	1,400
Stock-based Compensation	—	—	—	—	2,870	—	2,870
March 31, 2021	—	57,153,467	$ 572	$ —	$ 473,848	$ (64,460)	$ 409,960
Initial Public Offering Expense Adjustment	—	—	—	—	349	—	349
Exercise of Stock Options	—	5,000	—	—	27	—	27
Net Income	—	—	—	—	—	51,753	51,753
Amazon Warrants	—	—	—	—	1,400	—	1,400
Stock-based Compensation	—	—	—	—	744	—	744
June 30, 2021	—	57,158,467	$ 572	$ —	$ 476,368	$ (12,707)	$ 464,233

See accompanying Notes to Condensed Consolidated Financial Statements

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SUN COUNTRY AIRLINES HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net Income	$ 64,169	$ 1,211
Adjustments to reconcile Net Income to Cash from Operating Activities:		
Depreciation and Amortization	26,075	22,702
Tax Receivable Agreement Adjustment	(18,700)	—
Reduction in Operating Lease Right-of-use Assets	9,419	13,585
Non-Cash (Gain) Loss on Asset Transactions, net	(12,668)	381
Unrealized (Gain) Loss on Fuel Derivatives	(3,599)	16,056
Amortization of Over-market Liabilities	(3,081)	(5,781)
Deferred Income Taxes	14,875	570
Amazon Warrants Vested	2,800	—
Stock-based Compensation Expense	3,613	757
Amortization of Debt Issuance Costs	1,911	903
Changes in Operating Assets and Liabilities:		
Accounts Receivable	4,265	3,406
Inventory	(224)	(596)
Prepaid Expenses	(6,446)	(797)
Lessor Maintenance Deposits	(3,220)	(6,946)
Aircraft Lease Deposits	1,496	1,290
Other Assets	1,294	(3,033)
Accounts Payable	3,546	(13,144)
Accrued Transportation Taxes	7,024	(11,779)
Air Traffic Liabilities	12,695	(20,587)
Loyalty Program Liabilities	(1,192)	(775)
Reduction in Operating Lease Obligations	(15,826)	(9,718)
Other Liabilities	1,615	(600)
Net Cash Provided by (Used in) Operating Activities	89,841	(12,895)
Cash Flows from Investing Activities:		
Purchases of Property & Equipment	(66,736)	(93,677)
Purchase of Investments	(1,436)	(190)
Proceeds from the Sale of Investments	984	227
Net Cash Used in Investing Activities	(67,188)	(93,640)
Cash Flows from Financing Activities:		
Cash Received from Stock Offering	235,894	—
Costs of Stock Offering	(8,669)	—
Proceeds from Stock Option and Warrant Exercises	26	21
Proceeds from Borrowings	80,500	220,307
Repayment of Finance Lease Obligations	(7,864)	(85,976)
Repayment of Borrowings	(74,709)	(54,879)
Debt Issuance Costs	(2,709)	(2,764)
Net Cash Provided by Financing Activities	222,469	76,709
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	245,122	(29,826)
Cash, Cash Equivalents and Restricted Cash--Beginning of the Period	70,363	64,478
Cash, Cash Equivalents and Restricted Cash--End of the Period	$ 315,485	$ 34,652
Supplemental information:		
Cash Payments for Interest	$ 11,040	$ 10,115
Cash Payments (Receipts) for Income Taxes, net	$ 40	$ (22)
Non-cash transactions:		
Lease Deposits Applied Against the Purchase of Aircraft	$ 3,296	$ —
Aircraft and Flight Equipment Acquired through Finance Leases	$ 42,911	$ —
Purchases of Property & Equipment in Accounts Payable	$ —	$ 555
Costs of Stock Offering in Accounts Payable	$ 38	$ —

The following provides a reconciliation of Cash, Cash Equivalents and Restricted Cash to the amounts reported on the Consolidated Balance Sheets:

	June 30, 2021	June 30, 2020
Cash and Equivalents	$ 310,723	$ 32,084
Restricted Cash	4,762	2,568
Total Cash, Cash Equivalents and Restricted Cash	$ 315,485	$ 34,652

See accompanying Notes to Condensed Consolidated Financial Statements

SUN COUNTRY AIRLINES HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
(Unaudited)

1. COMPANY BACKGROUND

Sun Country Airlines Holdings, Inc. is the parent company of Sun Country, Inc., which is a certificated air carrier providing scheduled passenger service, air cargo service, charter air transportation and related services. Services are provided to the general public, cargo customers, military branches, wholesale tour operators, individual entities, schools and companies for air transportation to various U.S. and international destinations. Except as otherwise stated, the financial information, accounting policies, and activities of Sun Country Airlines Holdings, Inc. are referred to as those of the Company (the “Company” or “Sun Country”).

Stock Split

In March 2021, the Company effected an approximately 18.8886 for 1 stock split of its common stock (the “Stock Split”), with exercise prices for outstanding warrants and options adjusted accordingly by dividing such prices by the Stock Split ratio. The par value of the common stock was not adjusted as a result of the Stock Split. As a result of the Stock Split, the Company issued an additional 44,226,587 shares of common stock. All references to common stock, warrants to purchase common stock, stock options, per share amounts and related information contained in the accompanying Condensed Consolidated Financial Statements and applicable disclosures have been retroactively adjusted to reflect the effect of the Stock Split for all periods.

Approval of the Omnibus Incentive Plan

In March 2021, the stockholders approved the Sun Country Airlines Holdings, Inc. 2021 Omnibus Incentive Plan (the “Plan”). The Plan authorizes that no more than 3,600,000 shares of Common Stock may be delivered in the aggregate pursuant to Awards granted under the Plan. An “Award” means any Incentive Stock Option, Nonqualified Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Other Stock-Based Award, or Other Cash-Based Award granted under the Plan.

Upon implementation of this new Plan, there were no more grants under the October 2018 equity incentive plan. Awards already issued under the 2018 plan are not impacted by the new Plan.

Initial Public Offering of Common Stock and Other Stock Sales

On March 16, 2021, the Company priced its initial public offering of 9,090,909 shares of common stock to the public at $24.00 per share. The stock began trading on the NASDAQ on March 17, 2021 under the symbol SNCY. The underwriters had an option to purchase an additional 1,363,636 shares from the Company at the public offering price, which they exercised. In total, all 10,454,545 shares were issued on March 19, 2021 and the net proceeds to the Company were $225,006 after deducting underwriting discounts and commissions, and other offering expenses.

Concurrently with the closing of the initial public offering, SCA Horus Holdings, LLC, an affiliate of investment funds managed by affiliates of Apollo Global Management (the “Apollo Stockholder”), also completed a concurrent private placement in which the Apollo Stockholder sold 2,216,312 and 2,216,308 shares of common stock to PAR Investment Partners, L.P. and certain funds or accounts managed by an investment adviser subsidiary of Blackrock, Inc., respectively. Each of the two sales was based on an aggregate purchase price of $50,000 and a price per share equal to 94% of the initial public offering price of $24.00 per share.

In May 2021, the Apollo Stockholder sold 7,250,000 shares of the Company's common stock at a public offering price of $34.50 per share. The underwriters in this offering exercised their option to purchase an additional 1,087,500 shares at the public offering price, bringing the total offering to 8,337,500 shares. The Company incurred offering expenses of $640 and did not receive any of the proceeds from the offering. All proceeds went to the Apollo Stockholder.

Amazon Agreement

On December 13, 2019, the Company signed a six-year contract (with two, two-year extension options, for a maximum term of 10 years) with Amazon.com Services, Inc. (together with its affiliates, "Amazon") to provide cargo services under an Air Transportation Services Agreement (the "ATSA"). The agreement is structured for the Company to provide crew, maintenance, and insurance ("CMI") services to Amazon. Sun Country began flying for Amazon in May 2020. On June 27, 2020, Amazon and the Company signed an amendment to the December 2019 agreement that increased the number of aircraft Sun Country operates from 10 to 12.

In December 2019, in connection with the ATSA, the Company issued warrants to Amazon to purchase an aggregate of up to 9,482,606 shares of common stock at an exercise price of approximately $15.17 per share. The exercise period of these warrants is through the eighth anniversary of the issue date. Of the 9,482,606 total Amazon warrants issued, 632,183 vested upon execution of the ATSA in December 2019. Thereafter, an additional 63,217 warrants will vest for each milestone of $8,000 in qualifying payments made by Amazon to the Company. During the three and six months ended June 30, 2021, 189,652 and 379,304 warrants vested, respectively. The cumulative warrants vested as of June 30, 2021 were 1,264,356. No warrants vested during the six months ended June 30, 2020.

2. BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements of Sun Country Airlines Holdings, Inc. should be read in conjunction with the consolidated financial statements contained in the Company's Annual Report for the year ended December 31, 2020, which is included in the Company's Final Prospectus dated March 16, 2021. During the six months ended June 30, 2021, there were no significant changes to the Company's critical accounting policies.

Certain prior period Stockholders' Equity amounts were reclassified to conform to the current period presentation. This involved reducing the Common Stock values to $0.01 times the shares outstanding and reclassifying those dollars to Additional Paid-In Capital. These reclasses were $238,694 as of December 31, 2020, June 30, 2020 and March 31, 2020. The reclass as of December 31, 2019 was $239,073.

Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the unaudited Condensed Consolidated Financial Statements for the interim periods presented. All material intercompany balances and transactions have been eliminated in consolidation. The preparation of financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Significant areas of judgment relate to passenger revenue recognition, maintenance under the built-in overhaul method, equity-based compensation, tax receivable agreement, lease accounting, impairment of goodwill, impairment of long-lived and intangible assets, air traffic liabilities, the loyalty program, as well as the valuation of Amazon warrants.

Due to severe impacts from the global coronavirus ("COVID-19") pandemic, seasonal variations in the demand for air travel, the volatility of aircraft fuel prices and other factors, operating results for the three and six months ended June 30, 2021 are not necessarily indicative of operating results for future quarters or for the year ended December 31, 2021. Air travel is also significantly impacted by general economic conditions, the amount of disposable income available to consumers, unemployment levels, corporate travel budgets, extreme or severe weather and natural disasters, disease outbreaks, fears of terrorism or war, and other factors beyond the Company's control.

The Company operates its fiscal year on a calendar year basis.

Recently Adopted Accounting Standards

Income Taxes-Simplifying the Accounting for Income Taxes - In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions related to the approach for intraperiod tax allocation, recognizing deferred tax liabilities for outside basis differences, and calculating income taxes in interim periods. The guidance also reduces complexity in certain areas, including franchise taxes that are partially based on income and accounting for tax law changes in interim periods. The standard was adopted prospectively effective January 1, 2021 and it did not have a material impact on the Company's Condensed Consolidated Financial Statements.

3. IMPACT OF THE COVID-19 PANDEMIC

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic causing a massive market disruption to the aviation industry. While U.S. domestic passenger volumes have increased to date, those levels are still down when compared to the same time frame in 2019. The growth in the U.S. domestic air traffic since the trough in April 2020 has been led by leisure and visiting family and relatives ("VFR") travelers as business travel remains more subdued with corporate workforces continuing to "work-from-home" and in-person meetings continuing to be conducted via videoconferencing and other virtual channels. Equity research analysts and other industry executives believe that the positive trends in leisure and VFR travel will continue as COVID-19 vaccines continue to become more widely distributed in 2021. COVID-19 vaccines have become widely available in the US according to the Centers for Disease Control and Prevention ("the CDC"). The initial beneficiaries of the travel rebound are expected to be leisure and VFR focused Low-Cost Carriers ("LCCs") and Ultra Low-Cost Carriers ("ULCCs"), while the more international and business travel exposed legacy network airlines are expected to lag behind.

As COVID-19 has spread globally, many countries have imposed strict international travel restrictions. The U.S. market has recovered markedly faster than most other countries as a result of widespread vaccine distribution igniting the leisure travel recovery. However, given the uncertainty regarding COVID-19 variants, including but not limited to the Delta variant, the demand recovery may be impacted in both international and domestic travel.

Since the beginning of the COVID-19 pandemic, the air cargo market has experienced solid growth both in terms of volumes and yields. While the pandemic has caused a worldwide economic recession, e-commerce has thrived due to a variety of factors such as consumers being unable or unwilling to visit brick-and-mortar stores due to social distancing, which translated into an acceleration of secular growth in e-commerce. Air cargo operators have been in a unique position to meet e-commerce demands that require a high level of speed, reliability and security.

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

On March 27, 2020, the CARES Act was passed by the U.S. Government. The provisions in the act provide for economic relief to eligible individuals and businesses affected by COVID-19. As a provider of scheduled passenger service, air cargo service, charter air transportation and related services, the Company is eligible for and has received certain benefits outlined in the CARES Act including but not limited to payroll tax breaks, government grants and government loans.

The grant amount recognized under the CARES Act Payroll Support Program for the year ended December 31, 2020 was $62,312 and was recorded in Special Items, net. During the first quarter of 2021, the Company received $32,208 from the Treasury under the Payroll Support Program Extension ("PSP2"). During the second quarter of 2021, the Company received an additional $4,831 from the Treasury as a top-off grant under PSP2.

Further, in the second quarter, the Company received a grant of $34,547 under the American Rescue Plan Act of 2021 ("PSP3") which was enacted on March 11, 2021, and authorizes Treasury to provide additional assistance to passenger air carriers and contractors that received financial assistance under the CARES Act. The grant amount recognized under PSP3 of $34,547 was recorded in Special Items, net during the second quarter.

The CARES Act provides an employee retention credit ("CARES Employee Retention Credit") which is a refundable tax credit against certain employment taxes. During the year ended December 31, 2020, the Company recorded $2,328 related to the CARES Employee Retention Credit within Special Items, net. In the first and second quarters of 2021, an additional $334 and $446, respectively, was recognized within Special Items, net.

Under the CARES Act Loan Program, the Company received a $45,000 loan (the "CARES Act Loan") from the Treasury on October 26, 2020, which was repaid in full on March 24, 2021.

In accordance with any grants and/or loans received under the CARES Act, the Company is required to comply with the relevant provisions of the CARES Act and the related implementing agreements which, among other things, include the following: the requirement to use the Payroll Support Payments exclusively for the continuation of payment of crewmember and employee wages, salaries and benefits; the requirement that certain levels of commercial air service be maintained until March 1, 2021, or if ordered by the DOT, March 1, 2022; the prohibitions on share repurchases of listed securities and the payment of common stock (or equivalent) dividends until September 30, 2022; and restrictions on the payment of certain executive compensation until April 1, 2023.

SUN COUNTRY AIRLINES HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
(Unaudited)

4. REVENUE

Sun Country is a certificated air carrier generating Operating Revenues from Scheduled service, Charter service, Ancillary, Cargo and Other revenue. Scheduled service revenue mainly consists of base fares. Charter service revenue is primarily generated through service provided to the U.S. Department of Defense, collegiate and professional sports teams and casinos. Ancillary revenues consist of revenue earned from air travel-related services such as baggage fees, seat selection fees and on-board sales. Cargo consists of revenue earned from flying cargo aircraft under the ATSA. Other revenue consists primarily of revenue from services in connection with Sun Country Vacation products.

The significant categories comprising Operating Revenues are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Scheduled service	$ 67,073	$ 17,882	$ 121,693	$ 132,110
Charter service	28,898	8,491	54,703	37,718
Ancillary	29,159	4,968	52,929	39,999
Passenger	125,130	31,341	229,325	209,827
Cargo	22,098	3,219	43,684	3,219
Other	1,961	816	3,793	2,660
Total Operating Revenue	$ 149,189	$ 35,376	$ 276,802	$ 215,706

The Company attributes and measures its Operating Revenue by geographic region as defined by the Department of Transportation for airline reporting based upon the origin of each passenger and cargo flight segment.

The Company’s operations are highly concentrated in the U.S. but include service to many international locations, primarily based on scheduled service to Latin America during the winter season and on military charter services.

Total Operating Revenue by geographic region are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Domestic	$ 142,774	$ 34,307	$ 262,020	$ 197,345
Latin America	6,266	1,038	14,228	18,114
Other	149	31	554	247
Total Operating Revenue	$ 149,189	$ 35,376	$ 276,802	$ 215,706

Contract Balances

The Company’s contract assets primarily relate to costs incurred to get the 12 Amazon cargo aircraft ready for service. The balances are included in Other Current Assets and Other Assets on the Condensed Consolidated Balance Sheets. The amount expensed during the three and six months ended June 30, 2021 was $169 and $307, respectively, and is included in Maintenance expense. There was nothing expensed in the six months ended June 30, 2020, since the Amazon cargo services were just getting started.

(Dollars in thousands, except per share amounts)

The Company's significant contract liabilities are comprised of 1) ticket sales for transportation that has not yet been provided (reported as Air Traffic Liabilities on the Condensed Consolidated Balance Sheets), 2) outstanding loyalty points that may be redeemed for future travel and other non-air travel awards (reported as Loyalty Program Liabilities on the Condensed Consolidated Balance Sheets) and 3) the Amazon Deferred Up-front Payment received (reported within Other Liabilities on the Condensed Consolidated Balance Sheets).

Contract Assets and Liabilities are as follows:

	June 30, 2021	December 31, 2020
Contract Assets		
Costs to fulfill contract with Amazon	$ 3,203	$ 3,614
Air Traffic Liabilities	$ 113,771	$ 101,075
Loyalty Program Liabilities	20,877	22,069
Amazon Deferred Up-front Payment	4,772	5,240
Total Contract Liabilities	$ 139,420	$ 128,384

The balance in the Air Traffic Liabilities fluctuates with seasonal travel patterns. Most tickets can be purchased no more than twelve months in advance, therefore any revenue associated with tickets sold for future travel will be recognized within that timeframe. For the six month period ended June 30, 2021, $82,206 of revenue was recognized in Passenger revenue that was included in the Air Traffic Liabilities as of December 31, 2020.

As part of the ATSA executed in December 2019, Amazon paid the Company $10,300 toward start-up costs. Upon signing the ATSA, Amazon received 632,183 fully vested warrants to purchase the Company's common stock, with a fair value of $4,667. This fair value was assigned to a portion of the $10,300 cash received from Amazon and the remaining $5,633 was recorded in Other Liabilities on the Company's Condensed Consolidated Balance Sheet. This deferred up-front payment is being amortized into revenue on a pro-rata basis over the initial six years of the ATSA. For the three and six months ended June 30, 2021, $237 and $468 was amortized into Cargo revenue, respectively. For each of the three and six months ended June 30, 2020, $38 was amortized into Cargo revenue.

Loyalty Program

The Sun Country Rewards program provides loyalty awards to program members based on accumulated loyalty points. Loyalty points are earned as a result of travel and purchases using the Company's co- branded credit card. The balance of the Loyalty Program Liabilities fluctuates based on seasonal patterns, which impact the volume of loyalty points awarded through travel or issued to co-branded credit card and other partners (deferral of revenue) and loyalty points redeemed (recognition of revenue).

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Changes in the Loyalty Program Liabilities are as follows:

	2021	2020
Balance - January 1	$ 22,069	$ 22,892
Loyalty Points Earned	1,904	2,621
Loyalty Points Redeemed[1]	(3,096)	(3,395)
Balance - June 30	$ 20,877	$ 22,118

(1) Principally relates to revenue recognized from the redemption of loyalty points for both air and non-air travel awards. Loyalty points are combined in one homogenous pool and are not separately identifiable. As such, the revenue recognized is comprised of points that were part of the Loyalty Program Liabilities balance at the beginning of the period, as well as points that were earned during the period.

The timing of loyalty point redemptions can vary significantly, however most new points, that are not left to expire, are redeemed within two years. Given the inherent uncertainty of the current operating environment due to COVID-19, the Company will continue to monitor redemption patterns and will adjust estimates in the future, which could be material.

5. EARNINGS PER SHARE

Basic earnings per share, which excludes dilution, is computed by dividing Net Income available to common stockholders by the weighted average number of shares of common stock outstanding for the period.

Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The number of incremental shares from the assumed issuance of shares relating to share based awards is calculated by applying the treasury stock method.

The following table shows the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net Income (Loss)	$ 51,753	$ (6,040)	$ 64,169	$ 1,211
Denominator:				
Weighted Average Common Shares Outstanding - Basic	57,156,159	46,805,950	52,850,041	46,805,950
Dilutive effect of Stock Options and Warrants [1]	4,826,282	—	4,553,552	1,437,196
Weighted Average Common Shares Outstanding - Diluted	61,982,441	46,805,950	57,403,593	48,243,146
Basic earnings (loss) per share	$ 0.91	$ (0.13)	$ 1.21	$ 0.03
Diluted earnings (loss) per share	$ 0.83	$ (0.13)	$ 1.12	$ 0.02

(1) There were 3,547,524 and 3,636,773 performance-based stock options outstanding at June 30, 2021 and 2020, respectively. As a result of the Company's initial public offering, 75% of these options are expected to meet the performance conditions and are included in dilutive options at June 30, 2021. At June 30, 2020, these options were excluded from the calculation of diluted EPS since the performance conditions were not considered likely to be met.

(Dollars in thousands, except per share amounts)

Prior to their exercise on January 31, 2020, all 40,005,885 warrants held by the Apollo Stockholder were included in basic and diluted weighted average shares outstanding as they were equity classified, had an exercise price of approximately $0.0005, and all necessary conditions for issuance were met.

Warrants held by Amazon are included in dilutive weighted average shares outstanding as of the date the warrants vest. The unvested warrants held by Amazon have not been included in dilutive shares as their performance condition had not been satisfied.

6. AIRCRAFT

Aircraft Fleet

The following tables summarize the Company's aircraft fleet activity for the six months ended June 30, 2021 and 2020, respectively:

	December 31, 2020	Additions	Removals	June 30, 2021
Passenger:				
Owned	14	6	—	20
Finance leases	5	2	—	7
Operating leases	12	—	(6)	6
Sun Country Airlines' Fleet	31	8	(6)	33
Cargo:				
Aircraft Operated for Amazon	12	—	—	12
Total Aircraft Operated	43	8	(6)	45

The six aircraft purchased during the six months ended June 30, 2021 were financed through the Delayed Draw Term Loan Facility (see Note 7). All six of these were previously under operating leases. During June 2021, the Company obtained an additional two aircraft under finance leases.

	December 31, 2019	Additions	Removals	June 30, 2020
Passenger:				
Owned	5	9	—	14
Finance leases	10	—	(5)	5
Operating leases	14	—	(2)	12
Seasonal leases	2	—	(2)	—
Sun Country Airlines' Fleet	31	9	(9)	31
Cargo:				
Aircraft Operated for Amazon	—	7	—	7
Total Aircraft Operated	31	16	(9)	38

The nine aircraft purchased during the six months ended June 30, 2020 were financed through equipment trust certificates (see Note 7). Two of these aircraft were previously under operating leases, five were previously under finance leases, and the other two aircraft were new to the Company's fleet. In addition, the Company refinanced three previously owned and financed aircraft in January 2020 utilizing equipment trust certificates (see Note 7).

As of June 30, 2021, Sun Country operated a fleet of Boeing 737-NG aircraft, consisting of 44 Boeing 737-800s and 1 Boeing 737-700.

The Accumulated Depreciation on owned assets was $67,495 and $52,048 as of June 30, 2021 and December 31, 2020, respectively. Depreciation expense on these assets was $9,642 and $6,370 for the three months ended June 30, 2021 and 2020, respectively. Depreciation expense was $18,442 and $11,491 for the six months ended June 30, 2021 and 2020, respectively.

The Accumulated Amortization on Finance Lease Assets was $21,209 and $13,018 as of June 30, 2021 and December 31, 2020, respectively. Amortization Expense on these assets was $2,692 and $4,665 for the three months ended June 30, 2021 and 2020, respectively. Amortization Expense was $5,384 and $8,955 for the six months ended June 30, 2021 and 2020, respectively.

Depreciation expense on owned assets and amortization expense on Finance Lease Assets are each classified in Depreciation and Amortization on the Condensed Consolidated Statements of Operations.

Aircraft Lease Payment Deferrals

During the year ended December 31, 2020 the Company negotiated rent payment deferrals with a majority of its aircraft lessors due to COVID-19 cash flow impacts. There were no amounts deferred as of June 30, 2021 since the final payments were made in the second quarter of 2021. The amount deferred as of December 31, 2020 was $7,569, consisting of $2,133 under finance leases and $5,436 under operating leases. These deferrals were classified within the current portion of the respective lease liabilities on the Condensed Consolidated Balance Sheet as of December 31, 2020.

Aircraft Maintenance Deposits Contra-Assets

At April 11, 2018 (the “Acquisition Date”), the Company established a deposit contra-asset to represent the Company’s obligation to perform planned maintenance events on leased aircraft held as of the Acquisition Date. As of June 30, 2021 and December 31, 2020, the remaining balance of the contra-asset was $22,792 and $36,729, respectively. Of the $13,937 reduction in the contra-asset during the six months ended June 30, 2021, $12,749 related to the purchase of six aircrafts previously leased, whereupon the contra-assets and related maintenance deposits were written-off concurrently to Aircraft lease buy-out expense in Special Items, net (see Note 11). For the three months ended June 30, 2021 and 2020, the Company recognized $850 and none respectively, of the contra-asset as a reduction to Maintenance expense on the accompanying Condensed Consolidated Statements of Operations. For the six months ended June 30, 2021 and 2020, the Company recognized $850 and $328, respectively, of the contra-asset as a reduction to Maintenance expense.

Over-market Liabilities

At the Acquisition Date, the Company acquired liabilities related to its over-market lease rates and over-market maintenance reserve payments.

As of the Acquisition Date, the Company recognized a liability representing lease terms which are unfavorable compared with market terms of similar leases. Upon adopting ASU 2016-02, Leases (Topic 842) effective January 1, 2019, this liability was reclassified as an offset to the Operating Lease Right-of-use Assets. The remaining unamortized balance of this contra-asset as of June 30, 2021 and December 31, 2020 was $11,444 and $16,501, respectively and is recorded within Operating Lease Right-of-Use Assets. During the six months ended June 30, 2021, the Company purchased six aircraft which were previously under leases with unfavorable terms, contributing to $3,765 of the decrease.

As of the Acquisition Date, Sun Country's existing leases included payments for maintenance reserves in addition to the stated aircraft lease payments. For a substantial portion of these maintenance reserve payments, the Company does not expect to be reimbursed by the lessor. Therefore, a liability was established representing over-market maintenance reserve lease terms compared to market terms of similar leases. The remaining balance of this liability at June 30, 2021 and December 31, 2020 was $16,892 and $37,409, respectively. Of the $20,517 reduction in the over-market maintenance reserve liabilities during the six months ended June 30, 2021, $17,435 related to the purchase of six aircrafts previously leased. The over-market liabilities for those aircraft are included in Aircraft lease buy-out expense in Special Items, net (see Note 11).

Aircraft Rent expense for the three months ended June 30, 2021 and 2020, includes credits of $1,618 and $3,726, respectively, for the amortization of over-market liabilities established at the Acquisition Date related to lease rates and maintenance reserves. The Aircraft Rent expense credits for the six months ended June 30, 2021 and 2020 were $4,373 and $7,830, respectively.

7. DEBT

Lines of Credit – On February 10, 2021, the Company executed a five-year credit agreement with a group of lenders that replaced the Company's prior $25,000 asset-based revolving credit facility (the "ABL Facility"). The agreement provides for a $25,000 Revolving Credit Facility and a $90,000 Delayed Draw Term Loan Facility, which are collectively referred to as the "Credit Facilities." The interest rate on borrowings is determined by various alternative base rates plus an applicable margin ranging from 4% to 5%. The interest rate currently in effect on the Delayed Draw Term Loan facility is 6%, which is the minimum interest rate allowed under the Credit Facilities agreement. Borrowings on the Delayed Draw Term Loan Facility are subject to possible interest rate adjustment in February 2022. In addition, there is a commitment fee on the unused Revolving Credit Facility of 0.5%. The proceeds from the Revolving Credit Facility can be used for general corporate purposes. The proceeds from the Delayed Draw Term Loan Facility are to be used solely to finance the acquisition of aircraft or engines to be registered in the U.S. During the six months ended June 30, 2021, the Company drew $80,500 on the Delayed Draw Term Loan Facility to purchase six aircrafts, which were previously under operating leases. In June 2021, the Company made its first principal payment on this debt of $1,006, bringing the June 30, 2021 balance to $79,494. The Credit Facilities have financial covenants that require a minimum EBITDAR (ranging from $62,100 as of September 30, 2021, $78,100 as of December 31, 2021, and $87,700 as of March 31, 2022 and beyond) and a minimum liquidity of $30,000 at the close of any business day.

Long-term Debt – In December 2019, the Company arranged for the issuance of Class A, Class B and Class C pass-through trust certificates Series 2019-1 (the "2019-1 EETC"), in an aggregate face amount of $248,587 for the purpose of financing or refinancing 13 used aircraft, which was completed in 2020. Payments have been made each June and December, which reduced the balance as of June 30, 2021 to $211,605. The 13 aircraft serve as security for the loan and the total appraised value of these aircraft as of December 2019 was approximately $292,450.

(Dollars in thousands, except per share amounts)

Under the CARES Act Loan Program, on October 26, 2020, the Company was awarded a $45,000 loan, which was secured by the Company's loyalty program and certain cash deposit accounts. The loan bore interest at a rate per annum equal to the Adjusted LIBO Rate plus 6.50% and was due to be repaid on the earlier of (i) October 24, 2025 or (ii) six months prior to the expiration date of any material loyalty program securing the loan. On March 24, 2021, the CARES Act Loan was repaid in full, including outstanding principal and accrued interest for a total repayment amount of $46,260.

The Company was in compliance with all covenants in its debt agreements at June 30, 2021.

Long-term Debt included the following:

	June 30, 2021	December 31, 2020
Notes payable under the Company's 2019-1 EETC agreement dated December 2019, with original loan amounts of $248,587 payable in bi-annual installments, in June and December, through December 2027. These notes bear interest at an annual rate of between 4.13% and 6.95% and the weighted average interest rate is 4.78%.	$ 211,605	$ 227,347
Delayed Draw Term Loan Facility (see terms and conditions above)	79,494	—
U. S. Department of the Treasury CARES Act Loan (see terms and conditions above)	—	45,419
Notes payable to Wilmington Trust Company. Notes bear interest at an annual rate of 8.45% and were scheduled to mature Nov. 2023 to Feb. 2024. In April 2021, these notes were repaid.	—	12,506
Other Notes payable. These notes bear interest at an annual rate of approximately 5.0% and mature March 2029.	493	529
Total Debt	291,592	285,801
Less: Unamortized debt issuance costs	(4,113)	(3,338)
Less: Current Maturities of Long-term Debt	(19,795)	(26,118)
Total Long-term Debt	$ 267,684	$ 256,345

(Dollars in thousands, except per share amounts)

Future maturities of the outstanding Debt are as follows:

	Debt Principal Payments	Amortization of Debt Issuance Costs	Net Debt
Remainder of 2021	$ 10,661	$ (509)	$ 10,152
2022	30,367	(983)	29,384
2023	42,358	(908)	41,450
2024	44,000	(785)	43,215
2025	49,087	(670)	48,417
Thereafter	115,119	(258)	114,861
Total as of June 30, 2021	$ 291,592	$ (4,113)	$ 287,479

The table below presents the Company's debt measured at fair value:

	June 30, 2021	December 31, 2020
Carrying Amount	$ 291,592	$ 285,801
Fair Value	$ 281,640	$ 279,119

The fair value of the Company's debt was based on the discounted amount of future cash flows using the Company's end-of-period incremental borrowing rate for similar obligations. The estimates were primarily based on Level 3 inputs.

8. FUEL DERIVATIVES AND RISK MANAGEMENT

The Company's operations are inherently dependent upon the price of aircraft fuel. To manage economic risks associated with fluctuations in aircraft fuel prices, the Company periodically enters into fuel option and swap contracts. The Company does not apply hedge accounting to its fuel derivative contracts, nor does it hold or issue them for trading purposes.

Fuel derivative contracts are recognized at fair value on the Condensed Consolidated Balance Sheets as Derivative Assets, if the fair value is in an asset position, or as Derivative Liabilities, if the fair value is in a liability position. The Company did not have any collateral held by counterparties to these agreements as of June 30, 2021 and December 31, 2020. Derivatives where the payment due date is greater than one year from the balance sheet date are classified as long-term.

Changes in Derivative Assets (Liabilities) were as follows:

	Six Months Ended June 30,	
	2021	2020
Balance - January 1	$ (1,174)	$ 2,233
Non-cash Gains (Losses)	3,599	(16,056)
Contract Settlements	(827)	4,990
Balance - June 30	$ 1,598	$ (8,833)

(Dollars in thousands, except per share amounts)

Fuel Derivative Gains (Losses) consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Non-cash Gains (Losses)	$ 1,213	$ 5,695	$ 3,599	$ (16,056)
Cash Premiums Paid	—	(1,617)	—	(1,901)
Total Fuel Derivative Gains (Losses)	$ 1,213	$ 4,078	$ 3,599	$ (17,957)

Fuel derivative gains and losses are classified in Aircraft Fuel on the Condensed Consolidated Statements of Operations.

As of June 30, 2021, the Company had outstanding fuel derivative contracts covering 5.8 million gallons of crude oil and jet fuel that will settle between July 2021 and September 2021.

9. FAIR VALUE MEASUREMENTS

Accounting standards define fair value 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 standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Under GAAP, there are three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities 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.

The Company uses the following valuation methodologies for financial instruments measured at fair value on a recurring basis.

Derivative Instruments – Derivative instruments are accounted for as either assets or liabilities and are carried at fair value. The fair value for fuel derivative options and swaps is determined utilizing an option pricing model that uses inputs that are readily available in active markets or can be derived from information available in active markets and are classified within Level 2.

(Dollars in thousands, except per share amounts)

The following table summarizes the assets and liabilities measured at fair value on a recurring basis:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Fuel Derivative Contracts	$ —	$ 1,598	$ —	$ 1,598
Total Assets measured at fair value on a recurring basis	$ —	$ 1,598	$ —	$ 1,598

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Liabilities				
Fuel Derivative Contracts	$ —	$ 1,174	$ —	$ 1,174
Total Liabilities measured at fair value on a recurring basis	$ —	$ 1,174	$ —	$ 1,174

Certain assets are measured at fair value on a nonrecurring basis. The Company's non-financial assets, which primarily consist of property and equipment, goodwill and other intangible assets are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be recoverable, non-financial assets are assessed for impairment and, if applicable, written down to fair value using significant unobservable inputs, classified as Level 3.

The Company's debt portfolio consists of 2019-1 EETC certificates, borrowings under the Delayed Draw Term Loan Facility, and fixed-rate notes payable. See Note 7 for debt fair values.

10. INCOME TAXES

The Company's effective tax rate for the three and six months ended June 30, 2021 was 15.5% and 18.8%, respectively. The effective tax rate for the three and six months ended June 30, 2020 was 23.9% and 31.1%, respectively. The effective tax rate represents a blend of federal and state taxes and includes the impact of certain nondeductible or nontaxable items. The decrease in the three and six month rate is primarily due to a favorable permanent difference related to the Tax Receivable Agreement partially offset by nondeductible expense related to executive compensation disallowed under Internal Revenue Code Section 162(m).

Tax Receivable Agreement

In connection with the Company's IPO, we entered into an income Tax Receivable Agreement (the "Tax Receivable Agreement" or "TRA") with our pre-IPO stockholders (the "TRA holders"). The Tax Receivable Agreement provides for the payment by the Company to the TRA holders of 85% of the amount of cash savings, if any, in U.S. federal, state, local, and foreign income tax that the Company actually realizes (or are deemed to realize in certain circumstances) as a result of certain tax attributes that existed at the time of the IPO (the "Pre-IPO Tax Attributes"). The Company will retain the benefit of the remaining 15% of these cash savings.

Payments under the Tax Receivable Agreement will not begin until at least 12 months after the closing of the Company's IPO. In the event that the Company is prohibited from making payments under the Tax Receivable Agreement for tax benefits utilized during any periods pursuant to the CARES Act or other

(Dollars in thousands, except per share amounts)

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governmental programs, the Company is not required to make payments under the Tax Receivable Agreement for Pre-IPO Tax Attributes utilized in such periods. Based on our current participation in the CARES Act Program, the Company does not expect to make payments under the Tax Receivable Agreement until 2023.

If we do not generate sufficient taxable income in the aggregate over the term of the Tax Receivable Agreement to utilize the tax benefits, then we would not be required to make the related TRA payments. Upon the closing of the IPO, the Company recognized a non-current liability of $115,200 which represented undiscounted aggregate payments that we expected to pay the TRA holders under the Tax Receivable Agreement, with an offset to Stockholders' Equity. Subsequent changes in the measurement of the liability are being adjusted through the Consolidated Statements of Operations. The Tax Receivable Agreement liability is an estimate and actual amounts payable under the Tax Receivable Agreement could differ from this estimate based on, among other things, (i) generation of future taxable income over the term of the Tax Receivable Agreement, (ii) the Company's participation in future government programs, (iii) stock option activity during periods prior to the commencement of payments under the Tax Receivable Agreement and (iv) future changes in tax laws. These factors could result in an increase or decrease in the related liability which would be recognized in the Company's earnings in the period of such change. In the second quarter of 2021, the Company reduced the TRA liability balance by $18,700, from $115,200 to $96,500. The offsetting credit was recorded in Other Non-operating Income. The decrease in the TRA liability was mainly due to the receipt of the PSP3 grant of $34,547, which extended the time period in which distributions made to shareholders are restricted from March 31, 2022 to September 30, 2022, and also resulted in an increase in forecasted 2021 pre-tax income. The remaining TRA liability balance of $96,500 is presented in "Long-term Liabilities" on the Condensed Consolidated Balance Sheet as of June 30, 2021.

11. SPECIAL ITEMS, NET

Special Items, net on the Condensed Consolidated Statements of Operations consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
CARES Act grant recognition (1)	$ (39,378)	$ (31,516)	$ (71,587)	$ (31,516)
CARES Act employee retention credit (2)	(446)	—	(780)	—
Aircraft lease buy-out expense (3)	1,299	—	6,963	—
Other	5	35	12	35
Total Special Items, net	$ (38,520)	$ (31,481)	$ (65,392)	$ (31,481)

(1) In the quarter ended March 31, 2021, the Treasury awarded the Company a grant of $32,208 under PSP2. On April 22, 2021, the Company received an additional $4,831 from the Treasury as a top-off grant under PSP2. Further, during the quarter ended June 30, 2021, the Company received a grant of $34,547 under PSP3.

(2) The CARES Act Employee Retention credit relates to a refundable tax credit against certain employment taxes.

(3) Five aircraft were purchased in March 2021 that were previously under operating leases. One additional aircraft was purchased in April 2021 that was previously under an operating lease. Aircraft lease buy-out expense represents the net costs incurred to terminate the leases on those six aircraft. This includes

the associated lease termination costs, write-off of previously capitalized maintenance deposits, and the write-off of over-market liabilities (see Note 6).

12. COMMITMENTS AND CONTINGENCIES

The Company has contractual obligations and commitments primarily with regard to lease arrangements, repayment of debt (see Note 7) and future purchases of aircraft.

The Company is subject to various legal proceedings in the normal course of business and expenses legal costs as incurred. Management believes these proceedings will not have a materially adverse effect on the Company.

13. OPERATING SEGMENTS

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker and is used in resource allocation and performance assessments. The Company's Chief Operating Decision Maker is considered to be the Company's Chief Executive Officer. The Company's Chief Operating Decision Maker makes resource allocation decisions to maximize the Company's consolidated financial results. Substantially all the Company's tangible assets are located in the U.S. or relate to flight equipment, which is mobile across geographic markets. The Company has two operating segments: Passenger and Cargo.

The Company's Passenger segment has two internal passenger groups (Scheduled and Charter), but since they share resources and expenses are combined, they are considered one Passenger operating segment. The Company's Passenger operations are highly concentrated in the U.S. but include service to many international locations, primarily based on scheduled service to Latin America during the winter season and on military charter services. All goodwill is related to the Passenger Operating Segment.

The Cargo segment began providing air cargo services under the ATSA in May 2020. Fuel consumed in Cargo operations is directly reimbursed by Amazon and therefore aircraft fuel revenue is presented net of such reimbursements on the Condensed Consolidated Statements of Operations. Fuel consumed in Cargo maintenance activities is included in the Cargo segment. Certain operating expenses are directly attributable to this operating segment.

Certain operating expenses are allocated between the operating segments. Non-Fuel operating expenses are allocated based on metrics such as block hours, fleet count and departures, which best align with the nature of the respective expense. CARES Act credits, included in Special Items, net, are allocated based on the respective segment salaries, wages, and benefits.

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(Unaudited)

The following tables present financial information for the Company's two operating segments: Passenger and Cargo. Assets by segment are not reviewed by the Chief Operating Decision Maker and have not been presented herein.

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Passenger	Cargo	Consolidated	Passenger	Cargo(1)	Consolidated
Operating Revenues	$ 127,091	$ 22,098	$ 149,189	$ 32,157	$ 3,219	$ 35,376
Non-Fuel Operating Expenses	92,361	16,401	108,762	63,507	4,907	68,414
Aircraft Fuel	29,657	52	29,709	677	—	677
Special Items, net	(28,784)	(9,736)	(38,520)	(28,111)	(3,370)	(31,481)
Total Operating Expenses	93,234	6,717	99,951	36,073	1,537	37,610
Operating Income (Loss)	$ 33,857	$ 15,381	49,238	$ (3,916)	$ 1,682	(2,234)
Interest Income			9			63
Interest Expense			(6,080)			(5,442)
Other, net			18,054			(325)
Income (Loss) before Income Tax			$ 61,221			$ (7,938)

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Passenger	Cargo	Consolidated	Passenger	Cargo(1)	Consolidated
Operating Revenues	$ 233,118	$ 43,684	$ 276,802	$ 212,487	$ 3,219	$ 215,706
Non-Fuel Operating Expenses	179,566	34,472	214,038	173,046	4,907	177,953
Aircraft Fuel	53,912	72	53,984	56,238	—	56,238
Special Items, net	(46,991)	(18,401)	(65,392)	(28,111)	(3,370)	(31,481)
Total Operating Expenses	186,487	16,143	202,630	201,173	1,537	202,710
Operating Income	$ 46,631	$ 27,541	74,172	$ 11,314	$ 1,682	12,996
Interest Income			24			314
Interest Expense			(13,201)			(11,058)
Other, net			18,049			(494)
Income before Income Tax			$ 79,044			$ 1,758

(1) As air cargo operations commenced in May 2020, there are limited Cargo amounts included in the three and six month periods ended June 30, 2020.

14. SUBSEQUENT EVENTS

The Company evaluated subsequent events for the period from the Balance Sheet date through July 28, 2021, the date that the Condensed Consolidated Financial Statements were available to be issued.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, the terms "Sun Country," "we," "us" and "our" refer to Sun Country Airlines Holdings, Inc., and its subsidiaries.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements and the accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates discussed in our Final Prospectus dated March 16, 2021.

Recently Adopted Accounting Pronouncements

See Note 2 to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for more information regarding recently adopted accounting pronouncements.

Forward-Looking Statements

The following discussion and analysis presents factors that had a material effect on our results of operations during the three and six months ended June 30, 2021 and 2020. Also discussed is our financial position as of June 30, 2021 and December 31, 2020. This section should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2020 included in our Registration Statement on Form S-1 (File No. 333-252858), as amended, including the final prospectus dated March 16, 2021 included therein (the “Final Prospectus”).This discussion contains forward-looking statements that involve risk, assumptions and uncertainties, such as statements of our plans, objectives, expectations, intentions and forecasts. Our actual results and the timing of selected events could differ materially from those discussed in these forward-looking statements as a result of several factors, including those set forth under the section of this report titled “Risk Factors” and elsewhere in this report. You should carefully read the “Risk Factors” to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.

Overview

Sun Country is a new breed of hybrid low-cost air carrier that dynamically deploys shared resources across our synergistic scheduled service, charter and cargo businesses. By doing so, we believe we are able to generate high growth, high margins and strong cash flows with greater resilience than other passenger airlines. We focus on serving leisure and visiting friends and relatives ("VFR") passengers and charter customers and providing crew, maintenance and insurance ("CMI") services to Amazon, with flights throughout the United States and to destinations in Mexico, Central America and the Caribbean. Based in Minnesota, we operate an agile network that includes our scheduled service business and our synergistic charter and cargo businesses. We share resources, such as flight crews, across our scheduled service, charter and cargo business lines with the objective of generating higher returns and margins and mitigating the seasonality of our route network. We optimize capacity allocation by market, time of year, day of week and line of business by shifting flying to markets during periods of peak demand and away from markets during periods of low demand with far greater frequency than nearly all other large U.S. passenger airlines. We believe our flexible business model generates higher returns and margins while also providing greater resiliency to economic and industry downturns than a traditional scheduled service carrier.

Our scheduled service business combines low costs with a high quality product to generate higher Total Revenue per Available Seat Mile ("TRASM") than Ultra Low-Cost Carriers ("ULCCs") while maintaining lower Adjusted Cost per Available Seat Mile ("CASM") than Low Cost Carriers ("LCCs"), resulting in best-in-class unit profitability. Our business includes many cost characteristics of ULCCs (which include Allegiant Travel Company, Frontier Airlines and Spirit Airlines), such as an unbundled product (which means we offer a base fare and allow customers to purchase ancillary products and services for an additional fee), point-to-point service and a single-family fleet of Boeing 737-NG aircraft, which allow us to maintain a cost base comparable to these ULCCs. However, we offer a high quality product that we believe is superior to ULCCs and consistent with that of LCCs (which include Southwest Airlines and JetBlue Airways). For example, our product includes more legroom than ULCCs, complimentary beverages, in-flight entertainment and in-seat power, none of which are offered by ULCCs.

Our charter business, which is one of the largest narrow body charter operations in the United States, is a key component of our strategy both because it provides inherent diversification and downside protection as well as because it is synergistic with our other businesses. Our charter business has several favorable characteristics including large repeat customers, more stable demand than scheduled service flying and the ability to pass through certain costs, including fuel. Our diverse charter customer base includes casino operators, the U.S. Department of Defense, college sports teams and professional sports teams. We are the primary air carrier for the National Collegiate Athletic Association ("NCAA") Division I National Basketball Tournament (known as "March Madness"), and we flew over 100 college sports teams during 2019, but 2020 was lower due to the pandemic. Our charter business includes ad hoc, repeat, short-term and long-term service contracts with pass through fuel arrangements and annual rate escalations. Most of our business is non-cyclical because the U.S. Department of Defense and sports teams still fly during normal economic downturns, and our casino contracts are long-term in nature.

On December 13, 2019, we signed the ATSA with Amazon to provide air cargo services. Flying under the ATSA began in May 2020 and, as of the date of this filing, we are flying 12 Boeing 737-800 cargo aircraft for Amazon. Our CMI service is asset-light from a Sun Country perspective as Amazon supplies the aircraft and covers many of the operating expenses, including fuel, and provides all cargo loading and unloading services. We are responsible for flying the aircraft under our air carrier certificate, crew, aircraft line maintenance and insurance, all of which allow us to leverage our existing operational expertise from our scheduled service and charter businesses. Our cargo business also enables us to leverage certain assets, capabilities and fixed costs to enhance profitability and promote growth across our Company.

Operations in Review

We believe a key component of our success is establishing Sun Country as a high growth, low-cost carrier in the United States by attracting customers with low fares and garnering repeat business by delivering a high quality passenger experience, offering state-of-the-art interiors, free streaming in-flight entertainment to passenger devices, seat recline and seat-back power in all of our aircraft.

The COVID-19 pandemic resulted in a dramatic decline in passenger demand across the U.S. airline industry. We have experienced a significant decline in demand related to the COVID-19 pandemic, which has caused a material decline in our 2020 and first half 2021 revenues and negatively impacted our financial condition and operating results. With the expectation that COVID-19 vaccines continue to become more widely distributed in 2021, we believe the airline industry will continue to rebound in the back half of 2021 and normalize in 2022.

On February 10, 2021, Sun Country, Inc., our wholly-owned subsidiary (the "Borrower"), entered into a new Credit Agreement which provides for a $25,000 Revolving Credit Facility and a $90,000 Delayed Draw Term Loan Facility. We received CARES Act grants totaling $62,312 during 2020, and a CARES Act loan of $45,000 in October 2020. During the quarter ended March 31, 2021, we received a grant of $32,208 under the Payroll Support Program Extension under the Consolidated Appropriations Act of 2021. On April 22, 2021, we received $4,831 from the Treasury as a top-off grant under Payroll Support Program Extension ("PSP2"). Further, during the quarter ended June 30, 2021, the Company received a grant of $34,547 under the American Rescue Plan Act of 2021 ("PSP3").

While the COVID-19 induced industry downturn has delayed our growth in 2020 and 2021 to date, we believe that our investments have positioned us to profitably grow our business in the long term following a rebound in the U.S. airline industry.

Components of Operations

Operating Revenues

Scheduled service. Scheduled service revenue consists of base fares and expired passenger travel credits.

Charter service. Charter service revenue consists of revenue earned from our charter operations, primarily generated through our service to the U.S. Department of Defense, collegiate and professional sports teams, and casinos.

Ancillary. Ancillary revenue consists of revenue generated from air travel-related services such as baggage fees, seat selection and upgrade fees, itinerary service fees and on-board sales.

Cargo. Cargo revenue consists of air cargo transportation services under the ATSA with Amazon, primarily related to e-commerce delivery services.

Other. Other revenue consists primarily of revenue from services in connection with our Sun Country Vacations products, including organizing ground services, such as hotel, car and transfers. Other revenue also includes services not directly related to providing passenger services such as the advertising, marketing and brand elements resulting from our co-branded credit card program. This component of our revenues also includes revenue from mail on regularly scheduled passenger aircraft.

Operating Expenses

Aircraft Fuel. Aircraft fuel expense includes jet fuel, federal and state taxes, other fees and the mark-to-market gains and losses associated with our fuel derivative contracts as we do not apply hedge accounting. Aircraft fuel expense can be volatile, even between quarters, due to price changes and mark-to-market gains and losses in the value of the underlying derivative instruments as crude oil prices and refining margins increase or decrease.

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

Aircraft Rent. Aircraft rent expense consists of monthly lease charges for aircraft and spare engines under the terms of the related operating leases and is recognized on a straight-line basis. Aircraft rent expense also includes supplemental rent, which consists of maintenance reserves paid to aircraft lessors in advance of the performance of significant maintenance activities that are not probable of being reimbursed to us by the lessor during the lease term, as well as lease return costs, which consist of all costs that would be incurred at the return of the aircraft, including costs incurred to return the airframe and engines to the condition required by the lease. Aircraft rent expense is partially offset by the amortization of over-market liabilities related to unfavorable terms of our operating leases and maintenance reserves which existed as of the date of our acquisition by certain investment funds (the "Apollo Funds") managed by affiliates of Apollo Global Management, Inc., which were established as part of the acquisition. See Note 6 to our Condensed Consolidated Financial Statements for further information on the over-market liabilities.

Maintenance. Maintenance expense includes the cost of all parts, materials and fees for repairs performed by us and our third-party vendors to maintain our fleet. It excludes direct labor cost related to our own mechanics, which are included in salaries, wages, and benefits expense. It also excludes maintenance expenses, which are deferred based on the built-in overhaul method for owned aircraft and subsequently amortized as a component of depreciation and amortization expense. Our maintenance expense is reduced due to recognizing a liability (or contra-asset) that offsets expenses for maintenance events incurred by the new owners of Sun Country but paid for by the previous owners. For more information on these maintenance expense credits, see Note 6 to our Condensed Consolidated Financial Statements.

Sales and Marketing. Sales and marketing expense includes credit card processing fees, travel agent commissions and related global distribution systems fees, advertising, sponsorship and distribution costs, such as the costs of our call centers, and costs associated with our loyalty program. It excludes related salary and wages of personnel, which are included in salaries, wages, and benefits expense.

Depreciation and Amortization. Depreciation and amortization expense includes depreciation of fixed assets we own and leasehold improvements, amortization of finance leased assets, as well as the amortization of finite-lived intangible assets. It also includes the depreciation of significant maintenance expenses we deferred under the built-in overhaul method for owned and certain finance leased aircraft.

Ground Handling. Ground handling includes ground services at airports including baggage handling, ticket counter and other ground services.

Landing Fees and Airport Rent. Landing fees and airport rent includes aircraft landing fees and charges for the use of airport facilities.

Special Items, net. Special items, net reflects expenses, or credits to expense, that are not representative of our ongoing costs for the period presented and may vary from period to period in nature, frequency and amount.

Other Operating. Other operating expenses include crew and other employee travel, interrupted trip expenses, information technology, property taxes and insurance, including hull-liability insurance, supplies, legal and other professional fees, facilities and all other administrative and operational overhead expenses.

Non-operating Income (Expense)

Interest Income. Interest income includes interest on our cash and equivalent and investment balances. Interest income is generally immaterial to our results of operations, reflecting the current low interest rate environment and our unrestricted cash balances.

Interest Expense. Interest expense includes interest and fees related to our outstanding debt and our finance/capital leases, as well as the amortization of debt financing costs.

Other, net. Other expenses include activities not classified in any other area of the Condensed Consolidated Statements of Operations, such as gain or loss on sale or retirement of assets and certain consulting expenses. The change in the TRA liability is also included here.

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. We record deferred taxes based on differences between the financial statement basis and tax basis of assets and liabilities and available tax loss and credit carryforwards. In assessing our ability to utilize our deferred tax assets, we consider whether it is more likely than not that some or all of the deferred tax assets will be realized. We consider all available evidence, both positive and negative, in determining future taxable income on a jurisdiction by jurisdiction basis.

SUN COUNTRY AIRLINES HOLDINGS, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

Operating Statistics

Key Operating Statistics and Metrics

	Three Months Ended June 30, 2021 (1)				Three Months Ended June 30, 2020 (1)			
	Scheduled Service	Charter	Cargo	Total	Scheduled Service	Charter	Cargo	Total
Departures (2)	4,921	1,727	2,752	9,445	1,376	520	413	2,324
Block hours (2)	15,900	3,656	8,198	27,874	4,177	1,321	1,076	6,604
Aircraft miles (2)	6,478,328	1,360,043	3,222,967	11,098,716	1,710,153	526,261	454,980	2,700,328
Available seat miles (ASMs) (thousands) (2)	1,198,768	237,723	—	1,442,744	318,049	97,827	—	417,538
Total revenue per ASM (TRASM) (cents) (3)				8.81				7.70
Average passenger aircraft during the period (3)				31.0				31.0
Passenger aircraft at end of period (3)				33				31
Cargo aircraft at end of period				12				7
Average daily aircraft utilization (hours) (3)				7.0				2.0
Average stage length (miles)				1,179				1,180
Revenue passengers carried (4)	700,019				121,922			
Revenue passenger miles (RPMs) (thousands) (4)	919,034				153,098			
Passenger revenue per ASM (PRASM) (cents) (4)	5.60				5.62			
Load factor (4)	76.7 %				48.1 %			
Average base fare per passenger (4)	$ 95.81				$ 146.66			
Ancillary revenue per passenger (4)	$ 41.66				$ 40.74			
Charter revenue per block hour		$ 7,904				$ 6,426		
Fuel gallons consumed (thousands) (2)	12,267	2,622	—	14,955	3,028	946	—	3,991
Fuel cost per gallon, excluding derivatives				$ 2.07				$ 1.17
Employees at end of period				1,815				1,660
Cost per available seat mile (CASM) (cents) (5)				6.93				9.01
Adjusted CASM (cents) (6)				6.35				14.57

(1) Certain operating statistics and metrics are not presented as they are not calculable or are not utilized by management.

(2) Total System operating statistics for Departures, Block hours, Aircraft miles, ASMs and Fuel gallons consumed include amounts related to flights operated for maintenance; therefore the Total System amounts are higher than the sum of Scheduled Service, Charter Service and Cargo amounts.

(3) Scheduled service and charter service utilize the same fleet of aircraft. Aircraft counts and utilization metrics are shown on a system basis only.

(4) Passenger-related statistics and metrics are shown only for scheduled service. Charter service revenue is driven by flight statistics.

(5) CASM is a key airline cost metric. CASM is defined as operating expenses divided by total available seat miles.

(6) Adjusted CASM is a non-GAAP measure derived from CASM by excluding fuel costs, costs related to our cargo operations, special items, and certain other costs.

SUN COUNTRY AIRLINES HOLDINGS, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

Key Operating Statistics and Metrics

	Six Months Ended June 30, 2021 (1)				Six Months Ended June 30, 2020 (1)			
	Scheduled Service	Charter	Cargo	Total	Scheduled Service	Charter	Cargo	Total
Departures [(2)]	9,244	3,238	5,317	17,897	7,182	2,156	413	9,847
Block hours [(2)]	31,107	6,987	16,440	54,806	24,419	4,933	1,076	30,691
Aircraft miles [(2)]	12,711,512	2,582,494	6,508,492	21,883,259	9,867,739	1,837,794	454,980	12,234,888
Available seat miles (ASMs) (thousands) [(2)]	2,356,780	449,444	—	2,819,540	1,826,245	334,690	—	2,174,605
Total revenue per ASM (TRASM) (cents) [(3)]				8.27				9.77
Average passenger aircraft during the period [(3)]				31.0				31.5
Passenger aircraft at end of period [(3)]				33				31
Cargo aircraft at end of period				12				7
Average daily aircraft utilization (hours) [(3)]				6.8				5.2
Average stage length (miles)				1,225				1,254
Revenue passengers carried [(4)]	1,253,051				935,860			
Revenue passenger miles (RPMs) (thousands) [(4)]	1,694,033				1,303,004			
Passenger revenue per ASM (PRASM) (cents) [(4)]	5.16				7.23			
Load factor [(4)]	71.9 %				71.3 %			
Average base fare per passenger [(4)]	$ 97.12				$ 141.16			
Ancillary revenue per passenger [(4)]	$ 42.24				$ 42.74			
Charter revenue per block hour		$ 7,829				$ 7,646		
Fuel gallons consumed (thousands) [(2)]	23,824	4,979	—	28,948	18,779	3,646	—	22,562
Fuel cost per gallon, excluding derivatives				$ 1.99				$ 1.71
Employees at end of period				1,815				1,660
Cost per available seat mile (CASM) (cents) [(5)]				7.19				9.32
Adjusted CASM (cents) [(6)]				6.25				7.81

(1) Certain operating statistics and metrics are not presented as they are not calculable or are not utilized by management.

(2) Total System operating statistics for Departures, Block hours, Aircraft miles, ASMs and Fuel gallons consumed include amounts related to flights operated for maintenance; therefore the Total System amounts are higher than the sum of Scheduled Service, Charter Service and Cargo amounts.

(3) Scheduled service and charter service utilize the same fleet of aircraft. Aircraft counts and utilization metrics are shown on a system basis only.

(4) Passenger-related statistics and metrics are shown only for scheduled service. Charter service revenue is driven by flight statistics.

(5) CASM is a key airline cost metric. CASM is defined as operating expenses divided by total available seat miles.

(6) Adjusted CASM is a non-GAAP measure derived from CASM by excluding fuel costs, costs related to our cargo operations, special items, and certain other costs.

SUN COUNTRY AIRLINES HOLDINGS, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

Statement of Operations Analysis

Results of Operations
For the Three Months Ended June 30, 2021 and 2020

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	$ Change	% Change
Operating Revenues:				
Scheduled Service	$ 67,073	$ 17,882	$ 49,191	275 %
Charter Service	28,898	8,491	20,407	240 %
Ancillary	29,159	4,968	24,191	487 %
Passenger	125,130	31,341	93,789	299 %
Cargo	22,098	3,219	18,879	586 %
Other	1,961	816	1,145	140 %
Total Operating Revenue	149,189	35,376	113,813	322 %
Operating Expenses:				
Aircraft Fuel	29,709	677	29,032	4,288 %
Salaries, Wages, and Benefits	42,316	32,484	9,832	30 %
Aircraft Rent	3,815	5,934	(2,119)	(36)%
Maintenance	11,300	2,426	8,874	366 %
Sales and Marketing	5,822	1,630	4,192	257 %
Depreciation and Amortization	13,460	12,175	1,285	11 %
Ground Handling	6,551	1,614	4,937	306 %
Landing Fees and Airport Rent	8,752	2,667	6,085	228 %
Special Items, net	(38,520)	(31,481)	(7,039)	22 %
Other Operating, net	16,746	9,484	7,262	77 %
Total Operating Expenses	99,951	37,610	62,341	166 %
Operating Income (Loss)	49,238	(2,234)	51,472	(2,304)%
Non-operating Income (Expense):				
Interest Income	9	63	(54)	(86)%
Interest Expense	(6,080)	(5,442)	(638)	12 %
Other, net	18,054	(325)	18,379	(5,655)%
Total Non-operating Income (Expense), net	11,983	(5,704)	17,687	(310)%
Income (Loss) before Income Tax	61,221	(7,938)	69,159	(871)%
Income Tax Expense (Benefit)	9,468	(1,898)	11,366	(599)%
Net Income (Loss)	$ 51,753	$ (6,040)	$ 57,793	(957)%

Total operating revenues increased by $113,813, or 322%, to $149,189 for the three months ended June 30, 2021 from $35,376 for the three months ended June 30, 2020. The increase is due to a significant decline in passenger service in 2020 as a result of the COVID-19 pandemic.

Scheduled Service. Scheduled service revenue increased by $49,191, or 275%, to $67,073 for the three months ended June 30, 2021 from $17,882 for the three months ended June 30, 2020. The increase in scheduled service revenue was largely driven by a decline in passenger service demand for the three months ended June 30, 2020 due to government travel restrictions and quarantine requirements related to the COVID-19 pandemic. Departures increased 258% in the second quarter of 2021, as compared to the second quarter of 2020.

(Dollars in thousands, except per share amounts)

The table below presents select operating data for scheduled service, expressed as quarter-over-quarter changes:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Increase (Decrease)	% Change
Passengers	700,019	121,922	578,097	474 %
Average base fare per passenger	$ 95.81	$ 146.66	(50.85)	(35)%
RPMs (thousands)	919,034	153,098	765,936	500 %
ASMs (thousands)	1,198,768	318,049	880,719	277 %
PRASM (cents)	5.60	5.62	(0.02)	(0)%
Passenger load factor	76.7 %	48.1 %	28.6 pts	na

The 474% increase in the number of scheduled service passengers in the three months ended June 30, 2021, as compared to the three months ended June 30, 2020, was primarily due to COVID-19 pandemic related demand reductions in the prior year period. For the three months ended June 30, 2021, our average base fare was $95.81, compared to $146.66 for the three months ended June 30, 2020. The net change is the result of the impact of indirect revenue related transactions (such as deferred revenue breakage) spread over significantly fewer passengers during 2020.

Charter Service. Charter service revenue increased by $20,407, or 240%, to $28,898 for the three months ended June 30, 2021, from $8,491 for the three months ended June 30, 2020. The COVID-19 pandemic drove a decrease in our 2020 quarter casino charter service revenue. There was a 177% increase in block hours for the 2021 quarter as compared to the 2020 quarter. Charter revenue per block hour was $7,904 for the three months ended June 30, 2021, as compared to $6,426 for the three months ended June 30, 2020, for an increase of 23%. This revenue per block hour increase is due to the ongoing recovery from the impacts of COVID-19.

Ancillary. Ancillary revenue increased by $24,191, or 487%, to $29,159 for the three months ended June 30, 2021, from $4,968 for the three months ended June 30, 2020. The number of scheduled service passengers was 700 thousand in the three months ended June 30, 2021, up 474% from 122 thousand in the three months ended June 30, 2020. The decline in passenger demand in 2020 due to the COVID-19 pandemic drove a decrease in capacity, which resulted in a corresponding decline in sales of air travel-related services such as baggage fees, seat selection and upgrade fees, and on-board sales. Ancillary revenue was $41.66 per passenger in the three months ended June 30, 2021, up from $40.74 per passenger in the three months ended June 30, 2020.

Cargo. Revenue from cargo services was $22,098 for the three months ended June 30, 2021, with $3,219 comparative revenue for the three months ended June 30, 2020. All of our cargo service revenue related to the air cargo transportation services under the ATSA with Amazon that commenced in May 2020. For the three months ended June 30, 2021, departures increased to 2,752, as compared to 413 for the three months ended June 30, 2020.

Other. Other revenue was $1,961 for the three months ended June 30, 2021 compared to $816 for the three months ended June 30, 2020. This was mainly the result of an increase in revenue from Sun Country Vacations due to improved bookings and an increase in mail revenue due to increased departures.

Operating Expenses

Aircraft Fuel. Aircraft fuel expense was $29,709 for the three months ended June 30, 2021, as compared to $677 for the three months ended June 30, 2020. The increase was mainly driven by a 275% increase in fuel gallons consumed resulting from a recovery in demand as demonstrated by a 281% increase in passenger service block hours. The increase was also partly driven by a $2,865 lower net gain from our fuel derivative contracts, consisting of a $1,213 gain in the three months ended June 30, 2021, compared to a $4,078 gain in the three months ended June 30, 2020. There was also a 77% increase in the average price per gallon of fuel.

Salaries, *Wages, and Benefits*. Salaries, wages, and benefits expense increased by $9,832, or 30%, to $42,316 for the three months ended June 30, 2021, as compared to $32,484 for the three months ended June 30, 2020. A portion of the increase was due to insourcing MSP ground handling. Our cargo segment was responsible for $10,159 of the consolidated salaries, wages, and benefits expense for the three months ended June 30, 2021, compared to a $3,367 in the three months ended June 30, 2020. The $6,792 increase over prior year quarter is driven by additional headcount to support the operations and aircraft associated with the ATSA with Amazon, which commenced in May 2020.

Aircraft Rent. Aircraft rent expense decreased by $2,119, or 36%, to $3,815 for the three months ended June 30, 2021, as compared to $5,934 for the three months ended June 30, 2020. Aircraft rent expense decreased primarily due to the composition of our aircraft fleet shifting from aircraft under operating leases (for which expense is recorded within aircraft rent) to owned aircraft. Specifically, in late first quarter 2021 to early second quarter, we purchased six aircraft previously under operating leases. During the three months ended June 30, 2020, one aircraft was purchased that was previously under an operating lease. For the three months ended June 30, 2021 and 2020, there was an average of seven and twelve aircraft under operating leases, respectively.

Maintenance. Maintenance materials and repair expense increased by $8,874, or 366%, to $11,300 for the three months ended June 30, 2021, as compared to $2,426 for the three months ended June 30, 2020. The cost of heavy checks increased $2,583, due to six heavy checks performed in the three months ended June 30, 2021, as compared to one for the three months ended June 30, 2020. There was a $1,662 increase in costs driven by increased departures. Our cargo segment was responsible for $2,662 of the consolidated maintenance expense for the three months ended June 30, 2021, as compared to $509 for the prior year quarter since cargo segment shipments did not begin until May 2020. The cargo segment expense primarily relates to line maintenance, since heavy maintenance is reimbursed under the ATSA.

Sales and Marketing. Sales and marketing expense increased by $4,192, or 257%, to $5,822 for the three months ended June 30, 2021, as compared to $1,630 for the three months ended June 30, 2020. The passenger revenue increase between these two periods was 299%, and was primarily responsible for a $1,666 increase in credit card processing fees and $1,567 in global distribution system fees. The remaining increase primarily relates to higher advertising costs and travel agent commissions. Also, the 2020 costs were unusually low due to the COVID-19 pandemic.

Depreciation and Amortization. Depreciation and amortization expense increased by $1,285, or 11%, to $13,460 for the three months ended June 30, 2021, as compared to $12,175 for the three months ended June 30, 2020. The increase was primarily due to the impact of a change in the composition of our aircraft fleet to an increased number of owned aircraft in connection with our 2019-1 EETC and aircraft under finance leases (for which expense is recorded within depreciation and amortization). For the three months ended June 30, 2021 and 2020, there was an average of 20 and 11 owned aircraft, respectively.

Ground Handling. Ground handling expense increased by $4,937, or 306%, to $6,551 for the three months ended June 30, 2021, as compared to $1,614 for the three months ended June 30, 2020. The increase was primarily due to the 258% increase in scheduled departures during the same time periods. Additionally, a minor increase in rates in the 2021 quarter as compared to the 2020 quarter contributed $302 to the increase.

Landing Fees and Airport Rent. Landing fees and airport rent increased by $6,085, or 228%, to $8,752 for the three months ended June 30, 2021, as compared to $2,667 for the three months ended June 30, 2020. The increase was driven by the 258% increase in scheduled departures for the three months ended June 30, 2021. During the three months ended June 30, 2021, we received a $1,416 MSP terminal user fee airline relief credit, which partially offset the increase. Additionally, a minor decrease in rates in the 2021 quarter as compared to the 2020 quarter offset $570 against the increase.

Special Items, net. Special items, net was a contra-expense of $38,520 for the three months ended June 30, 2021 and $31,481 for the three months ended June 30, 2020. For the three months ended June 30, 2021, Special items, net included $39,378 of contra-expense related to funds received under PSP2 and PSP3 of the CARES Act, to be used exclusively for the continuation of payments for salaries, wages, and benefits, and $446 in refundable tax credits related to employee retention under the CARES Act. This was partially offset by a $1,299 net charge relating to the purchase of an aircraft during the quarter that was previously under an operating lease. For the three months ended June 30, 2020, Special items, net included $31,516 of contra-expense related to funds received under the CARES Act, to be used exclusively for the continuation of payments for salaries, wages, and benefits. Our cargo segment was responsible for $9,736 of the consolidated income from Special items, net for the three months ended June 30, 2021 and $3,370 for the three months ended June 30, 2020. These credits were driven by allocated amounts received under the CARES Act, based on the respective segment salaries, wages, and benefits.

Other Operating, net. Other operating, net expense increased by $7,262, or 77%, to $16,746 for the three months ended June 30, 2021, as compared to $9,484 for the three months ended June 30, 2020, mainly due to increased departures. The passenger segment increase of $4,803 was primarily driven by the higher level of operations which resulted in higher crew and other employee travel costs, catering expenses, and other operational overhead costs. Our cargo segment was responsible for $3,426 and $967 of our consolidated other operating, net expense for the three months ended June 30, 2021 and 2020, respectively, driven by overhead expenses as well as crew and employee travel costs.

Non-operating Income (Expense)

Interest Expense. Interest expense increased by $638, or 12%, to $6,080 for the three months ended June 30, 2021, as compared to $5,442 for the three months ended June 30, 2020. The increase was primarily due to debt issued for the acquisition of new aircraft and spare engines, including new debt incurred in connection with the 2019-1 EETC, and the Delayed Draw Term Loan Facility.

(Dollars in thousands, except per share amounts)

Other, net. Other, net for the three months ended June 30, 2021 was a net income of $18,054 primarily due to a credit of $18,700 for the adjustment of our Tax Receivable Agreement liability. The decrease in the TRA liability was mainly due to the receipt of the PSP3 grant of $34,547, which extended the time period in which distributions made to shareholders are restricted from March 31, 2022 to September 30, 2022, and also resulted in an increase in forecasted 2021 pre-tax income.

Results of Operations
For the Six Months Ended June 30, 2021 and 2020

	Six Months Ended June 30,		$	%
	2021	2020	Change	Change
Operating Revenues:				
Scheduled Service	$ 121,693	$ 132,110	$ (10,417)	(8)%
Charter Service	54,703	37,718	16,985	45 %
Ancillary	52,929	39,999	12,930	32 %
Passenger	229,325	209,827	19,498	9 %
Cargo	43,684	3,219	40,465	1,257 %
Other	3,793	2,660	1,133	43 %
Total Operating Revenue	276,802	215,706	61,096	28 %
Operating Expenses:				
Aircraft Fuel	53,984	56,238	(2,254)	(4)%
Salaries, Wages, and Benefits	86,392	70,575	15,817	22 %
Aircraft Rent	9,414	16,966	(7,552)	(45)%
Maintenance	20,510	8,904	11,606	130 %
Sales and Marketing	10,932	10,202	730	7 %
Depreciation and Amortization	26,075	22,702	3,373	15 %
Ground Handling	11,781	10,906	875	8 %
Landing Fees and Airport Rent	17,537	13,781	3,756	27 %
Special Items, net	(65,392)	(31,481)	(33,911)	108 %
Other Operating, net	31,397	23,917	7,480	31 %
Total Operating Expenses	202,630	202,710	(80)	(0)%
Operating Income	74,172	12,996	61,176	471 %
Non-operating Income (Expense):				
Interest Income	24	314	(290)	(92)%
Interest Expense	(13,201)	(11,058)	(2,143)	19 %
Other, net	18,049	(494)	18,543	(3,754)%
Total Non-operating Income (Expense), net	4,872	(11,238)	16,110	(143)%
Income before Income Tax	79,044	1,758	77,286	4,396 %
Income Tax Expense	14,875	547	14,328	2,619 %
Net Income	$ 64,169	$ 1,211	$ 62,958	5,199 %

(Dollars in thousands, except per share amounts)

Total operating revenues increased by $61,096, or 28%, to $276,802 for the six months ended June 30, 2021, from $215,706 for the six months ended June 30, 2020. The increase is primarily due to $40,465 increase in cargo revenue and a $16,985 increase in charter service revenue.

Scheduled Service. Scheduled service revenue decreased by $10,417, or 8%, to $121,693 for the six months ended June 30, 2021, from $132,110 for the six months ended June 30, 2020. The decrease in scheduled service revenue was driven by a decline in passenger demand due to government travel restrictions and quarantine requirements related to the COVID-19 pandemic.

The table below presents select operating data for scheduled service:

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Increase (Decrease)	% Change
Passengers	1,253,051	935,860	317,191	34 %
Average base fare per passenger	$ 97.12	$ 141.16	(44.04)	(31)%
RPMs (thousands)	1,694,033	1,303,004	391,029	30 %
ASMs (thousands)	2,356,780	1,826,245	530,535	29 %
PRASM (cents)	5.16	7.23	(2.07)	(29)%
Passenger load factor	71.9 %	71.3 %	0.6 pts	na

The 34% increase in the number of scheduled service passengers in the six months ended June 30, 2021, as compared to the six months ended June 30, 2020, was primarily due to 2020 COVID-19 pandemic related demand reductions. For the six months ended June 30, 2021, our average base fare was $97.12, compared to $141.16 for the six months ended June 30, 2020. The net change is the result of the impact of indirect revenue related transactions (such as deferred revenue breakage) spread over significantly fewer passengers during 2020.

Charter Service. Charter service revenue increased by $16,985, or 45%, to $54,703 for the six months ended June 30, 2021, from $37,718 for the six months ended June 30, 2020. There was a 42% increase in charter service block hours for the six months ended June 30, 2021 vs 2020. This block hour increase is due to the ongoing recovery from the impacts of COVID-19. Charter revenue per block hour was $7,829 for the six months ended June 30, 2021, as compared to $7,646 for the six months ended June 30, 2020, for an increase of 2%.

Ancillary. Ancillary revenue increased by $12,930, or 32%, to $52,929 for the six months ended June 30, 2021, from $39,999 for the six months ended June 30, 2020. The number of scheduled service passengers was 1.3 million in the six months ended June 30, 2021, up 34% from 936 thousand in the six months ended June 30, 2020. There was a small decline in ancillary revenue per passenger due to reductions in sales of air travel-related services such as baggage fees, seat selection and upgrade fees, and on-board sales. Specifically, ancillary revenue was $42.24 per passenger in the six months ended June 30, 2021, down from $42.74 per passenger in the six months ended June 30, 2020.

Cargo. Revenue from cargo services was $43,684 for the six months ended June 30, 2021, compared with $3,219 for the six months ended June 30, 2020. All of our 2021 and 2020 cargo service revenue is related to flights operated under the ATSA with Amazon. Cargo service began in May of 2020, so the increase is due to the year-over-year ramp up of operations . Cargo service departures were 5,317 in the six months ended June 30, 2021, as compared to 413 for the six months ended June 30, 2020.

Other. Other revenue was $3,793 for the six months ended June 30, 2021 compared to $2,660 for the six months ended June 30, 2020. This was mainly the result of an increase in revenue from Sun Country Vacations due to improved bookings and an increase in mail revenue due to increased departures.

Operating Expenses

Aircraft Fuel. Aircraft fuel expense decreased by $2,254, or 4%, to $53,984 for the six months ended June 30, 2021, as compared to $56,238 for the six months ended June 30, 2020. The decrease was largely driven by a $21,556 change in the mark-to-market gains/losses from our fuel derivative contracts, consisting of a $3,599 gain in the six months ended June 30, 2021 compared to a $17,957 loss in the six months ended June 30, 2020. Offsetting this derivative gain 2021 vs 2020 was a 28% increase in fuel gallons consumed, due to our increased level of operations as demonstrated by a 27% increase in passenger service block hours and a 17 % increase in the average price per gallon of fuel.

Salaries, *Wages, and Benefits*. Salaries, wages, and benefits expense increased by $15,817, or 22%, to $86,392 for the six months ended June 30, 2021, as compared to $70,575 for the six months ended June 30, 2020. Approximately $2,100 of the increase relates to insourcing MSP ground handling operations starting in April 2020. The increase was also the result of increased stock-compensation expense. Our IPO made it probable that a portion of our performance-based stock options would vest over a specific timeframe. Therefore, we expensed $2,496 related to these options for the three months ended March 31, 2021, plus an additional $320 for the three months ended June 30, 2021. No expense was recorded in the six months ended June 30, 2020 for performance-based stock options. Our cargo segment was responsible for $21,395 of the consolidated salaries, wages, and benefits expense for the six months ended June 30, 2021, compared to a $3,367 in the six months ended June 30, 2020. There has been increased pilot pay and per diems to support operations under the ATSA. The Cargo segment began in May 2020, driving additional headcount required to support the operations and aircraft under the ATSA.

Aircraft Rent. Aircraft rent expense decreased by $7,552, or 45%, to $9,414 for the six months ended June 30, 2021, as compared to $16,966 for the six months ended June 30, 2020. Aircraft rent expense decreased primarily due to the composition of our aircraft fleet shifting from aircraft under operating leases (for which expense is recorded within aircraft rent) to owned aircraft. Specifically, in late first quarter 2021 and early second quarter 2021, we purchased six aircraft previously under operating leases. There were also aircraft acquisitions completed in 2020 that reduced aircraft rent by $3,431 in the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. For the six months ended June 30, 2021 and 2020, there was an average of nine and thirteen aircraft under operating leases, respectively.

Maintenance. Maintenance materials and repair expense increased by $11,606, or 130%, to $20,510 for the six months ended June 30, 2021, as compared to $8,904 for the six months ended June 30, 2020. The cost of heavy checks increased $4,030 due to ten heavy checks performed in the six months ended June 30, 2021, as compared to two for the six months ended June 30, 2020. There was a $1,344 increase in costs, including wheels, brakes, consumables, and expendables, driven by increased departures. Our cargo segment was responsible for $5,268 of the consolidated maintenance expense for the six months ended June 30, 2021, as compared to $509 for the prior year six-month period since cargo segment service did not begin until May 2020. The cargo segment expense primarily relates to line maintenance, since heavy maintenance is reimbursed under the ATSA.

Sales and Marketing. Sales and marketing expense increased by $730, or 7%, to $10,932 for the six months ended June 30, 2021, as compared to $10,202 for the six months ended June 30, 2020. The passenger revenue increase between these two periods was 9%, which drove a $1,300 increase in global distribution system fees, partially offset by $700 lower interchange rates.

Depreciation and Amortization. Depreciation and amortization expense increased by $3,373, or 15%, to $26,075 for the six months ended June 30, 2021, as compared to $22,702 for the six months ended June 30, 2020. The increase was primarily due to the impact of a change in the composition of our aircraft fleet to an increased number of owned aircraft in connection with our 2019-1 EETC, Delayed Draw Term Loan Facility, and aircraft under finance leases (for which expense is recorded within depreciation and amortization). For the six months ended June 30, 2021 and 2020, there was an average of 17 and 10 owned aircraft, respectively.

Ground Handling. Ground handling expense increased by $875, or 8%, to $11,781 for the six months ended June 30, 2021, as compared to $10,906 for the six months ended June 30, 2020. There was an increase of $3,100, primarily due to the 29% increase in scheduled departures during the same time periods. However, we insourced our MSP operations in April 2020, contributing to a reduction of $2,200 in ground handling expenses for the six months ended June 30, 2021, compared to June 30, 2020, but resulting in higher salaries, wages, and benefits.

Landing Fees and Airport Rent. Landing fees and airport rent increased by $3,756, or 27%, to $17,537 for the six months ended June 30, 2021, as compared to $13,781 for the six months ended June 30, 2020. There was a $4,700 increase driven by the 29% increase in scheduled departures for the six months ended June 30, 2021, over 2020. During the six months ended June 30, 2021, we also received a $1,416 MSP terminal user fee airline relief credit, which partially offset the increase discussed above.

Special Items, net. Special items, net was a contra-expense of $65,392 for the six months ended June 30, 2021 and $31,481 for the six months ended June 30, 2020. For the six months ended June 30, 2021, Special items, net included $71,587 of contra-expense related to funds received under PSP2 and PSP3 of the CARES Act, to be used exclusively for the continuation of payments for salaries, wages, and benefits, and $780 in refundable tax credits related to employee retention under the CARES Act. This was partially offset by a $6,963 net charge relating to the purchase of six aircraft during the six months that were previously under operating leases. For the six months ended June 30, 2020, Special items, net included $31,516 of contra-expense related to funds received under PSP2 of the CARES Act, to be used exclusively for the continuation of payments for salaries, wages, and benefits. Our cargo segment was responsible for $18,401 of the consolidated income from Special items, net for the six months ended June 30, 2021, and $3,370 for the six months ended June 30, 2020. The segment allocation of these credits is based on the respective segment salaries, wages, and benefits.

Other Operating, net. Other operating, net expense increased by $7,480, or 31%, to $31,397 for the six months ended June 30, 2021, as compared to $23,917 for the six months ended June 30, 2020. A passenger segment increase of $949 was primarily driven by our higher level of operations for 2021, which resulted in increased crew and other employee travel costs, catering expenses, and other operational overhead costs. Our cargo segment was responsible for $7,498 and $967 of our consolidated Other Operating, net expense for the six months ended June 30, 2021 and 2020, respectively, driven by overhead expenses as well as crew and employee travel costs.

Non-operating Income (Expense)

Interest Expense. Interest expense increased by $2,143, or 19%, to $13,201 for the six months ended June 30, 2021, as compared to $11,058 for the six months ended June 30, 2020. The increase was primarily due to debt issued for the acquisition of new aircraft and spare engines, including new debt incurred in connection with the 2019-1 EETC, and the Delayed Draw Term Loan Facility. During the six months ended June 30, 2021, the Company expensed $1,224 of debt financing costs due to the $46,260 pay-off of the CARES Act Loan and the replacement of the $25,000 ABL Facility.

Other, net. Other, net for the six months ended June 30, 2021 was $18,049 and includes a credit of $18,700 for the adjustment of our Tax Receivable Agreement liability. The decrease in the TRA liability was mainly due to the receipt of the PSP3 grant of $34,547, which extended the time period in which distributions made to shareholders are restricted from March 31, 2022 to September 30, 2022, and also resulted in an increase in forecasted 2021 pre-tax income.

SUN COUNTRY AIRLINES HOLDINGS, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

Segment Information

For the Three Months Ended June 30, 2021 and 2020

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020 (1)		
	Passenger	Cargo	Total	Passenger	Cargo	Total
Operating Revenues	$ 127,091	$ 22,098	$ 149,189	$ 32,157	$ 3,219	$ 35,376
Operating Expenses:						
Aircraft Fuel	29,657	52	29,709	677	—	677
Salaries, Wages, and Benefits	32,157	10,159	42,316	29,117	3,367	32,484
Aircraft Rent	3,815	—	3,815	5,934	—	5,934
Maintenance	8,638	2,662	11,300	1,917	509	2,426
Sales and Marketing	5,822	—	5,822	1,630	—	1,630
Depreciation and Amortization	13,434	26	13,460	12,154	21	12,175
Ground Handling	6,551	—	6,551	1,614	—	1,614
Landing Fees and Airport Rent	8,624	128	8,752	2,624	43	2,667
Special Items, net	(28,784)	(9,736)	(38,520)	(28,111)	(3,370)	(31,481)
Other Operating, net	13,320	3,426	16,746	8,517	967	9,484
Total Operating Expenses	93,234	6,717	99,951	36,073	1,537	37,610
Operating Income (Loss)	$ 33,857	$ 15,381	$ 49,238	$ (3,916)	$ 1,682	$ (2,234)
Adjustment for Special Items	(28,784)	(9,736)	(38,520)	(28,111)	(3,370)	(31,481)
Operating Income (Loss), Excluding Special Items	**$ 5,073**	**$ 5,645**	**$ 10,718**	**$ (32,027)**	**$ (1,688)**	**$ (33,715)**
Operating Margin %, Excluding Special Items	**4 %**	**26 %**	**7 %**	**(100)%**	**(52)%**	**(95)%**

(1) Air cargo operations with Amazon commenced in May 2020.

Passenger. Passenger operating income increased by $37,773 to $33,857 for the three months ended June 30, 2021 from a loss of $3,916 for the three months ended June 30, 2020. For more information on the changes in the components of operating income for the passenger segment, refer to the consolidated results of operations discussion above.

Cargo. Cargo operating income was $15,381 for the three months ended June 30, 2021, as compared to $1,682 for the three months ended June 30, 2020. As air cargo operations commenced in May 2020, the cargo segment had limited comparable operations for the three months ended June 30, 2020. For more information on the components of operating income for the cargo segment, refer to the consolidated results of operations discussion above, where we more fully describe the cargo expenses embedded within each financial statement line item.

(Dollars in thousands, except per share amounts)

For the Six Months Ended June 30, 2021 and 2020

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020 (1)		
	Passenger	Cargo	Total	Passenger	Cargo	Total
Operating Revenues	$ 233,118	$ 43,684	$ 276,802	$ 212,487	$ 3,219	$ 215,706
Operating Expenses:						
Aircraft Fuel	53,912	72	53,984	56,238	—	56,238
Salaries, Wages, and Benefits	64,997	21,395	86,392	67,208	3,367	70,575
Aircraft Rent	9,414	—	9,414	16,966	—	16,966
Maintenance	15,242	5,268	20,510	8,395	509	8,904
Sales and Marketing	10,932	—	10,932	10,202	—	10,202
Depreciation and Amortization	26,022	53	26,075	22,681	21	22,702
Ground Handling	11,781	—	11,781	10,906	—	10,906
Landing Fees and Airport Rent	17,279	258	17,537	13,738	43	13,781
Special Items, net	(46,991)	(18,401)	(65,392)	(28,111)	(3,370)	(31,481)
Other Operating, net	23,899	7,498	31,397	22,950	967	23,917
Total Operating Expenses	186,487	16,143	202,630	201,173	1,537	202,710
Operating Income	$ 46,631	$ 27,541	$ 74,172	$ 11,314	$ 1,682	$ 12,996
Adjustment for Special Items	(46,991)	(18,401)	(65,392)	(28,111)	(3,370)	(31,481)
Operating Income (Loss), Excluding Special Items	**$ (360)**	**$ 9,140**	**$ 8,780**	**$ (16,797)**	**$ (1,688)**	**$ (18,485)**
Operating Margin %, Excluding Special Items	**0 %**	**21 %**	**3 %**	**(8)%**	**(52)%**	**(9)%**

(1) Air cargo operations with Amazon commenced in May 2020.

Passenger. Passenger operating income increased by $35,317, or 312%, to $46,631 for the six months ended June 30, 2021 from $11,314 for the six months ended June 30, 2020. For more information on the changes in the components of operating income for the passenger segment, refer to the consolidated results of operations discussion above.

Cargo. Cargo operating income was $27,541 for the six months ended June 30, 2021, as compared to $1,682 for the six months ended June 30, 2020. As air cargo operations commenced in May 2020, the cargo segment had limited comparable operations for the six months ended June 30, 2020. For more information on the components of operating income for the cargo segment, refer to the consolidated results of operations discussion above, where we more fully describe the cargo expenses embedded within each financial statement line item.

Non-GAAP Financial Measures

We sometimes use information that is derived from the consolidated financial statements, but that is not presented in accordance with GAAP. We believe these non-GAAP measures provide a meaningful comparison of our results to others in the airline industry and our prior year results. Investors should consider these non-GAAP financial measures in addition to, and not as a substitute for, our financial performance measures prepared in accordance with GAAP. Further, our non-GAAP information may be different from the non-GAAP information provided by other companies. We believe certain charges included in our operating expenses on a GAAP basis make it difficult to compare our current period results to prior periods as well as future periods and guidance. The tables below show a reconciliation of non-GAAP financial measures used in this report to the most directly comparable GAAP financial measures.

Adjusted Operating Income, Adjusted Operating Income Margin and Adjusted Net Income

Adjusted Operating Income, Adjusted Operating Income Margin and Adjusted Net Income are non-GAAP measures included as supplemental disclosure because we believe they are useful indicators of our operating performance. Derivations of operating income and net income are well recognized performance measurements in the airline industry that are frequently used by our management, as well as by investors, securities analysts and other interested parties in comparing the operating performance of companies in our industry.

Adjusted Operating Income, Adjusted Operating Income Margin and Adjusted Net Income have limitations as analytical tools. Some of the limitations applicable to these measures include: Adjusted Operating Income, Adjusted Operating Income Margin and Adjusted Net Income do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and other companies in our industry may calculate Adjusted Operating Income, Adjusted Operating Income Margin and Adjusted Net Income differently than we do, limiting each measure's usefulness as a comparative measure. Because of these limitations, Adjusted Operating Income, Adjusted Operating Income Margin and Adjusted Net Income should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP.

As a derivation of Adjusted Operating Income Margin, Adjusted Net Income is not determined in accordance with GAAP, such measure is susceptible to varying calculations and not all companies calculate the measure in the same manner. As a result, derivations of net income, including Adjusted Operating Income Margin and Adjusted Net Income, as presented may not be directly comparable to similarly titled measures presented by other companies. For the foregoing reasons, Adjusted Operating Income Margin and Adjusted Net Income have significant limitations which affect its use as an indicator of our profitability and valuation. Accordingly, you are cautioned not to place undue reliance on this information.

SUN COUNTRY AIRLINES HOLDINGS, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

The following table presents the reconciliation of Operating Income (Loss) to Adjusted Operating Income (Loss), Adjusted Operating Income Margin (Loss) for the periods presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Adjusted Operating Income Margin (Loss) reconciliation:				
Operating Revenue	$ 149,189	$ 35,376	$ 276,802	$ 215,706
Operating Income (Loss)	49,238	(2,234)	74,172	12,996
Special Items, net [(a)]	(38,520)	(31,481)	(65,392)	(31,481)
Stock compensation expense	744	388	3,613	757
Voluntary leave expense [(b)]	—	2,541	—	2,541
TRA establishment expense [(c)]	51	—	315	—
Adjusted Operating Income (Loss)	**$ 11,513**	**$ (30,786)**	**$ 12,708**	**$ (15,187)**
Operating Income Margin (Loss)	33.0 %	(6.3)%	26.8 %	6.0 %
Adjusted Operating Income Margin (Loss)	**7.7 %**	**(87.0)%**	**4.6 %**	**(7.0)%**

(a) The adjustments include Special Items, net, as presented in Note 11 of the Company's Condensed Consolidated Financial Statements.

(b) This represents expenses related to a voluntary employee leave program in response to the COVID-19 pandemic, a portion of which is offset by the CARES Act Payroll Support Program as the benefit of this program is also adjusted as a component of Special Items, net.

(c) This represents the one-time costs to establish the Tax Receivable Agreement ("TRA") with our pre-IPO stockholders. See Note 10 of the Company's Condensed Consolidated Financial Statements.

(Dollars in thousands, except per share amounts)

The following table presents the reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) for the periods presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Adjusted Net Income (Loss) reconciliation:				
Net Income (Loss)	$ 51,753	$ (6,040)	$ 64,169	$ 1,211
Special Items, net [a]	(38,520)	(31,481)	(65,392)	(31,481)
Stock compensation expense	744	388	3,613	757
Voluntary leave expense [b]	—	2,541	—	2,541
Loss on asset transactions, net	—	309	—	381
Early pay-off of US Treasury loan	—	—	842	—
Loss on refinancing credit facility	—	—	382	—
Secondary Offering Costs	640	—	640	—
TRA establishment expense [c]	51	—	315	—
TRA adjustment [d]	(18,700)	—	(18,700)	—
Income tax effect of adjusting items, net [e]	8,530	6,496	13,708	6,395
Adjusted Net Income (Loss)	**$ 4,498**	**$ (27,787)**	**$ (423)**	**$ (20,196)**

(a) The adjustments include Special Items, net, as presented in Note 11 of the Company's Condensed Consolidated Financial Statements.

(b) This represents expenses related to a voluntary employee leave program in response to the COVID-19 pandemic, a portion of which is offset by the CARES Act Payroll Support Program as the benefit of this program is also adjusted as a component of Special Items, net.

(c) This represents the one-time costs to establish the Tax Receivable Agreement ("TRA") with our pre-IPO stockholders. See Note 10 of the Company's Condensed Consolidated Financial Statements.

(d) This represents the adjustment to the TRA for the period, which is recorded in Non-operating Income (Expense).

(e) The tax effect of adjusting items, net is calculated at the Company's statutory rate for the applicable period.

Adjusted EBITDAR

Adjusted Earnings Before Interest, Taxes, Depreciation, Amortization and Rent ("Adjusted EBITDAR") is a non-GAAP measure included as supplemental disclosure because we believe it is a valuation measure commonly used by investors, securities analysts and other interested parties in the industry to compare airline companies and derive valuation estimates without consideration of airline capital structure or aircraft ownership methodology. We believe that while items excluded from Adjusted EBITDAR may be recurring in nature and should not be disregarded in evaluation of our earnings performance, Adjusted EBITDAR is useful because its calculation isolates the effects of financing in general, the accounting effects of capital spending and acquisitions (primarily aircraft, which may be acquired directly, directly subject to acquisition debt, by finance lease or by operating lease, each of which is presented differently for accounting purposes), and income taxes, which may vary significantly between periods and for different companies for reasons unrelated to overall operating performance. Adjusted EBITDAR should not be viewed as a measure of overall performance or considered in isolation or as an alternative to net income because it excludes aircraft rent, which is a normal, recurring cash operating expense that is necessary to operate our business. We have historically incurred substantial rent expense due to our legacy fleet of operating leased aircraft, which are currently being transitioned to owned aircraft.

(Dollars in thousands, except per share amounts)

Adjusted EBITDAR has limitations as an analytical tool. Some of the limitations applicable to this measure include: Adjusted EBITDAR does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; Adjusted EBITDAR does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; Adjusted EBITDAR does not reflect changes in, or cash requirements for, our working capital needs; it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDAR does not reflect any cash requirements for such replacements; and other companies in our industry may calculate Adjusted EBITDAR differently than we do, limiting each measure's usefulness as a comparative measure. Because of these limitations, Adjusted EBITDAR should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP.

The following table presents the reconciliation of Net Income (Loss) to Adjusted EBITDAR for the periods presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Adjusted EBITDAR Reconciliation:				
Net Income (Loss)	$ 51,753	$ (6,040)	$ 64,169	$ 1,211
Special Items, net [(a)]	(38,520)	(31,481)	(65,392)	(31,481)
Stock Compensation expense	744	388	3,613	757
Voluntary leave expense [(b)]	—	2,541	—	2,541
Loss on asset transactions, net	—	309	—	381
Secondary Offering Costs	640	—	640	—
TRA establishment expense [(c)]	51	—	315	—
TRA adjustment [(d)]	(18,700)	—	(18,700)	—
Interest Income	(9)	(63)	(24)	(314)
Interest expense	6,080	5,442	13,201	11,058
Provision for income taxes	9,468	(1,898)	14,875	547
Depreciation and Amortization	13,460	12,175	26,075	22,702
Aircraft rent	3,815	5,934	9,414	16,966
Adjusted EBITDAR	**$ 28,782**	**$ (12,693)**	**$ 48,186**	**$ 24,368**

(a) The adjustments include Special Items, net, as presented in Note 11 of the Company's Condensed Consolidated Financial Statements.

(b) This represents expenses related to a voluntary employee leave program in response to the COVID-19 pandemic, a portion of which is offset by the CARES Act Payroll Support Program as the benefit of this program is also adjusted as a component of Special Items, net.

(c) This represents the one-time costs to establish the Tax Receivable Agreement with our pre-IPO stockholders. See Note 10 of the Company's Condensed Consolidated Financial Statements.

(d) This represents the adjustment to the TRA for the period, which is recorded in Non-operating Income (Expense).

CASM and Adjusted CASM

Cost per Available Seat Mile ("CASM") is a key airline cost metric defined as operating expenses divided by total available seat miles. Adjusted CASM is a non-GAAP measure derived from CASM by excluding fuel costs, costs related to our cargo operations (starting in 2020 when we launched our cargo operations), certain commissions and other costs of selling our vacations product from this measure as these costs are unrelated to our airline operations and improve comparability to our peers. Adjusted CASM is an important measure used by management and by our board of directors in assessing quarterly and annual cost performance. Adjusted CASM is commonly used by industry analysts and we believe it is an important metric by which they compare our airline to others in the industry, although other airlines may exclude certain other costs in their calculation of Adjusted CASM. The measure is also the subject of frequent questions from investors.

Adjusted CASM excludes fuel costs. By excluding volatile fuel expenses that are outside of our control from our unit metrics, we believe that we have better visibility into the results of operations and our non-fuel cost initiatives. Our industry is highly competitive and is characterized by high fixed costs, so even a small reduction in non-fuel operating costs can lead to a significant improvement in operating results. In addition, we believe that all domestic carriers are similarly impacted by changes in jet fuel costs over the long run, so it is important for management and investors to understand the impact and trends in company-specific cost drivers, such as labor rates, aircraft costs and maintenance costs, and productivity, which are more controllable by management.

Starting in 2020 when we launched our cargo operations, we have excluded costs related to the cargo operations as these operations do not create ASMs. The cargo expenses in the reconciliation below are different from the total operating expenses for our cargo segment in the "Segment Information" table presented above, due to several items that are included in the cargo segment but have been captured in other line items used in the Adjusted CASM calculation. We also exclude certain commissions and other costs of selling our vacations product from Adjusted CASM as these costs are unrelated to our airline operations and improve comparability to our peers. Adjusted CASM further excludes special items and other adjustments, as defined in the relevant reporting period, that are not representative of the ongoing costs necessary to our airline operations and may improve comparability between periods. We also exclude stock compensation expense when computing Adjusted CASM. The Company's compensation strategy includes the use of stock-based compensation to attract and retain employees and executives and is principally aimed at aligning their interests with those of our stockholders and at long-term employee retention, rather than to motivate or reward operational performance for any particular period. Thus, stock-based compensation expense varies for reasons that are generally unrelated to operational decisions and performance in any particular period.

(Dollars in thousands, except per share amounts)

As derivations of Adjusted CASM are not determined in accordance with GAAP, such measures are susceptible to varying calculations and not all companies calculate the measures in the same manner. As a result, derivations of Adjusted CASM as presented may not be directly comparable to similarly titled measures presented by other companies. Adjusted CASM should not be considered in isolation or as a replacement for CASM. For the foregoing reasons, Adjusted CASM has significant limitations which affect its use as an indicator of our profitability. Accordingly, you are cautioned not to place undue reliance on this information.

The following table presents the reconciliation of CASM to Adjusted CASM.

	Three Months Ended June 30,			
	2021		2020	
	Operating Expenses	Per ASM (in cents)	Operating Expenses	Per ASM (in cents)
CASM	$ 99,951	6.93	$ 37,610	9.01
Less:				
Aircraft fuel	29,709	2.06	677	0.17
Stock Compensation expense	744	0.05	388	0.09
Special items, net [(a)]	(38,520)	(2.67)	(31,481)	(7.54)
Voluntary leave expense [(b)]	—	—	2,541	0.61
Tax Receivable Agreement Expense[(c)]	51	—	—	—
Cargo expenses, not already adjusted above	16,183	1.12	4,523	1.08
Sun Country Vacations	173	0.01	144	0.03
Adjusted CASM	**$ 91,611**	**6.35**	**$ 60,818**	**14.57**
Available Seat Miles (ASMs)	1,442,744		417,538	

	Six Months Ended June 30,			
	2021		2020	
	Operating Expenses	Per ASM (in cents)	Operating Expenses	Per ASM (in cents)
CASM	$ 202,630	7.19	$ 202,710	9.32
Less:				
Aircraft fuel	53,984	1.91	56,238	2.59
Stock Compensation expense	3,613	0.13	757	0.03
Special items, net [(a)]	(65,392)	(2.32)	(31,481)	(1.45)
Voluntary leave expense [(b)]	—	—	2,541	0.12
Tax Receivable Agreement Expense[(c)]	315	0.01	—	—
Cargo expenses, not already adjusted above	33,379	1.18	4,523	0.21
Sun Country Vacations	387	0.01	332	0.02
Adjusted CASM	**$ 176,344**	**6.25**	**$ 169,800**	**7.81**
Available Seat Miles (ASMs)	2,819,540		2,174,605	

(a) The adjustments include Special Items, net, as presented in Note 11 of the Company's Condensed Consolidated Financial Statements.

(b) This represents expenses related to a voluntary employee leave program in response to the COVID-19 pandemic, a portion of which is offset by the CARES Act Payroll Support Program as the benefit of this program is also adjusted as a component of Special Items, net.

(c) This represents the one-time costs to establish the Tax Receivable Agreement with our pre-IPO stockholders. See Note 10 of the Company’s Condensed Consolidated Financial Statements.

Liquidity and Capital Resources

The airline business is capital intensive and our ability to successfully execute our business strategy is largely dependent on the continued availability of capital on attractive terms and our ability to maintain sufficient liquidity. We have historically funded our operations and capital expenditures primarily through cash from operations, proceeds from stockholders’ capital contributions, the issuance of promissory notes, our 2019-1 EETC financing, and the Delayed Draw Term Loan Facility. In March 2021, the Company offered 9,090,909 shares of common stock to the public at $24.00 per share. The underwriters had an option to purchase an additional 1,363,636 shares from the Company at the public offering price, which they exercised. In total, all 10,454,545 shares were issued and the net proceeds to the company were $225,006 after deducting underwriting discounts and commissions, and other offering expenses.

Our primary sources of liquidity as of June 30, 2021 included our existing cash and equivalents of $310,723 and short-term investments of $6,076, our expected cash generated from operations and our $25,000 Revolving Credit Facility, which had availability of $25,000 as of June 30, 2021. In addition, we had restricted cash of $4,762 as of June 30, 2021, which consists of cash received as prepayment for chartered flights that is maintained in separate escrow accounts in accordance with DOT regulations requiring that charter revenue receipts received prior to the date of transportation are maintained in a separate third-party escrow account. The restrictions are released once transportation is provided.

We received a total of $62,312 in assistance from Treasury in 2020 as part of the Payroll Support Program under the CARES Act in response to the extensive impact of the COVID-19 pandemic on the U.S. airline industry. In accordance with any grants and/or loans received under the CARES Act, we are required to comply with the relevant provisions of the CARES Act and the related implementing agreements which, among other things, include the following: the requirement to use the Payroll Support Payments exclusively for the continuation of payment of crewmember and employee wages, salaries and benefits; the requirement that certain levels of commercial air service be maintained until March 1, 2021, or if ordered by the DOT, March 1, 2022; the prohibitions on share repurchases of listed securities and the payment of common stock (or equivalent) dividends until September 30, 2022 under PSP3; and restrictions on the payment of certain executive compensation until April 1, 2023 under PSP3. A portion of the proceeds from our initial public offering was used to repay in full all amounts outstanding under the CARES Act Loan.

During the first quarter of 2021, we received a grant of $32,208 under PSP2. On April 22, 2021, we received a PSP2 top-off grant of $4,831. All funds provided by Treasury to PSP2 participants may only be used for the continuation of payment of employee wages, salaries, and benefits. Further, during the second quarter of 2021, we received a grant of $34,547 under PSP3.

On February 10, 2021, Sun Country, Inc., our wholly-owned subsidiary (the “Borrower”), entered into the Credit Agreement, which provides for a $25,000 Revolving Credit Facility and a $90,000 Delayed Draw Term Loan

Facility, which we refer to collectively as the "Credit Facilities," and repaid in full all borrowings outstanding under the ABL Facility. The Revolving Credit Facility matures on the earlier of (i) February 10, 2026 and (ii) to the extent the sum of (x) the amount unused commitments under the Delayed Draw Term Loan Facility and (y) the amount of loans under the Delayed Draw Term Loan Facility exceeds $25,000 on such date, the date that is 180 days prior to February 10, 2026. The Delayed Draw Term Loan Facility matures on February 10, 2026. The Delayed Draw Term Loan Facility is available only to finance the acquisition of aircraft and engines and is not available for working capital or other general corporate purposes. Only the $25,000 Revolving Credit Facility portion of the Credit Facilities is available for general corporate purposes and as a general source of liquidity. During the six months ended June 30, 2021, we drew $80,500 on the Delayed Draw Term Loan Facility and $79,494 remained outstanding at June 30, 2021.

Our primary uses of liquidity are for operating expenses, capital expenditures, lease rentals and maintenance reserve deposits, debt repayments and working capital requirements. Our single largest capital expenditure requirement relates to the acquisition of aircraft, which we have historically acquired through operating and finance leases and debt.

We plan to grow the passenger fleet to an estimated 50 aircraft by the end of 2023. We may finance additional aircraft through debt financing or finance leases based on market conditions, our prevailing level of liquidity and capital market availability. We may also enter into new operating leases on an opportunistic basis.

In addition to funding the acquisition of aircraft, we are required by our aircraft lessors to fund reserves in cash in advance for scheduled maintenance to act as collateral for the benefit of lessors. Qualifying payments that are expected to be recovered from lessors are recorded as Lessor Maintenance Deposits on our Condensed Consolidated Balance Sheet. A portion of our deposits is therefore unavailable until after we have completed the scheduled maintenance in accordance with the terms of the aircraft leases.

We believe that our unrestricted cash and equivalents, short-term investments and availability under our Revolving Credit Facility, combined with expected future cash flows from operations, will be sufficient to fund our operations and meet our debt payment obligations for at least the next 12 months. However, we cannot predict what the effect on our business and financial position might be from a change in the competitive environment in which we operate or from events beyond our control, such as volatile fuel prices, economic conditions, pandemics, weather-related disruptions, the impact of airline bankruptcies, restructurings or consolidations, U.S. military actions or acts of terrorism.

SUN COUNTRY AIRLINES HOLDINGS, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

The table below presents the major indicators of financial condition and liquidity:

	June 30, 2021	December 31, 2020
Cash and Equivalents	$ 310,723	$ 62,028
Investments	6,076	5,624
Long-term Debt	287,479	282,463
Finance Lease Obligations	144,692	107,170
Operating Lease Obligations	86,647	147,199
Total Debt and Lease obligations	$ 518,818	$ 536,832
Stockholders' Equity	464,233	283,817
Total Invested Capital	$ 983,051	$ 820,649
Debt-to-Capital	0.53	0.65

Sources and Uses of Liquidity

Cash Flow Activity

	Six Months Ended June 30,	
	2021	2020
Total Operating Activities	$ 89,841	$ (12,895)
Investing Activities:		
Purchases of Property & Equipment	(66,736)	(93,677)
Other	(452)	37
Total Investing Activities	(67,188)	(93,640)
Financing Activities:		
Cash from Stock Offering, net	227,225	—
Proceeds from Borrowings	80,500	220,307
Repayment of Finance Leases	(7,864)	(85,976)
Repayment of Borrowings	(74,709)	(54,879)
Debt Issuance Costs	(2,709)	(2,764)
Other	26	21
Total Financing Activities	222,469	76,709
Net Increase (Decrease) in Cash	**$ 245,122**	**$ (29,826)**

"Cash" consists of Cash, Cash Equivalents and Restricted Cash

Operating Cash Flow Activities

Operating activities in the six months ended June 30, 2021 provided $89,841, as compared to using $12,895 in the six months ended June 30, 2020. During those two six-month periods, Net Income was $64,169 and $1,211, respectively.

Our operating cash flow is primarily impacted by the following factors:

Seasonality of Advance Ticket Sales. We sell tickets for air travel in advance of the customer's travel date. When we receive a cash payment at the time of sale, we record the cash received on advance sales as deferred revenue in Air Traffic Liabilities. Air Traffic Liabilities typically increase during the winter and spring months as advanced ticket sales grow prior to the summer peak travel season and decrease during the summer and fall months.

Fuel. Fuel expense represented approximately 27% and 28% of our total operating expense for the six months ended June 30, 2021 and 2020, respectively. The market price for jet fuel is volatile, which can impact the comparability of our periodic cash flows from operations. We expect fuel consumption to increase through the end of 2021 compared to prior year periods, consistent with increased passengers as the impact of the pandemic subsides.

CARES Act. During the six months ended June 30, 2021 we received $71,587 in CARES Act grants. During the six months ended June 30, 2020 we received $31,516 in CARES Act grants.

Investing Cash Flow Activities

Capital Expenditures. Our capital expenditures were $66,736 and $93,677 for the six months ended June 30, 2021 and 2020, respectively. Our capital expenditures during the six months ended June 30, 2021 were primarily related to the purchases of aircraft that were financed through draws on the Delayed Draw Term Loan Facility. We invested $63,118 to purchase six aircraft in the first six months of 2021, as compared to investing $88,473 on four aircraft and one engine in the first six months of 2020.

Financing Cash Flow Activities

IPO. On March 16, 2021, the Company offered 9,090,909 shares of common stock to the public at $24.00 per share. The underwriters had an option to purchase an additional 1,363,636 shares from the Company at the public offering price, which they exercised. In total, all 10,454,545 shares were issued and the net proceeds to the company were $225,006 after deducting underwriting discounts and commissions, and other offering expenses.

Debt. In the six months ended June 30, 2021, we incurred $80,500 in new debt under the $90,000 Delayed Draw Term Loan Facility, primarily to purchase six aircraft which were previously under operating leases. In the first six months of 2020 we incurred $220,307 in debt under the 2019-1 EETC, primarily to purchase two aircraft new to the Company, purchase two aircraft which were previously under operating leases, purchase five aircraft which were previously under finance leases, as well as to refinance three other owned aircraft. In the first quarter of 2021, we repaid our $45,000 loan with the Treasury, plus accrued interest. During the first six months of 2021, we also repaid $29,709 of other debt. In the first six months of 2020, we paid $85,976 toward finance lease obligations, primarily related to the buy-out of five aircraft. In the first six months of 2020 we repaid $54,879 of outstanding debt, primarily related to the refinancing of three aircraft.

For additional information regarding these financing arrangements, see Note 7 of the Notes to the Condensed Consolidated Financial Statements.

Undrawn Lines of Credit

On February 10, 2021, we executed a new five-year credit agreement that provides for a $25,000 Revolving Credit Facility and a $90,000 Delayed Draw Term Loan Facility, which are collectively referred to as the "Credit Facilities." During the six months ended June 30, 2021, we drew $80,500 on the Delayed Draw Term Loan Facility to purchase six aircraft. These activities resulted in approximately $34,500 undrawn on the Credit Facilities as of June 30, 2021. The Delayed Draw Term Loan Facility is available only to finance the acquisition of aircraft and engines and is not available for working capital or other general corporate purposes. Only the $25,000 Revolving Credit Facility portion of the Credit Facilities is available for general corporate purposes and as a general source of liquidity.

Covenants

For a description of certain covenants of our debt agreements, see Note 7 of the Notes to the Condensed Consolidated Financial Statements. We were in compliance with all covenants in these debt agreements as of June 30, 2021.

Off Balance Sheet Arrangements

Indemnities. Our aircraft, equipment and other leases and certain operating agreements typically contain provisions requiring us, as the lessee, to indemnify the other parties to those agreements, including certain of those parties' related persons, against virtually any liabilities that might arise from the use or operation of the aircraft or such other equipment. We believe that our insurance would cover most of our exposure to liabilities and related indemnities associated with the leases described above.

Pass-Through Trusts. We have equipment notes outstanding issued under the 2019-1 EETC. Generally, the structure of the EETC financings consists of pass-through trusts created by us to issue pass-through certificates, which represent fractional undivided interests in the respective pass-through trusts and are not obligations of Sun Country. The proceeds of the issuance of the pass-through certificates are used to purchase equipment notes which are issued by us and secured by our aircraft. The payment obligations under the equipment notes are those of Sun Country. Through June 2020, we purchased or refinanced 13 aircraft utilizing these certificates and the obligations are listed in Note 7 – Debt.

Fuel Consortia. We currently participate in fuel consortia at Minneapolis-Saint Paul International Airport, Las Vegas International Airport, Dallas-Fort Worth International Airport, San Diego International Airport and Southwest Florida International Airport and we expect to expand our participation with other airlines in fuel consortia and fuel committees at our airports where economically beneficial. These agreements generally include cost-sharing provisions and environmental indemnities that are generally joint and several among the participating airlines. Consortia that are governed by interline agreements are either (i) not variable interest entities ("VIEs") because they are not legal entities or (ii) are variable interest entities but the Company is not deemed the primary beneficiary. Therefore, these agreements are not reflected on our consolidated balance sheets. There are no assets or liabilities on our balance sheets related to these VIEs, since our participation is limited to purchasing aircraft fuel.

We have no other off-balance sheet arrangements.

Commitments and Contractual Obligations

We have contractual obligations comprised of aircraft leases and supplemental maintenance reserves, payment of debt and interest and other lease arrangements. As of June 30, 2021 we also have a contractual obligation to pay our pre-IPO stockholders under the terms of the Tax Receivable Agreement (see below).

For additional information, refer to Note 12 Commitments and Contingencies to our unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q. Except as described herein, there have been no material change in our contractual obligations and commitments other than in the ordinary course of business since our fiscal year ended December 31, 2020. Also, see our Final Prospectus for additional information regarding our contractual obligations.

In connection with the Company's IPO, we entered into an income Tax Receivable Agreement with our pre-IPO stockholders. The agreement provides for the payment by the Company to the pre-IPO stockholders of 85% of the amount of cash savings, if any, in U.S. federal, state, local, and foreign income tax that the Company realizes. For additional information regarding this agreement, see Note 10 of the Notes to the Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks in the ordinary course of our business. These risks include commodity price risk, specifically with respect to aircraft fuel, as well as interest rate risk. The adverse effects of changes in these markets could pose a potential loss as discussed below. The sensitivity analysis provided 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. Unexpected pricing changes of aircraft fuel could have a material adverse effect on our business, results of operations and financial condition. To hedge the economic risk associated with volatile aircraft fuel prices, we periodically enter into fuel collars, which allows us to reduce the overall cost of hedging, but may prevent us from participating in the benefit of downward price movements. In the past, we have also entered into fuel option and swap contracts. We have hedges in place for approximately 23% of our projected fuel requirements for scheduled service operations in the second half of 2021, with all of our existing options expected to be exercised or expire by the end of 2021. We do not hold or issue option or swap contracts for trading purposes. We expect to continue to enter into these types of contracts prospectively, although significant changes in market conditions could affect our decisions. Based on our forecasted scheduled service and charter fuel consumption for the second half of 2021, we estimate that a one cent per gallon increase in the average aircraft fuel price would increase aircraft fuel expense by approximately $328 excluding any impact associated with fuel derivative instruments held and reimbursed cargo fuel.

Interest Rates. We have exposure to market risk associated with changes in interest rates related to the interest expense from our variable-rate debt. A change in market interest rates would impact interest expense under the Credit Facilities, totaling $115,000 principal capacity. Assuming the Credit Facilities are fully drawn, a 100 basis point increase in interest rates would result in a corresponding increase in interest expense of approximately $1,150 annually.

ITEM 4. CONTROLS AND PROCEDURES

As of June 30, 2021, under the supervision and with the participation of our management, including our chief executive officer ("CEO") and chief financial officer ("CFO"), we evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the "Exchange Act") as of the end of the period covered by this report. Based on that evaluation, management, including our CEO and CFO, has concluded that our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information we are required to disclose is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate to allow timely decisions regarding required disclosure.

During the six months ended June 30, 2021, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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 currently believe that the ultimate outcome of such 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 1A. RISK FACTORS

We have disclosed under the heading “Risk Factors” in our Registration Statement on Form S-1 (File No. 333-252858), as amended, and the Final Prospectus included therein, the risk factors which materially affect our business, financial condition or results of operations. There have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in the Registration Statement and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

During the three months ended June 30, 2021, we did not conduct any sales of equity securities that were not registered under the Securities Act of 1933, as amended.

Use of Proceeds

The Registration Statement on Form S-1 (File No. 333-252858) for our initial public offering (“IPO”) of our common stock, par value $0.01 per share was declared effective by the SEC on March 16, 2021, pursuant to which we issued and sold 10,454,545 shares of our common stock at $24.00 per share, which included 1,363,636 shares issued upon the exercise of the underwriters’ over-allotment option to purchase additional shares. We received net proceeds of $225,006 after deducting underwriting discounts and commissions, and other offering expenses. The managing underwriters for our IPO were Barclays Capital Inc. and Morgan Stanley & Co. LLC. Shares of our common stock began trading on the NASDAQ on March 17, 2021. We used approximately $46,260 of the proceeds from the IPO to repay all amounts outstanding under the CARES Act Loan. A portion of the proceeds were used to pay fees and expenses in connection with the IPO and the remainder will be used for general corporate purposes, including the acquisition of additional aircraft. At June 30, 2021, $38 of expenses incurred in connection with our IPO had not yet been paid.

Our management team will retain broad discretion to allocate the net proceeds of the IPO for general corporate purposes. Pending use as described above, we may invest the net proceeds from the IPO in short-term, investment-grade, interest-bearing securities, such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

Issuer Purchases of Equity Securities

The Company does not have a share repurchase program and no shares were repurchased during the three months ended June 30, 2021. Under the CARES Act, we are restricted from conducting certain share repurchases through the later of March 31, 2022 and one year following repayment.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits

10.1	Payroll Support Program Agreement, dated as of April 27, 2021, by and between Sun Country, Inc. and the Department of the Treasury.
31.1	Certification by Sun Country's Chief Executive Officer with respect to Sun Country's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021
31.2	Certification by Sun Country's President and Chief Financial Officer with respect to Sun Country's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021
32	Certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code by Sun Country Airlines Holdings, Inc.'s Chief Executive Officer and President and Chief Financial Officer with respect to Sun Country's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021
101.INS	Inline 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	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data Files (formatted as inline XBRL and contained in Exhibit 101)

SUN COUNTRY AIRLINES HOLDINGS, INC

SIGNATURE

Pursuant to the requirements 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.

Sun Country Airlines Holdings, Inc.
(Registrant)

/s/ Dave Davis
Dave Davis
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

July 28, 2021

PAYROLL SUPPORT PROGRAM 3 AGREEMENT

Recipient: Sun Country, Inc. dba Sun Country Airlines 2005 Cargo Road Minneapolis, MN 55450	**PSP Participant Number:** PSP3A-2104160360 **Employer Identification Number:** 35-2159124 **DUNS Number:** 114370096
Additional Recipients: N/A	
Amount of Initial Payroll Support Payment: $17273516.23	

The Department of the Treasury (Treasury) hereby provides Payroll Support (as defined herein) under section 7301 of the American Rescue Plan Act of 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 3 Agreement.

Department of the Treasury
Name: David A. Lebryk
Title: Fiscal Assistant Secretary
Date: 04/27/2021

DocuSigned by:
David M Davis
7A1D320C78144C5...
Sun Country, Inc. dba Sun Country Airlines

First Authorized Representative
Name: David M Davis
Title: President & CFO
Date: 4/23/2021

DocuSigned by:
Eric M. Levenhagen
B30543D9B198411...
Sun Country, Inc. dba Sun Country Airlines

Second Authorized Representative
Name: Eric M. Levenhagen
Title: General Counsel & Chief Admin Officer
Date: 4/23/2021

PAYROLL SUPPORT PROGRAM 3 AGREEMENT

INTRODUCTION

Section 7301 of the American Rescue Plan Act of 2021 (ARP) 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 ARP requires certain assurances from the Recipient (as defined herein).

This Payroll Support Program 3 Agreement, including all supporting documents submitted by the Recipient and the Payroll Support Program 3 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 section 7301 of the ARP.

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.

ARP means the American Rescue Plan Act of 2021.

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 7301(b)(2) of the ARP.

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.

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).

PSP2 means the Payroll Support Program Extension established under Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021.

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.

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 to receive 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 her sole discretion. The Secretary may, in her sole discretion, increase or reduce the Maximum Awardable Amount consistent with section 7301 of the ARP.

3. The Secretary may determine in her sole discretion that any Payroll Support shall be conditioned on, and subject to, compliance by the Recipient with all applicable requirements under (a) PSP2 and (b) 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.

    a. *Furloughs and Layoffs*. The Recipient shall not conduct an Involuntary Termination or Furlough of any Employee between the date of this Agreement and September 30, 2021 or the date on which the Recipient has expended all of the Payroll Support, whichever is later.

    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 September 30, 2021 or the date on which the Recipient has expended all of the Payroll Support, whichever is later, 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 September 30, 2021 or the date on which the Recipient has expended all of the Payroll Support, whichever is later, 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.

Dividends and Buybacks

5. Through September 30, 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 September 30, 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 April 1, 2021, and ending April 1, 2023, 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 March 11, 2021):

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 April 1, 2021, and ending April 1, 2023, 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.

Service and Eligibility

10.1. 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.

10.2. The Recipient represents, warrants, and certifies that as of March 31, 2021, the Recipient:

a. provided air transportation as an air carrier, as defined under 49 U.S.C. § 40102; or

b. (i) performed, under contract with a passenger air carrier conducting operations under 14 CFR part 121, (A) catering functions; or (B) functions on the property of an airport that were directly related to the air transportation of persons, property, or mail, including the loading and unloading of property on aircraft, assistance to passengers under 14 CFR part 382, security, airport ticketing and check-in functions, groundhandling of aircraft, or aircraft cleaning and sanitization functions and waste removal; or (ii) was a subcontractor that performed such functions.

10.3. The Recipient represents, warrants, and certifies that between March 31, 2021, and the effective date of this Agreement, it has not:

a. conducted an Involuntary Termination or Furlough;

b. reduced, without the Employee's consent, (i) the pay rate of any Employee earning a Salary, or (ii) the pay rate of any Employee earning Wages; or

c. except in the case of a Permitted Termination or Furlough, reduced, without the Employee's consent, the Benefits of any Employee (provided, however, that for purposes of this subparagraph, 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).

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 January 1, 2023, 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 supporting documents submitted by the Recipient related to the 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) section 7301 of the ARP, 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 January 1, 2023. 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. [Reserved]

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 3 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 3 Certification of Corporate Officer of Recipient

PAYROLL SUPPORT PROGRAM 3

CERTIFICATION OF CORPORATE OFFICER OF RECIPIENT

In connection with the Payroll Support Program 3 Agreement (Agreement) between
Sun Country, Inc. dba Sun Country Airlines
and the Department of the Treasury (Treasury) relating to Payroll Support being provided by Treasury to the Recipient under section 7301 of the American Rescue Plan Act of 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, certifications, attachments, and other information provided by the Recipient to Treasury related to the Payroll Support 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 to the Recipient, 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 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.

DocuSigned by: David M Davis 7A1D320C78144C5...	DocuSigned by: Eric M. Levenhagen B30543D9B198411...
First Authorized Representative	Second Authorized Representative
Name: David M Davis	Name: Eric M. Levenhagen
Title: President & CFO	Title: General Counsel & Chief Admin Officer
Date: 4/23/2021	Date: 4/23/2021

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jude Bricker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Country Airlines Holdings, Inc. ("Sun Country") for the six month period ended June 30, 2021;

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 Sun Country as of, and for, the periods presented in this report;

4. Sun Country'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)) for Sun Country 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 Sun Country, 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) [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)]

    (c) Evaluated the effectiveness of Sun Country’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 Sun Country's internal control over financial reporting that occurred during Sun Country's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Sun Country's internal control over financial reporting; and

5. Sun Country's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Sun Country's auditors and the Audit Committee of Sun Country'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 Sun Country'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 Sun Country's internal control over financial reporting.

July 28, 2021

/s/ Jude Bricker
Jude Bricker
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dave Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Country Airlines Holdings, Inc. ("Sun Country") for the six month period ended June 30, 2021;

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 Sun Country as of, and for, the periods presented in this report;

4. Sun Country'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)) for Sun Country 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 Sun Country, 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) [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)]

   (c) Evaluated the effectiveness of Sun Country’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 Sun Country's internal control over financial reporting that occurred during Sun Country's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Sun Country's internal control over financial reporting; and

5. Sun Country's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Sun Country's auditors and the Audit Committee of Sun Country'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 Sun Country'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 Sun Country's internal control over financial reporting.

July 28, 2021

/s/ Dave Davis
Dave Davis
President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

July 28, 2021

The certifications set forth below are hereby submitted to the Securities and Exchange Commission pursuant to, and solely for the purpose of complying with, Section 1350 of Chapter 63 of Title 18 of the United States Code in connection with the filing on the date hereof with the Securities and Exchange Commission of the quarterly report on Form 10-Q of Sun Country Airlines Holdings, Inc. ("Sun Country") for the quarterly period ended June 30, 2021 (the "Report").

Each of the undersigned, the Chief Executive Officer and the President and Chief Financial Officer, respectively, of Sun Country, hereby certifies that, as of the end of the period covered by the Report:

1. such Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Sun Country.

/s/ Jude Bricker
Jude Bricker
Chief Executive Officer

/s/ Dave Davis
Dave Davis
President and Chief Financial Officer