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

FORM 10-K

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

For the fiscal year ended December 31, 2022

Or

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

Commission File Number 001-40217

# Sun Country Airlines Holdings, Inc.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| Delaware | 82-4092570 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 2005 Cargo Road<br>Minneapolis, Minnesota | 55450 |
| (Address of principal executive offices) | (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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes o No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No o

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 o

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 | o | Accelerated filer | ☑ | Non-accelerated filer | o |
| | | Smaller reporting company | o | 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. o

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2022 was approximately $602 million.

Number of shares outstanding by each class of common stock, as of December 31, 2022:

Common Stock, $0.01 par value 57,325,238 shares outstanding

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement relating to the 2023 Annual Meeting of Stockholders are incorporated herein by references in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2022.

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## GLOSSARY OF TERMS

Set forth below is a glossary of certain terms used in this annual report on Form 10-K (this “Annual Report”):

“Acquisition Date” means April 11, 2018, the date that certain investment funds managed by affiliates of Apollo (the “Apollo Funds”) acquired Sun Country, Inc.

“Adjusted CASM” means CASM excluding fuel costs, costs related to our cargo operations, stock-based compensation, certain commissions and other costs of selling our vacations product and excluding special items, income tax receivable expenses and other adjustments, as defined for the relevant reporting period, that are not representative of the ongoing costs necessary to our airline operations and may improve comparability between periods. When Adjusted CASM is referenced or presented for other airlines, it has been adjusted to our average stage length for the period presented.

“Aircraft miles” means miles flown by all of our aircraft, measured by summing up the miles for each completed flight segment.

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

“ALPA” means the Air Line Pilots Association, the union representing our pilots.

“Amazon” means Amazon.com Services, LLC, together with its affiliates.

“Ancillary revenue” consists primarily of revenue generated from air travel-related services such as baggage fees, seat selection and upgrade fees, priority check-in and boarding fees, itinerary service fees and on-board sales.

“Ancillary services” refers to the services that generate ancillary revenue.

"APIC" means Additional Paid-in Capital.

“Apollo” means Apollo Global Management, Inc. and its subsidiaries.

“Apollo Stockholder” means SCA Horus Holdings, LLC, which is an affiliate of certain investment funds managed by affiliates of Apollo.

“ATSA” means the Air Transportation Services Agreement, dated as of December 13, 2019, as amended as of June 30, 2020, by and between Sun Country, Inc. and Amazon, as amended or modified from time to time.

“Available seat miles” or “ASMs” means the number of seats available for passengers multiplied by the number of miles the seats are flown.

“Average aircraft” means the average number of aircraft used in flight operations, as calculated on a monthly basis.

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

“Average stage length” means the average number of statute miles flown per flight segment.

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

“Cargo service” includes our CMI service operations under the ATSA.

“CASM” or “unit costs” is Cost per Available Seat Mile and is calculated using total operating expenses divided by total ASMs.

“CBA” means a collective bargaining agreement.

“CBP” means the United States Customs and Border Protection.

"CDC" means the Centers for Disease Control and Prevention.

“Charter service” means flights operated for specific customers who purchase the entire flight from us and specify the origination and destination.

“Citizen of the United States” means (A) an individual who is a citizen of the United States; (B) a partnership each of whose partners is an individual who is a citizen of the United States; or (C) a corporation or association organized under the laws of the United States or a State, the District of Columbia, or a territory or possession of the United States, of which the president and at least two-thirds of the board of directors and other managing officers are citizens of the United States, which is under the actual control of citizens of the United States, and in which at least 75% of the voting interest is owned and controlled by persons that are citizens of the United States.

“CMI service” means an arrangement whereby a cargo customer provides us with aircraft, pursuant to a sublease, and we provide crew, maintenance, and insurance to operate such aircraft on the customer’s behalf. Amazon is currently our only CMI service customer.

"CODM" means Chief Operating Decision Maker.

“Completion factor” means the percentage of scheduled flights that are completed.

“COVID-19” means the novel coronavirus (SARS-CoV-2), which was first reported in December 2019.

“DoD” means the U.S. Department of Defense.

“DOT” means the United States Department of Transportation.

“EPA” means the United States Environmental Protection Agency.

“FAA” means the United States Federal Aviation Administration.

“Flight cycle” means a cycle consisting of one take-off and one landing.

“Freighters” include the aircraft operated under the ATSA, which are configured exclusively for cargo operations.

“GDS” means a Global Distribution System such as Amadeus, Sabre and Travelport, used by travel agencies and corporations to purchase tickets on participating airlines.

“GHG” means greenhouse gasses.

“IATA” means the International Air Transport Association.

“IBT” means the International Brotherhood of Teamsters, the union representing our flight attendants.

"Interline activity" refers to a connection between two different carriers participating in an interline agreement.

“KOA” means Kona International Airport.

“LAX” means Los Angeles International Airport.

“LCC” means low-cost carrier and includes JetBlue Airways, Southwest Airlines and Alaska Airlines.

"Legacy Network Airlines" includes Delta Airlines, American Airlines, United Airlines and Hawaiian Airlines.

“Load factor” means the percentage of aircraft seat miles actually occupied on a flight (RPMs divided by ASMs) for scheduled service.

“MSP” means Minneapolis – St. Paul International Airport.

“NMB” means the National Mediation Board.

“On-Time Arrival” means percentage of scheduled flights that arrived at their scheduled time.

“OTAs” means online travel agents.

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

“PSP2” and “PSP3” relates to the Coronavirus Aid, Relief, and Economic Security (CARES) Act-Payroll Support Program.

“Revenue passenger miles” or “RPMs” means the number of miles flown by passengers.

“RLA” means the United States Railway Labor Act.

“Scheduled service” means transportation of passengers on flights we operate in and out of airports on a schedule of routes and flight times we provide for general sale.

“Scheduled service revenue” consists of base fares, unused and expired passenger credits and other expired travel credits for scheduled service.

“SeMS” means Security Management System.

“SMS” means Safety Management System.

“SCV” means Sun Country Vacations.

“TRA” means the Tax Receivable Agreement with pre-IPO stockholders.

“TRASM” or “unit revenue” means total revenue divided by total ASMs. Scheduled TRASM includes scheduled, ancillary and other revenue divided by scheduled ASMs while charter includes charter revenue divided by charter ASMs. Starting in 2020, we exclude cargo revenue from total revenue as the freighters we operate under the ATSA do not contribute to our ASMs.

“Treasury” means the United States Department of the Treasury.

“TSA” means the United States Transportation Security Administration.

“TWU” means the Transport Workers Union, the union representing our dispatchers.

“ULCC” means ultra low-cost carrier and includes Allegiant Travel Company, Frontier Airlines and Spirit Airlines.

“VFR” means visiting friends and relatives.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which involve risks and uncertainties. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “likely,” “may,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” and, in each case, their negative or other various or comparable terminology. All statements other than statements of historical facts contained in this Annual Report, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management, and expected market growth are forward-looking statements. The forward-looking statements are contained principally in the sections entitled “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Important factors that could cause our results to vary from expectations include, but are not limited to the items discussed under “Risk Factors” in this Annual Report. These forward-looking statements are based on assumptions and subject to risks and uncertainties. Given these uncertainties, undue reliance should not be placed on these forward-looking statements. Except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise. We anticipate that subsequent events and developments will cause our views to change. This Annual Report and the documents filed as exhibits hereto should be read completely and with the understanding that our actual future results may be materially different from what we expect. Our forward-looking statements do not reflect the potential impact of any future acquisitions, merger, dispositions, joint ventures, or investments we may undertake. We qualify all of our forward-looking statements by these cautionary statements.

## SUMMARY OF PRINCIPAL RISK FACTORS

Our business is subject to a number of risks and uncertainties that may affect our business, results of operations and financial condition, or the trading price of our common stock or other securities. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. Management cannot predict such new risks and uncertainties, nor can it assess the extent to which any of the risk factors below or any such new risks and uncertainties, or any combination thereof, may impact our business. These risks are more fully described in Part I, Item 1A of this Annual Report.

- *The COVID-19 virus and its effects, including variants, travel restrictions, social distancing measures and decreased demand for air travel.*
- *Changes in economic conditions, including inflationary pressures.*
- *The price and availability of aircraft fuel and our ability to control other costs.*
- *Threatened or actual terrorist attacks or security concerns, including the unauthorized use, incursion or breach of our information technology and other cybersecurity risks.*
- *The ability to operate in an exceedingly competitive industry.*
- *Factors beyond our control, including air traffic congestion, adverse weather, federal government shutdowns, aircraft-type groundings, increased security measures or outbreaks of disease.*
- *Any restrictions on or increased taxes applicable to charges for ancillary products and services.*
- *The concentration of our business in the Minneapolis-St. Paul market and the concentration of our cargo business with Amazon.*
- *Risks associated with our presence in international markets.*
- *Changes in applicable laws and regulations, including regulation to reduce emissions of greenhouse gases.*
- *Labor shortages and our ability to attract and retain qualified personnel, including but not limited to, pilots and technicians, at a reasonable cost or maintain our company culture.*
- *Our reliance on our and third-party technology and systems.*
- *Increases in insurance costs or reductions in insurance coverage.*

Unless otherwise indicated or the context otherwise requires, all dollars are stated in thousands within this Annual Report.

# PART I

## Item 1. Business

### Overview

Sun Country Airlines 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. Based in Minnesota, we focus on serving leisure and visiting friends and relatives ("VFR") passengers, charter customers, and providing crew, maintenance and insurance ("CMI") service to amazon.com Services, Inc. (together with its affiliates, "Amazon"), with flights throughout the United States and to destinations in Canada, Mexico, Central America and the Caribbean. 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.

As of December 31, 2022, we operated a fleet of 54 Boeing 737-NG aircraft. This includes 42 aircraft in the passenger fleet and 12 cargo operated aircraft through the Air Transportation Services Agreement ("ATSA") with Amazon. This fleet is managed through our two reportable segments: Passenger, which includes both Scheduled Service and Charter, and Cargo.

### *Our Unique Business Model*

***Scheduled Service.*** 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", which include Allegiant Travel Company, Frontier Airlines and Spirit Airlines) while maintaining lower Adjusted Cost per Available Seat Mile (“CASM”) than low-cost carriers ("LCCs", which include Southwest Airlines and JetBlue Airways), resulting in best-in-class unit profitability. We fly a single-family fleet of Boeing 737-NG aircraft, which allows 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. Our product includes generous legroom, complimentary beverages, in-flight entertainment, and in-seat power. The combination of our agile peak demand network with our elevated consumer product allows us to generate higher TRASM than ULCCs while maintaining lower Adjusted CASM than LCCs.

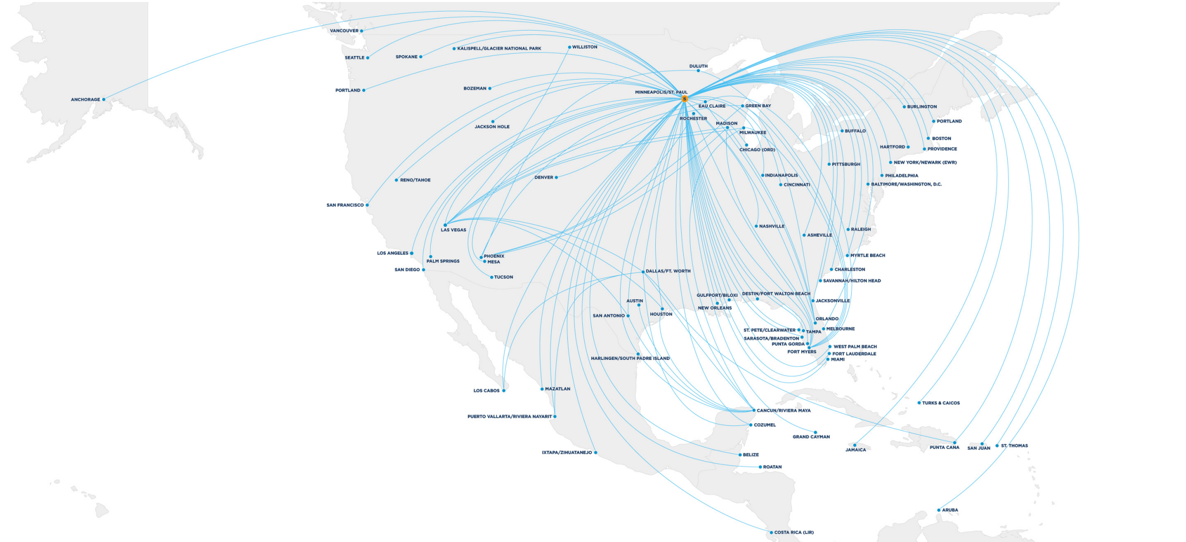
We provide low-fare passenger airline service primarily to leisure and VFR travelers. Our low fares are designed to stimulate demand from price-sensitive travelers seeking a superior product to ULCCs. For the years ended December 31, 2022, 2021 and 2020, our number of scheduled service passengers were approximately 3.6 million, 2.7 million, and 1.7 million, respectively. For the years ended December 31, 2022, 2021 and 2020 our average base fare was approximately $121.80, $102.21, and $114.96, respectively. Passengers and fares were both impacted dramatically by the COVID-19 pandemic in the years ended December 31, 2021 and 2020.

Our scheduled service business includes many cost characteristics of ULCCs, 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), and point-to-point service. Sources of our ancillary revenue include air travel-related services such as baggage fees, seat selection and upgrade fees, priority check-in and boarding fees, itinerary service fees and on-board sales. Part of our strategy has been to reduce base fares to stimulate demand while increasing ancillary revenue per passenger, which we believe offers passengers more choice and correspondingly, more ancillary revenue. Our on-board sales are also designed to enhance the customer experience, including local passenger favorite brands of beer, wine and spirits. For the years ended December 31, 2022, 2021 and 2020, our average ancillary revenue per passenger was approximately $53.49, $42.89, and $40.53, respectively.

We also earn revenue from our Sun Country Vacations ("SCV") products, including commissions from the sale of third-party hotel rooms and rental cars. Our SCV products facilitate booking a flight and land package at a discounted price for our customers. We offer vacation products to promote "one stop shopping." Our other revenue also includes revenue from the transportation of mail and our co-branded credit card.

We also offer interline connectivity with international and domestic airlines. In mid-2019, prior to our transition to *Navitaire*, we offered interline connectivity with six carriers. We have reestablished interline connectivity in our *Navitaire* booking system and have identified additional opportunities to grow our interline connectivity.

**2022 Scheduled Service Route Map**




***Scheduled Service Route Network.*** As Minnesota's hometown airline, a substantial portion of our business is serving markets originating or ending in Minneapolis – St. Paul International Airport ("MSP"). Our MSP network served approximately 73 markets in 2022. In 2021 and 2020, we served 67 and 51 markets from MSP, respectively, in spite of the COVID-19 downturn. We have a leading position at Terminal 2 in MSP, which is preferred by many flyers because of its smaller layout, shorter security wait times, close parking relative to check-in and full suite of retail shops. We are the largest low-cost airline at MSP, with significant opportunity to continue to grow both seat share and destinations.

Non-MSP service is an increasingly significant portion of our business, having grown from eight non-MSP markets in 2017 to 29 in 2022. We expect to continue to identify large demand markets where other airlines have been unable to respond to market needs during periods of seasonal demand. We have a successful history of opening and closing stations to meet seasonal demand. Since the start of 2019, we have launched 99 new markets, 36 of which we have subsequently closed. As part of the on-going assessment of market opportunities, we continue to identify future growth opportunities, primarily from Midwest locations to warm weather leisure destinations and large markets with fragmented and seasonal demand peaks.

Landline offers convenient airport shuttle service for Sun Country passengers to MSP from five locations throughout Minnesota, Wisconsin and North Dakota. This is an update from four locations in Minnesota as of the end of 2022.

***Charter***. 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 demand protection, as well as it being synergistic with our other businesses. This allows for the most profitable use of the aircraft, either scheduled or charter, to be selected. Charter ASMs are highest in fall months when scheduled service operations are less favorable. Our air carrier operating certificate, labor agreements and operating capabilities allow us to fly to numerous destinations worldwide, which we believe is a benefit to our charter service.

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 ("DoD"), collegiate sports teams and professional sports teams. 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 DoD and sports teams still fly during normal economic downturns, and our casino contracts are long-term in nature.

We have identified several growth opportunities across potential sports teams and leagues, third party charter brokers, Very-Important-Peoples ("VIP"), government, and leisure contracts. For example, we started regularly scheduled VIP charter service between Los Angeles International Airport ("LAX") and Kona International Airport ("KOA") with an all first-class configuration. In October 2021, we signed a five-year agreement to provide charter service to all Major League Soccer ("MLS") teams. MLS features 29 clubs throughout the United States and Canada, in addition to future expansion teams. We are a leading charter airline for collegiate sports including the National Collegiate Athletic Association ("NCAA") Championships, as well as individual team travel. In March 2022, we began to provide charter service to Caesars Entertainment, Inc. This agreement restarts a relationship between the two organizations that ended in late 2020. Additionally, we have longstanding relationships with our charter customers who continue to rely on us as their trusted charter provider.

***Cargo*.** On December 13, 2019, we signed the ATSA with Amazon to provide air cargo services. Flying under the ATSA began in May 2020 and we are flying 12 Boeing 737-800 cargo aircraft for Amazon. Our cargo service performed under the ATSA serves destinations on Amazon's network. Our cargo business also enables us to leverage certain assets, capabilities and fixed costs to enhance profitability and promote growth across our company. For example, we believe that by deploying pilots across each of our business lines, we increase the efficiency of our operations. To the extent we can optimize flight crew on freighters with overlapping scheduled or charter service, we attempt to capture those synergies as well, though they are not core to that line of business. However, like the charter and scheduled service business, aircraft and crew utilization can be maximized by filling in cargo service in periods when scheduled service flying is less profitable.

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. The ATSA has generated consistent, positive cash flows, including during the COVID-19 induced downturn. The ATSA offers potential future growth opportunities by establishing a long-term partnership with Amazon.

The ATSA is a six-year contract and includes two, two-year extensions exercisable at Amazon's option, providing for a total term of ten years if both extension options are exercised. The option to renew the ATSA for two additional two-year terms is at Amazon's sole discretion, subject to Amazon providing Sun Country with at least 180 days' prior written notice before the expiration of the then-current term. The ATSA has annual rate escalations, so rate increases occurred on December 13, 2022, 2021, and 2020.

***COVID-19 Induced Downturn***

The COVID-19 pandemic resulted in a dramatic decline in passenger demand across the U.S. airline industry. We experienced a significant decrease in demand related to the COVID-19 pandemic, which caused a material decline in our results for the full year 2021 and 2020, as well as first quarter of 2022, as compared to pre-pandemic levels, and negatively impacted our financial condition and operating results. During 2022, we experienced an increase in demand for passenger service as a result of the recovery from the COVID-19 pandemic. Due to the return in demand, operating results and financial conditions in 2022 may not be fully comparable to the previous periods presented in this Annual Report.

**Our Competitive Strengths**

We believe that the following key strengths allow us to compete successfully within the U.S. airline industry.

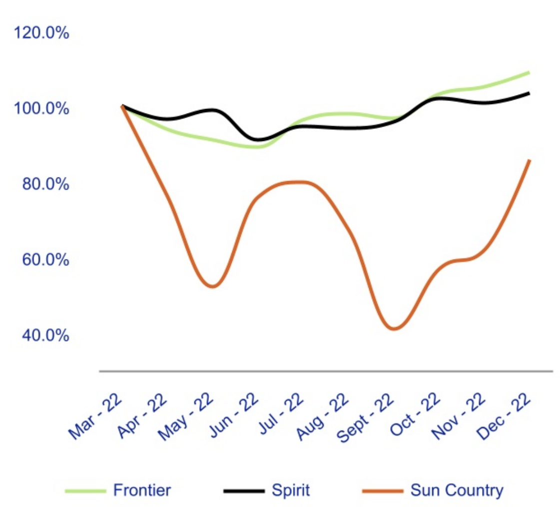
***Diversified and Resilient Business Model.*** Our diversified business model, which includes a focus on leisure and VFR passengers, charter and e-commerce related cargo service, is unique in the airline sector and mitigates the impact of economic and industry downturns on our business when compared with other large U.S. passenger airlines.

***Agile Peak Demand Scheduling Strategy.*** We flex our capacity by day of the week, month of the year and line of business to capture what we believe are the most profitable flying opportunities available from both our MSP home market and our network of non-MSP markets. As a result, our route network varies widely throughout the year. Our agile peak demand strategy allows us to generate higher TRASM by focusing on days with stronger demand. Our flying continued to be more seasonal in 2022, as only 3% of our total scheduled service routes were for daily year-round routes to three locations.

The following charts demonstrate that our schedule is highly variable by day of the week and month of the year.

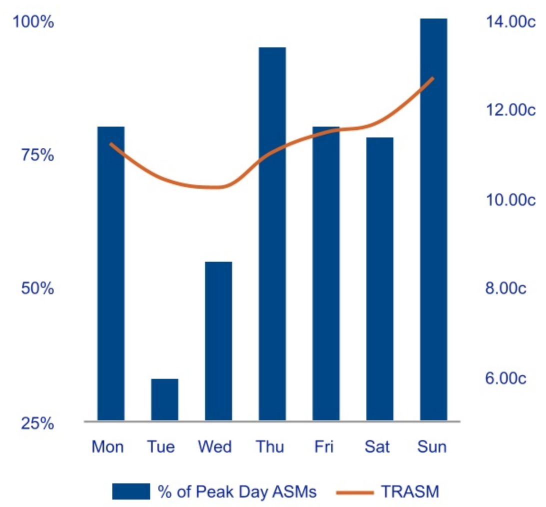
**Seasonal Demand Dictates Monthly Schedule**

*Monthly Seats as a % of March 2022*




**Day-of-Week Capacity Determined by Demand Patterns [1]**

*(% of Peak Day ASMs)* *(TRASM)*




(1) Based on FY2022 data

In addition to shifting aircraft across our network by season and day of week, we also shift aircraft between our scheduled service and charter businesses to maximize the return on our assets. We regularly schedule our fleet using what we refer to as "*Power Patterns*," which involves scheduling aircraft and crew on trips that combine scheduled service and charter legs, dynamically replacing what would be lower margin scheduled service flights with charter opportunities. Our agility is supported by our variable cost structure and the cross utilization of our people and assets between our lines of business. Our synergies from cross utilization have increased since we began providing CMI services because our pilots are interchangeably deployed between scheduled service, charter and cargo flights. For example, when demand in our scheduled service business declined in 2020 as a result of the COVID-19 induced industry downturn, we allocated more pilot flying hours to our charter and cargo businesses.

***Tactical Mid-Life Fleet with Flexible Operations***. We maintain low aircraft ownership costs by acquiring mid-life Boeing 737-800 aircraft, which have lower acquisition costs when compared to new Boeing 737 aircraft, that more than offsets their higher ongoing maintenance and repair costs. Lower ownership costs allow us to maintain lower unit costs at lower levels of utilization. This allows us to concentrate our flying during periods of peak demand, which generates higher TRASM and also allows us to park aircraft during periods of low demand, at a lower cost than other airlines. In 2022, we flew our aircraft an average of 7.2 hours per day, which is the lowest among ULCCs, other than Allegiant Travel Company, which operates a similar low utilization model but serves smaller markets. In addition to the benefits of lower all-in ownership costs, we do not have an aircraft order book because we only purchase mid-life aircraft. As a result, unlike many other airlines, we are not locked into large future capital expenditures. Rather, we have the ability to opportunistically take advantage of aircraft prices with purchases at the time of our choosing. Our single-family aircraft fleet also has operational and cost advantages, such as allowing for optimization of crew scheduling and training and lower maintenance costs. Our fleet is highly reliable, and we have a demonstrated ability to maintain our high completion factor during harsh weather conditions. For more information on our operational performance and comparisons to our competitors, see "Operational Performance" included within Part I, Item 1, "Business".

***Superior Low-Cost Product and Brand***. We have invested in numerous projects to create a well-regarded product and brand that we believe is superior to ULCCs while maintaining lower fares than LCCs and larger full-service carriers. Some of the reasons that we believe we have a superior brand to ULCCs include:

- *Our Cabin Experience.* All of our 737-800 aircraft have new state-of-the-art seats that comfortably recline and have full size tray tables. Our seats have an average pitch of approximately 31 inches, giving our customers comparable legroom to Southwest Airlines and greater legroom than all ULCCs in the United States. We also provide seat-back power, complimentary in-flight entertainment and free beverages to improve the overall flying experience for our customers.

- *Our Digital Experience.* Our website, suncountry.com, was relaunched in 2019. The site redesign improved our overall booking experience resulting in higher booking flow entry rates, ancillary product take rates, and conversion rates. Our website was designed with the latest mobile design principles, resulting in a significant increase in usability on mobile devices. Our improved booking experience on suncountry.com has driven an increase in direct bookings, reducing distribution costs and driving higher ancillary revenue. In 2022 the percentage of bookings made on suncountry.com was 71%, an increase of 21 percentage points versus 2018. In addition, we have improved the check-in experience for customers by providing access to web-check in across the system and access to kiosks in our main hub location of MSP. These tools increase the chances that the passenger can skip the check-in counter, which we believe improves our customers’ experience while also reducing costs.

***Competitive Low Cost Structure.*** Our CASM increased from 8.91 cents for the year ended December 31, 2020 to 12.39 cents for the year ended December 31, 2022. Our Adjusted CASM decreased from 7.57 cents for the year ended December 31, 2020 to 7.04 cents for the year ended December 31, 2022. CASM includes all operating costs incurred by the Company, whereas Adjusted CASM excludes certain costs including: fuel costs, costs related to our cargo operations, stock-based compensation, certain commissions and other costs of selling our vacations product and excluding special items, income tax receivable expenses and other adjustments. For more information on the Company's non-U.S. generally accepted accounting principles ("GAAP") measures and related adjustments, see the Non-GAAP Financial Measures included within Part II, Item. 7 Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report. Our completed and ongoing cost savings efforts include conversion to a focus on owning (versus leasing) aircraft, renegotiation of our component maintenance agreement, fuel savings initiatives, catering cost reductions, renegotiation of distribution contracts, consolidation of staff at headquarters on airport property and various other initiatives. Our CASM and Adjusted CASM for the years ended December 31, 2021 and 2020 were adversely impacted due to the COVID-19 pandemic. While Adjusted CASM for all U.S. airlines increased in 2020 as a result of the COVID-19 induced downturn, we believe that our business model and strategy positions us well to maintain and improve our Adjusted CASM in the future, while maintaining lower utilization rates than many other U.S. passenger airlines.

***Strong Position in Our Profitable MSP Home Market.*** We have been based in the Minneapolis-St. Paul area since our founding 40 years ago, where our brand is well-known and well-liked. We are the largest ULCC operating at MSP, which is our largest base, and the second largest airline at MSP after Delta Air Lines. We have been focused on developing our network at MSP and have grown our nonstop destinations from MSP by over 40% since 2019. Moreover, we have seen our share of MSP-origin customers improving over the past 3 years, including the COVID-19 pandemic. We fly out of Terminal 2, which we believe is preferred by many flyers because of its smaller layout, shorter security wait times, close parking relative to check-in and full suite of retail shops. As of December 31, 2022, we have access to eight of the 14 gates in Terminal 2. As a result of our focus on flying during seasonal peak periods, our well-regarded brand and product and our strong position in Minneapolis, we have historically enjoyed a TRASM premium to other leisure airlines at MSP.

***Seasoned Management Team.*** Our Chief Executive Officer, Jude Bricker, joined Sun Country Airlines in July 2017 and has over 18 years of experience in the aviation industry, including serving as the Chief Operating Officer of Allegiant Travel Company from 2016 to 2017. Our President and Chief Financial Officer, Dave Davis, joined Sun Country in April 2018 and has over 24 years of experience in the aviation industry, including previously serving as the Chief Financial Officer at Northwest Airlines and US Airways. Other members of our management team have worked at airlines such as Alaska Airlines, American Airlines, Delta Air Lines, Northwest Airlines, United Airlines and US Airways.

**Competition**

The airline industry is highly competitive. The principal competitive factors in the airline industry are ticket prices, flight schedules, aircraft type, passenger amenities, customer service, reputation and frequent flyer programs. We have different competitive sets in our scheduled service business, charter business and cargo business.

Our competitors and potential competitors in the scheduled service business include both legacy network airlines and low-cost airlines. Our key competitors on domestic routes include Alaska Airlines, Allegiant Travel Company, American Airlines, Delta Air Lines, Frontier Airlines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines and United Airlines. Our charter business competitors include charter-only operators Swift/iAero Airways, as well as other scheduled passenger carriers who also operate charter flying, such as Delta Air Lines.

The principal competitors for our cargo business include ATSG, Southern Air, and Hawaiian Airlines. Our on-time arrival performance for our cargo business since starting operations in May 2020, together with our operational capabilities, give us a stable position with our customer, Amazon.

Our principal competitive advantages are our diversified and resilient business model, our agile peak demand scheduling strategy, our tactical mid-life fleet with flexible operations, our superior low-cost product and brand, our competitive low-cost structure, our strong position in our profitable MSP home market and our seasoned management team. We also believe the association of our brand with a high level of operational performance differentiates us from our competitors and enables us to generate greater customer loyalty. For more information on our operational performance and comparisons to our competitors, see "Operational Performance" included within Part I, Item 1, "Business".

Our cost initiatives, which began in 2018, have yielded significant improvements in CASM. As a result of these improvements and our flexibility to serve seasonal and year-round markets, we believe we are better positioned to offer a schedule tailored to properly serve periods of peak demand than our peers. The majority of our competitors maintain higher utilization to keep their unit costs low, which makes it difficult for them to serve markets on a highly seasonal or day-of-week basis. As such, we believe our low Adjusted CASM coupled with relatively low utilization is a competitive advantage.

Our ability to maintain low unit costs at low utilization provides us with a competitive advantage to execute our agile peak demand network planning structure. Our peak demand strategy allows us to move into new markets quickly during periods when demand is maximized and there is less competitive pricing pressure.

See also *“Risk Factors - Risks Related to Our Industry - The airline industry is exceedingly competitive, and we compete against new entrants, LCCS, ULCCs, legacy network airlines and cargo carriers; if we are not able to compete successfully in our markets, our business will be materially adversely affected.”*

**Seasonality**

The airline industry has significant seasonal fluctuation in demand. Our network strategy is designed to take advantage of the seasonal nature of the leisure customer by concentrating our flying in seasons when demand is strongest and flying significantly less in seasons when demand is lower. As a result, our passenger business is subject to significant seasonal fluctuations, especially our scheduled service. While our passenger business will remain highly seasonal, our cargo operations will have the effect of mitigating seasonal troughs. For example, when our scheduled flying demand is lower during the fall and early December, our cargo service remains consistent and grows until Christmas.

Traditionally, our business is geared towards north to south travel from MSP and the upper Midwest in the winter months, our strongest travel season. During the summer months, we focus on VFR traffic from MSP and leisure travelers originating in non-MSP markets. Although our actual results vary by season, we pride ourselves on the ability to adjust our route network and charter service to accommodate seasonality.

**Distribution**

We sell our scheduled service flights through direct and indirect distribution channels with the goal of selling in the most efficient way across our customer base. Our direct distribution channels include our website and call center, and indirect distribution channels include third parties, such as travel agents and Online Travel Agents ("OTAs") (e.g., Priceline and websites owned by Expedia, including Orbitz and Travelocity).

Our direct distribution channels are our lowest cost methods of distributing our product. In addition, they provide more opportunities to sell ancillary products and services, such as baggage fees, seat selection and upgrade fees, priority check-in and boarding fees, itinerary service fees and on-board sales. With our *Navitaire*-based reservation system and enhanced website, we have experienced a significant increase in the proportion of our bookings that are sold through direct channels. Sales through direct channels for the years ended December 31, 2022, 2021 and 2020 were 73%, 75%, and 71%, respectively.

Indirect distribution channels remain important outlets to sell our flights. Our movement in and out of markets where we may not have an established brand presence, is facilitated by the availability of our inventory through Global Distribution System ("GDS") companies (e.g., Amadeus, Sabre and Travelport). We also generate sales through OTAs, which also broadens our ability to sell in highly seasonal markets. Sales through these relatively higher cost indirect channels for the years ended December 31, 2022, 2021 and 2020 were 27%, 25%, and 29%, respectively.

We sell our charter services through an internal, dedicated sales team that is focused on long-term relationships with key customers, brokers, organizations, and college and professional sports teams. While our CMI service is presently dedicated to Amazon and governed by the ATSA, we may expand our cargo business by marketing to new potential customers.

**Marketing**

We are focused on direct-to-consumer marketing targeted at our core leisure and VFR travelers who pay for their own travel costs. Our marketing message is designed to convey our affordable and convenient flight options to leisure destinations. We often include our low base fares in marketing materials in order to stimulate demand.

Our marketing tools are our proprietary email distribution list consisting of over one million email addresses, our Sun Country Rewards program, as well as advertisements online, on television, radio, digital billboards and other channels. Our objective is to use our low prices, quality customer service, and differentiated in-flight product to stimulate demand and drive customer loyalty.

We have a team of business development professionals who utilize business-to-business methods to identify opportunities and develop and maintain relationships with potential charter customers. We do not presently market our cargo business.

**Loyalty Program**

Our Sun Country Rewards frequent flyer program rewards and encourages scheduled service customer loyalty and we believe it is well tailored to serving the leisure passenger. Points earned are treated like currency and can be applied towards the purchase of all or a portion of our air travel tickets. This makes our program more valuable to leisure customers who travel less frequently and would have difficultly accumulating enough points to get discounted travel on other airlines. The Sun Country Airlines co-branded credit card is the primary vehicle whereby customers earn points and our frequent flyer program is geared specifically towards supporting adoption and continued use of the credit card. Sun Country Rewards offers award travel on every flight without blackout dates. Points expire 36 months after the date they were earned, except those points held by Sun Country co-branded cardholders do not expire so long as the holder maintains the card as active. Rewards are not available to charter or cargo customers.

**Customers**

We believe our customers are primarily leisure and VFR travelers who are paying for their own ticket and who make their purchase decision based largely on price. These customers respond well to demand stimulation based on low base fares. Our network is agile and is adjusted for seasonal demand shifts. In the winter months, we largely focus on taking customers to warm weather destinations in the southern United States, Mexico, Central America and the Caribbean. In the other times of the year, we focus on VFR travelers to major markets and also provide service in markets where leisure or price sensitive customer demand is strong.

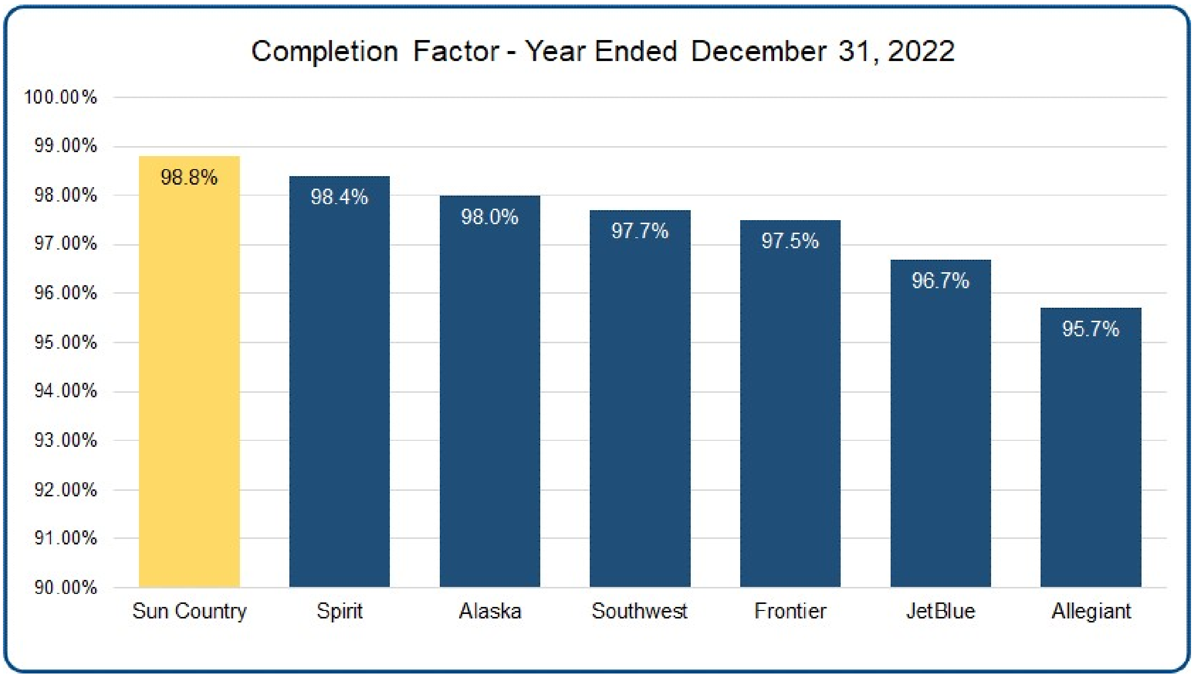
We believe our product appeals to price-sensitive customers because we give them the choice to pay only for the products and services they want. Overall, our business model is designed to deliver what we believe our customers want: low fares and a high-quality flight experience.

We complement our core business with charter operations. A significant portion of our charter business consists of repeat customers with whom we have long-term relationships, including several large casinos, college and professional sports teams. We have the ability to tailor our schedule to the specific needs of our charter customers, providing reliable operations, high completion factor and reasonable pricing for these customers.

Our cargo business is dedicated to our customer, Amazon. We believe we are well-positioned to continue growing our cargo business over time with Amazon, while continuing to leverage ourselves to Amazon and potentially new customers.

**Operational Performance**

We are committed to delivering excellent operational performance, even in extreme weather conditions, which we believe supports our “peak demand,” leisure-focused business model and will strengthen customer loyalty and attract new customers. This focus also strengthens our relationship with our cargo customer, Amazon, who has incentives and disincentives for performance in the ATSA. Our operational performance is enabled by our capable and dedicated workforce in maintenance, ground, flight crew and system operations, as well as our highly capable fleet of 737-NG aircraft, which are equipped to operate in adverse weather conditions worldwide. Our primary operational metric is completion factor because most of our markets are operated less than daily. Our completion factor, including the adverse impact of weather, was 98.8%, 99.4% and 96.8% for the years ended December 31, 2022, 2021 and 2020, respectively. Our completion factor compares favorably to our competitors, with Sun Country leading among key competitor airlines as indicated below for the year ended December 31, 2022.




**Aircraft Fuel**

Aircraft fuel is one of our largest individual expenses, representing approximately 32%, 25% and 22% of our total operating costs for the years ended December 31, 2022, 2021 and 2020, respectively. The price and availability of jet fuel are volatile due to global economic and geopolitical factors as well as domestic and local supply factors. Our historical fuel consumption and costs were as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Fuel Gallons Consumed (in thousands) | 71,690 | 60,739 | 43,844 |
| Fuel cost per gallon, excluding derivatives and other items | $ 3.75 | $ 2.19 | $ 1.58 |

Gallons consumed includes scheduled service and charter operations, but does not include cargo. Average price per gallon includes related fuel fees and taxes but excludes fuel-hedging gains and losses.

From time-to-time, we may enter into fuel derivative contracts in order to mitigate the risk to our business from future volatility in fuel prices, but such contracts may not fully protect us from all related risks. The intention of our fuel hedging program is not to manage earnings, but rather to protect our liquidity. As of December 31, 2022, we had no fuel hedges in place, since the last of them matured in September 2021. In general, our charter operations and the ATSA have pass-through provisions for fuel costs, and as such we do not hedge our fuel requirements for that portion of our business. Our hedges in place at the end of 2020 consisted of collars and call options, and the underlying commodities consisted of both Gulf Coast Jet Fuel contracts as well as West Texas Intermediate Crude Oil contracts. As of December 31, 2022, we had no outstanding fuel derivative contracts and, at this time, we have no plans to hedge fuel going forward.

**Technical Operations: Maintenance, Repairs and Overhaul**

We have an U.S. Federal Aviation Administration ("FAA") mandated and approved maintenance program, which is administered by an experienced group of Technical Operations leaders. All of our technicians are two-licensed Airframe and Powerplant and undergo extensive initial and recurrent training. Aircraft maintenance and repair consists of routine and non-routine maintenance. Work performed is divided into three general categories: line maintenance, heavy maintenance, and component maintenance.

Line maintenance work is handled by our employees and maintenance contractors and consists of work performed between flights or overnight. Performing effective line maintenance is critical in maintaining a reliable operation and represents the majority of and most extensive maintenance we perform. Line maintenance consists of routine daily and weekly scheduled maintenance checks and unplanned maintenance on our aircraft. We maintain Sun Country technicians in Minneapolis, with limited line maintenance capabilities in Gulfport, Mississippi, Dallas-Fort Worth/Alliance Fort Worth, Texas, Lakeland Linder Airport, Florida, and Laughlin/Bullhead International Airport, Arizona. All other line maintenance is provided by third-party maintenance contractors as needed.

Heavy maintenance consists of engine, auxiliary power units, landing gear, and airframe overhauls, which some are quite extensive and can take several months to complete. We maintain an inventory of spare engines to provide for continued operations during engine maintenance events. Airframe heavy maintenance visits consist of a series of complex tasks that generally take from one to six weeks to accomplish and are performed on a set schedule with varying repeat intervals. Due to our relatively small fleet size and projected fleet growth, we believe outsourcing all of our heavy maintenance, engine restoration and major part repair is more economical. On our cargo aircraft, heavy maintenance is a pass-through expense to our customer, Amazon.

We outsource component maintenance. Component maintenance consists of the ongoing and routine maintenance of aircraft components that are line replaceable units. These contracts cover the majority of our aircraft component inventory acquisition, replacement and repairs, thereby reducing the need to carry extensive spare parts inventory.

**Human Capital**

As of December 31, 2022, we had 2,510 employees.

FAA regulations require pilots to have commercial licenses with specific ratings for the aircraft to be flown and to be medically certified as physically fit to fly. FAA and medical certifications are subject to periodic renewal requirements including recurrent training and recent flying experience. Technicians, quality-control inspectors and flight dispatchers must be certificated and qualified for specific aircraft. Flight attendants must have initial and periodic competency training and qualification. Training programs are subject to approval and monitoring by the FAA. Management personnel directly involved in the supervision of flight operations, training, maintenance and aircraft inspection must also meet experience standards prescribed by FAA regulations.

As of December 31, 2022, approximately 53% of our employees were represented by labor unions under collective-bargaining agreements as set forth in the table below. Our pilots are represented by Air Line Pilots Association ("ALPA"), our flight attendants are represented by International Brotherhood of Teamsters ("IBT"), our dispatchers are represented by The Transport Workers Union of America ("TWU"), and our technicians are represented by Aircraft Mechanics Fraternal Association ("AMFA"). AMFA organized our mechanics in 2022 and negotiations for an initial collective bargaining agreement with our technicians and related craft employees began in October of 2022 and negotiations are ongoing. Our collective bargaining agreement with our pilots was ratified on December 21, 2021 and is amendable on December 31, 2025. Our collective bargaining agreement with our flight attendants became amendable on December 31, 2019. We entered into negotiations in November 2019. Negotiations were paused by mutual consent in March 2020 due to the COVID-19 pandemic. We restarted negotiations with our flight attendants in October of 2021 and negotiations are ongoing. Our dispatchers ratified a new collective bargaining agreement in December 2019, which is amendable on November 30, 2024.

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As of December 31, 2022, the status of the collective-bargaining agreements for our employees was as follows:

| Employee Group | Number of Employees (1) | Representative | Status of Agreement/Amendable Date |
|---|---|---|---|
| Pilots | 571 | Air Line Pilots Association (ALPA) | Amendable in December 2025 |
| Flight Attendants | 547 | International Brotherhood of Teamsters (IBT) | Currently amendable (commenced as of December 2019) |
| Dispatchers | 32 | Transport Workers Union (TWU) | Amendable in November 2024 |
| Technicians and related craft employees | 177 | Aircraft Mechanics Fraternal Association (AMFA) | New contract in negotiations |

(1) Not included within the table are our fleet service employees (cargo, commissary/catering, ramp agents and bag room agents), who on January 4, 2023, elected to be represented by the IBT. Negotiations have not yet begun for a new collective bargaining agreement with our fleet service employees.

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

**Safety and Security**

Sun Country Airlines' number one priority is the safety and security of our employees and customers. Our expectation is to operate at the highest level of safety compliance and our actions are guided by our procedures and policies without exception.

Training employees to proper standards and providing them with the tools and equipment required to perform their jobs in a safe and efficient manner is essential to our operation. We seek employee feedback by conducting annual safety culture surveys. This feedback helps identify areas of improvement and is used to develop and implement corrective action plans.

Sun Country Airlines learns from industry best practices by participation in collaborative inter-airline safety sharing programs and the FAA Aviation Safety Information Analysis and Sharing System ("ASIAS"), a central conduit for the exchange of industry safety information.

Sun Country's leadership is committed to promoting safety and security through program investments including:

- Flight Operations Quality Assurance ("FOQA"), a structured program to gather and aggregate electronically recorded flight operations data for the purpose of identifying areas where safety, efficiency and training can be improved

- CEFA animation software which creates 3D flight video simulations using our data to enhance pilot training
- Investing in new state of the art training devices, such as a new simulator to enhance pilot training
- Line Operations Safety Audit ("LOSA") program to proactively monitor and diagnose our operation's safety performance to protect the Company's assets and operations
- ProSafeT, a safety management system platform that enables anonymous reporting of safety concerns by employees and business partners, promotes active participation in identification, reduction, and elimination of hazards, and serves as our central repository for tracking all safety assurance information, and safety risk mitigation activities

Information gathered from our safety programs is used to create awareness for leadership in order to actively monitor the health of our Safety Management System ("SMS") and Security Management System ("SeMS"). Sun Country Airlines continuously strives to promote a culture of safety and security in line with the highest possible industry standards.

**Insurance**

We maintain insurance policies we believe are of types customary in the airline industry and as required by the DOT, lessors and other financing parties. The policies principally provide liability coverage for public and passenger injury; damage to property; loss of or damage to flight equipment; fire; auto; directors' and officers' liability; advertiser and media liability; cyber risk liability; fiduciary; workers' compensation and employer's liability; and war risk (terrorism).

**Foreign Ownership**

Under federal law and DOT policy, we must be owned and controlled by U.S. citizens. The restrictions imposed by federal law and DOT policy currently require that at least 75% of our voting stock must be owned and controlled, directly and indirectly, by persons or entities who are citizens of the United States ("U.S. citizens"), as that term is defined in 49 U.S.C. §40102(a)(15), that our president and at least two-thirds of the members of our Board of Directors and other managing officers be U.S. citizens, and that we be under the actual control of U.S. citizens. In addition, at least 51% of our total outstanding stock must be owned and controlled by U.S. citizens and no more than 49% of our stock may be owned or controlled, directly or indirectly, by persons or entities who are not U.S. citizens and are from countries that have entered into "open skies" air transport agreements with the United States which allow unrestricted access between the United States and the applicable foreign country and to points beyond the foreign country on flights serving the foreign country. We are currently in compliance with these ownership provisions. For a discussion of the procedures we instituted to ensure compliance with these foreign ownership rules, please see *"Risk Factors - Risks Related to Ownership of Our Common Stock - Our certificate of incorporation and bylaws include provisions limiting ownership and voting by non-U.S. citizens*."

**Government Regulation**

***Aviation Regulation***

The airline industry is heavily regulated, especially by the federal government. Two of the primary regulatory authorities overseeing air transportation in the United States are the DOT and the FAA.

The DOT regulates economic operating authority for air carriers and consumer protection for airline passengers. The DOT has authority to issue certificates of public convenience and necessity required for airlines to provide domestic air transportation. Additional DOT authority, in the form of a certificate or an exemption from certificate requirements, is required for a U.S. airline to serve foreign destinations either with its own aircraft or via code-sharing with another airline. A U.S. airline's ability to operate flights to and from international destinations is also subject to the air transport agreements between the United States and the foreign country as well as the airline's ability to obtain the necessary authority from the applicable foreign government.

The U.S. government has negotiated "open skies" agreements with many countries, which allow unrestricted access between the United States and the applicable foreign country and to points beyond the foreign country on flights serving the foreign country. With certain other countries, however, the United States has a restricted air transportation agreement. Our international flights to Mexico are governed by a liberalized bilateral air transport agreement which the DOT has determined has all of the attributes of an "open skies" agreement. Changes in the aviation policies of the United States, Mexico or other countries in which we operate could result in the alteration or termination of the corresponding air transport agreement, diminish the value of our international route authorities or otherwise affect our operations to/from these countries.

The FAA became a part of the DOT in 1967 and is responsible for regulating and overseeing matters relating to the safety of air carrier flight operations, including the control of navigable air space, the qualification of flight personnel, flight training practices, compliance with FAA airline operating certificate requirements, aircraft certification and maintenance requirements and other matters affecting air safety. The FAA requires each commercial airline to obtain and hold an FAA air carrier certificate. We currently hold an FAA air carrier certificate.

***Airport Access***

In the United States, the FAA currently regulates the allocation of take-off and landing authority, slots, slot exemptions, operating authorizations or similar capacity allocation mechanisms, which limit take-offs and landings, at certain airports. Level 1 is assigned where the capacity of airport infrastructure is generally adequate to meet the demands of airport users at all times and therefore there is no extensive pattern of delays. Level 2 is assigned where there is potential for congestion during some periods of the day, week or season, which can be resolved by schedule adjustments mutually agreed between the airlines and schedule facilitator. Level 3 is assigned where 1) demand for airport infrastructure significantly exceeds the airport's capacity during the relevant period, 2) expansion of airport infrastructure to meet demand is not possible in the short term, 3) attempts to resolve the problem through voluntary schedule adjustments have failed or are ineffective, and 4) as a result, a process of slot allocation is required whereby it is necessary for all airlines and other aircraft operators to have a slot allocated by a coordinator in order to arrive or depart at the airport during the periods when slot allocation occurs. We will operate in and out of John F. Kennedy International Airport (JFK), a Level 3 airport, beginning in April of 2023. We currently operate in and out of the following Level 2 airports: San Francisco International Airport (SFO), Los Angeles International Airport (LAX), Chicago O'Hare International Airport (ORD) and Newark International Airport (EWR).

We currently have the access we need to accommodate our planned service, and we have generally been able to obtain the rights to expand our operations and to change our schedules. There is no assurance, however, that we will be able to do so in the future because, among other reasons, such allocations are subject to changes in governmental policies.

***Consumer Protection Regulation***

The DOT also has jurisdiction over certain economic issues affecting air transportation and consumer protection matters, including unfair or deceptive practices and unfair methods of competition, lengthy tarmac delays, airline advertising, denied boarding compensation, ticket refunds, baggage liability, contracts of carriage, customer service commitments, consumer notices and disclosures, customer complaints and transportation of passengers with disabilities. The DOT frequently adopts new consumer protection regulations, such as rules to protect passengers addressing lengthy tarmac delays, chronically delayed flights, codeshare disclosure and undisclosed display bias. They also have adopted, and do adopt, new rules on airline advertising and marketing practices. The DOT also has authority to review certain joint venture agreements, marketing agreements, code-sharing agreements (where an airline places its designator code on a flight operated by another airline) and wet-leasing agreements (where one airline provides aircraft and crew to another airline) between carriers and regulates other economic matters such as slot transactions.

***Security Regulation***

The TSA and the CBP, each a division of the U.S. Department of Homeland Security, are responsible for certain civil aviation security matters, including passenger and baggage screening at U.S. airports, and international passenger prescreening prior to entry into or departure from the United States. International flights are subject to customs, border, immigration and similar requirements of equivalent foreign governmental agencies. We are currently in compliance with all directives issued by such agencies.

**Environmental Regulation**

We are subject to various federal, state, foreign and local laws and regulations relating to the protection of the environment and affecting matters such as air emissions (including GHG emissions), noise emissions, discharges to surface and subsurface waters, safe drinking water, and the use, management, release, discharge and disposal of, and exposure to, materials and chemicals.

We are also subject to environmental laws and regulations that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under certain laws, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of fault or the amount of wastes directly attributable to us.

*GHG Emissions*

Concern about climate change and greenhouse gases has resulted, and is expected to continue to result, in additional regulation or taxation of aircraft emissions in the United States and abroad. In particular, on March 6, 2017, the International Civil Aviation Organization ("ICAO"), an agency of the United Nations established to manage the administration and governance of the Convention on International Civil Aviation, adopted new carbon dioxide ("CO2") certification standards for new aircraft beginning in 2020. The new CO2 standards will apply to new aircraft type designs from 2020, and to aircraft type designs already in production as of 2023. In-production aircraft that do not meet the standard by 2028 will no longer be able to be produced unless their designs are modified to meet the new standards. In August 2016, the EPA made a final endangerment finding that GHG emissions cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare, which obligates the EPA under the Clean Air Act to set GHG emissions standards for aircraft. On January 11, 2021, the EPA issued a proposed rule regulating GHG emissions from aircraft that largely conforms to the March 2017 ICAO standards. However, on November 15, 2021, the EPA announced that it would press for ambitious new airplane GHG emission standards at international negotiations organized by ICAO in late 2022. The development of new airplane GHG emissions standards cannot be predicted at this time. Additionally, President Biden, is expected to promote more aggressive policies with respect to climate change and carbon emissions, including in the aviation sector. Accordingly, there may be future rulemaking that may result in stricter GHG emissions standards than those contained in the proposed rule.

In addition, in October 2016, ICAO adopted the Carbon Offsetting and Reduction Scheme for International Aviation (“CORSIA”), which is a global, market-based emissions offset program designed to encourage carbon-neutral growth beyond 2020. CORSIA will increase operating costs for us and other U.S. airlines that operate internationally. CORSIA is being implemented in phases, with information sharing that began in 2019 and a pilot phase that began in 2021, to be followed by a first phase of the program beginning in 2024 and a second phase beginning in 2027. Countries can voluntarily participate in the pilot and first phase, and the United States agreed to participate in these voluntary phases. Participation in the second phase is mandatory for certain countries, including the United States. Certain details are still being developed and the impact cannot be fully predicted.

*Noise*

Federal law recognizes the right of airport operators with special noise problems to implement local noise abatement procedures so long as those procedures do not interfere unreasonably with interstate and foreign commerce and the national air transportation system, subject to FAA review under the Airport Noise and Control Act of 1990. These restrictions can include limiting nighttime operations, directing specific aircraft operational procedures during take-off and initial climb and limiting the overall number of flights at an airport. While we have had sufficient scheduling flexibility to accommodate local noise restrictions in the past, our operations could be adversely impacted if ICAO or locally imposed regulations become more restrictive or widespread. In addition, foreign governments may allow airports to enact similar restrictions, which could adversely impact our international operations or require significant expenditures in order for our aircraft to comply with the restrictions.

***Other Regulations***

Airlines are also subject to various other federal, state, local and foreign laws and regulations. For example, the U.S. Department of Justice has jurisdiction over certain airline competition matters. The privacy and security of passenger and employee data is regulated by various domestic and foreign laws and regulations.

**Available Information**

We make available, free of charge on our website www.suncountry.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after electronically filing such material with, or furnishing such material to, the Securities and Exchange Commission (the "SEC"). Materials filed with the SEC are available at www.sec.gov. The information contained on, or that can be accessed through, our website is not incorporated by reference into this Annual Report.

**ITEM 1A: RISK FACTORS**

*You should carefully consider the risks and uncertainties described below, as well as the other information contained in this Annual Report, including our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. Any of the following risks could materially adversely affect our business, financial condition and results of operations.*

**Risks Related to Our Industry**

***The rapid spread of the COVID-19 virus and its variants has had and may continue to have an adverse impact on our business, operating results, financial condition and liquidity. A new outbreak of COVID-19 or another disease or similar public health threat in the future could also have an adverse effect on our business, operating results, financial condition and liquidity.***

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic causing a massive market disruption to the aviation industry. Measures such as travel restrictions, including testing regimes, "stay at home" and quarantine orders, limitations on public gatherings, cancellation of public events and many others have resulted in a decline in demand for air travel.

While most restrictions have been removed in the United States, and a recovery is underway in the domestic airline industry, additional governmental and other restrictions and regulations may be implemented or reinstated in the future in response to further outbreaks of COVID-19 or another disease, including travel restrictions (including on domestic air travel within the United States), quarantines of populations (including our personnel), limitations on aircraft capacity, testing requirements and restrictions on our ability to access our facilities or aircraft or requirements to collect additional passenger data. In addition, governments, non-governmental organizations and entities in the private sector may issue non-binding advisories or recommendations regarding air travel or other physical distancing measures, including limitations on the number of persons that should be present at public gatherings, which may significantly reduce demand. These and other restrictions and regulations, as well as the general concern about the virus among travelers, have had, and could continue to have, a material adverse impact on our business, operating results, financial condition and liquidity.

Future outbreaks of COVID-19 or another disease could have a material negative impact on demand. Reduced demand would have an adverse impact on our revenues and lower levels of flying can lead to higher unit costs. Actual or perceived risk of infection from COVID-19 or another disease could have a material adverse effect on the public's demand for and willingness to use air travel, which could harm our reputation and business. Demand for scheduled service business has been negatively correlated to case counts of COVID-19 in Minnesota and the destinations of our scheduled flights in the past, and to the extent that future variants cause higher case counts, or there is an outbreak of another disease, we could see reductions in demand. Furthermore, historically, unfavorable U.S. economic conditions as a result of COVID-19 have driven changes in travel patterns in the past, including significantly and materially reduced spending for both leisure and business travel. Unfavorable economic conditions, when low fares are often used to stimulate traffic, have also historically hampered the ability of airlines to raise fares to counteract any increases in fuel, labor and other costs. Additionally, passenger bookings have also, on average, been closer to the date of service than in prior periods, which has reduced our visibility into future revenue.

Our operations may be further impacted in the event of additional instances of actual or perceived risk of infection of COVID-19 or another disease among our employees, suppliers or business partners, and this impact may have a material adverse effect if we are unable to maintain a suitably skilled and sized workforce and address related employee matters. In addition, supply chain disruptions may impede our cargo customers’ ability to deliver freight to the airports we serve, which could reduce their need for our services and thus have a material adverse effect on our business, results of operations and financial condition.

The industry may also be subject to enhanced health and hygiene requirements in attempts to counteract future outbreaks of COVID-19 or another disease, which requirements may be costly and take a significant amount of time to implement, or drive additional staffing during a time when staffing shortages are commonplace.

We may take additional actions in response to COVID-19 or another disease to improve our financial position, including measures to improve liquidity, such as the issuance of unsecured and secured debt securities, equity securities and equity-linked securities, the sale of assets and/or the entry into additional bilateral and syndicated secured and/or unsecured credit facilities. There can be no assurance as to the timing of any such issuance, or that any such additional financing will be completed on favorable terms, or at all. Any such actions may be material in nature and could result in significant additional borrowing. Our reduction in expenditures, measures to improve liquidity or other strategic actions that we may take in the future in response to COVID-19 or another disease may not be effective in offsetting decreased demand, which could result in a material adverse effect on our business, operating results, liquidity and financial condition.

Even as enhanced screenings, quarantine and other requirements, and travel restrictions have eased, we may continue to experience similar adverse effects to our business, operating results, financial condition and liquidity resulting from a recessionary or depressed economic environment that may persist, including increases in unemployment, and our business and operating results may not return to pre-COVID-19 pandemic levels on a timely basis or at all. The impact of future outbreaks of COVID-19 or another disease on our businesses, operating results, financial condition and liquidity could exacerbate the other risks identified in this Annual Report.

***The demand for airline services is highly sensitive to changes in economic conditions, and a recession or similar or worse economic downturn in the United States would weaken demand for our services and have a material adverse effect on our business, results of operations and financial condition.***

The demand for travel and cargo services is affected by U.S. and global economic conditions. Unfavorable economic conditions have historically reduced aviation spending. For most passengers visiting friends and relatives and cost-conscious leisure travelers (our primary market), travel is a discretionary expense, and during periods of unfavorable economic conditions travelers have often elected to replace air travel at such times with car travel or other forms of ground transportation or have opted not to travel at all. Additionally, any significant increases in unemployment in the United States would likely have a negative impact on passenger bookings, especially when the customers we serve are generally paying with their own money. Likewise, during periods of unfavorable economic conditions, businesses have deferred air travel or forgone it altogether. Additionally, retail and thus cargo demand can also decrease. Furthermore, most of our charter revenue is generated from ad hoc or short-term contracts with repeat customers, and these customers may cease using our services or seek to negotiate more aggressive pricing during periods of unfavorable economic conditions. Any reduction in charter or cargo revenue during such periods could also increase our unit costs and thus have a material adverse effect on our business, results of operations and financial condition. Travelers have also reduced spending by purchasing fewer ancillary services, which can result in a decrease in average revenue per seat. Because airlines typically have relatively high fixed costs as a percentage of total costs, much of which cannot be mitigated during periods of lower demand for air travel or cargo services, the airline business is particularly sensitive to changes in economic conditions. A reduction in the demand for air travel or cargo services due to unfavorable economic conditions also limits our ability to raise fares or fees for cargo services to counteract increased fuel, labor and other costs. If U.S. or global economic conditions are unfavorable or uncertain for an extended period of time, it would have a material adverse effect on our business, results of operations and financial condition.

***Inflation may have an adverse impact on our business, results of operations and financial condition.***

Inflation risk is the risk that the value of assets or income will be worth less in the future as inflation decreases the value of money. Recently, there have been market indicators of a pronounced rise in inflation. As a result, the Federal Reserve has raised certain benchmark interest rates in an effort to combat inflation. Inflation generally results in increased costs of goods and services, including those we use in our operations, which would increase our expenses. In addition, our customers could also be affected by inflation, which could have a negative impact on demand for air travel. If the U.S. economy continues to feel the effects of inflationary pressures, our business, results of operations and financial condition could be materially adversely affected.

***Our business has been, and in the future may be, materially adversely affected by the price and availability of aircraft fuel. Unexpected increases in the price of aircraft fuel or a shortage or disruption in the supply of aircraft fuel could have a material adverse effect on our business, results of operations and financial condition.***

The cost of aircraft fuel is highly volatile and is one of our largest individual operating expenses, accounting for approximately 32%, 25% and 22% of our operating expenses for the years ended December 31, 2022, 2021 and 2020, respectively. High fuel prices or increases in fuel costs (or in the price of crude oil) could have a material adverse effect on our business, results of operations and financial condition, including as a result of legacy network airlines and LCCs adapting more rapidly or effectively to higher fuel prices through new-technology aircraft that is more fuel efficient than our aircraft. Over the past several years, the price of aircraft fuel has fluctuated substantially and prices continue to be highly volatile. In addition, prolonged low fuel prices could limit our ability to differentiate our product and low fares from those of the legacy network airlines and LCCs, as prolonged low fuel prices could enable such carriers to, among other things, substantially decrease their costs, fly longer stages or utilize older aircraft.

Our business is also dependent on the availability of aircraft fuel (or crude oil), which is not predictable. Weather-related events, natural disasters, terrorism, wars (including as a result of the Russia-Ukraine military conflict), supply chain disruptions, political disruption or instability involving oil-producing countries, changes in governmental or cartel policy concerning crude oil or aircraft fuel production, labor strikes or other events affecting refinery production, transportation, taxes or marketing, environmental concerns, market manipulation, price speculation, changes in currency exchange rates and other unpredictable events may drive actual or perceived fuel supply shortages. Shortages in the availability of, or increases in demand for, crude oil in general, other crude oil-based fuel derivatives and aircraft fuel in particular could result in increased fuel prices and could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to increase ticket prices sufficiently to cover increased fuel costs, particularly when fuel prices rise quickly. We sell a significant number of tickets to passengers well in advance of travel, and, as a result, fares sold for future travel may not reflect increased fuel costs. In addition, our ability to increase ticket prices to offset an increase in fuel costs is limited by the competitive nature of the airline industry and the price sensitivity associated with air travel, particularly leisure travel, and any increases in fares may reduce the general demand for air travel. Additionally, our cargo and charter customers may choose to refuse fuel pass-through contracts, which could drive down the profitability of those agreements.

From time-to-time, we may enter into fuel derivative contracts in order to mitigate the risk to our business from future volatility in fuel prices but such contracts may not fully protect us from all related risks. In general, our charter and cargo operations have pass-through provisions for fuel costs, and as such we do not hedge our fuel requirements for that portion of our business. As of December 31, 2022, we had no outstanding fuel derivative contracts.

We may enter into derivatives that do not qualify for hedge accounting, which can impact our results of operations and increase the volatility of our earnings due to recognizing the mark-to-market impact of our hedge portfolio as a result of changes in the forward markets for oil and/or jet fuel. We cannot assure you our fuel hedging program will be effective or that we will maintain a fuel hedging program. Even if we are able to hedge portions of our future fuel requirements, we cannot guarantee that our hedge contracts will provide an adequate level of protection against increased fuel costs or that the counterparties to our hedge contracts will be able to perform. Additionally, our ability to realize the benefit of declining fuel prices will be limited by the impact of any fuel hedges in place, we may incur additional expenses in connection with entering into derivative contracts and we may record significant losses on fuel hedges during periods of declining prices. A failure of our fuel hedging strategy, potential margin funding requirements, overpaying for fuel through the use of hedging arrangements or our failure to maintain a fuel hedging program could prevent us from adequately mitigating the risk of fuel price increases and could have a material adverse effect on our business, results of operations and financial condition.

***Threatened or actual terrorist attacks or security concerns involving airlines could have a material adverse effect on our business, results of operations and financial condition.***

Past terrorist attacks or attempted attacks, particularly those involving airlines, have caused substantial revenue losses and increased security costs, and any actual or threatened terrorist attack or security breach, even if not directly against an airline, could have a material adverse effect on our business, results of operations and financial condition. Security concerns resulting in enhanced passenger screening, increased regulation governing carry-on baggage and cargo and other similar restrictions on passenger travel and cargo may further increase passenger inconvenience and reduce the demand for air travel or increase costs associated with providing cargo service. In addition, increased or enhanced security measures have tended to result in higher governmental fees imposed on airlines, resulting in higher operating costs for airlines, which we may not be able to pass on to customers in the form of higher prices. Terrorist attacks, or the fear of such attacks or other hostilities (including elevated national threat warnings or selective cancellation or redirection of flights due to terror threats), even if not made directly on or involving the airline industry, could have a negative impact on the airline industry and have a material adverse effect on our business, results of operations and financial condition.

***The airline industry is exceedingly competitive, and we compete against new entrants, LCCs, ULCCs, legacy network airlines and cargo carriers; if we are not able to compete successfully in our markets, our business will be materially adversely affected.***

We face significant competition with respect to routes, fares and services. Within the airline industry, we compete with new airlines, ULCCs, LCCs and legacy network airlines for airline passengers traveling on the routes we serve, particularly customers traveling in economy or similar classes of service. Competition on most of the routes we presently serve is intense, due to the large number of carriers in those markets. Furthermore, other airlines or new airlines may begin service or increase existing service on routes where we currently face no or little competition. In almost all instances, our competitors are larger than we are and possess significantly greater financial and other resources than we do.

The airline industry is particularly susceptible to price discounting because once a flight is scheduled, airlines incur only nominal additional costs to provide service to passengers occupying otherwise unsold seats. Increased fare or other price competition could adversely affect our operations. Airlines typically use discount fares and other promotions to stimulate traffic during normally slower travel periods to generate cash flow and to increase revenue per available seat mile. The prevalence of discount fares can be particularly acute when a competitor has excess capacity to sell. Moreover, many other airlines have unbundled their services, at least in part, by charging separately for services such as baggage and advance seat selection, which previously were offered as a component of base fares. This unbundling and other cost-reducing measures could enable competitor airlines to reduce fares on routes that we serve. The availability of low-priced fares coupled with an increase in domestic capacity has led to dramatic changes in pricing behavior in many U.S. markets. Many domestic carriers began matching lower cost airline pricing, either with limited or unlimited inventory.

During economic downturns, including during a health crisis, our competitors may choose to take an aggressive posture toward market share growth on routes where we compete, which would flood a low demand market with additional capacity that drives down fares, which could have a material adverse effect on our business, results of operations and financial condition.

Our growth and the success of our high-growth, low-cost business model could stimulate competition in our markets through our competitors' development of their own LCC or ULCC strategies, new pricing policies designed to compete with LCCs, ULCCs or new market entrants. Airlines increase or decrease capacity in markets based on perceived profitability. If our competitors increase overall industry capacity, or capacity dedicated to a particular domestic or foreign region, market or route that we serve, it could have a material adverse impact on our business. If a legacy network airline were to successfully develop a low-cost product or if we were to experience increased competition from LCCs, our business could be materially adversely affected. Regardless of cost structure, the domestic airline industry has often been the source of fare wars undertaken to grow market share or for other reasons.

A competitor adopting an LCC or ULCC strategy may have greater financial resources and access to lower cost sources of capital than we do, which could enable them to operate their business with a lower cost structure or lower marginal revenues without substantial adverse effects than we can. If these competitors adopt and successfully execute an LCC or ULCC business model, our business could be materially adversely affected.

Similarly, our competitors may choose to commence or expand their existing charter operations, which could adversely impact our ability to obtain or renew charter contracts, especially in periods of low demand. This could result in decreases in our charter services market share and reduced profitability for our charter operations, which would have a material adverse effect on our business, results of operations and financial condition.

Our competitors may also choose to commence, or expand their existing, cargo operations. In addition, our competitors could seek to provide cargo services to Amazon, which could adversely impact our ability to maintain or renew the ATSA. This could result in reduced frequencies for our cargo operations, which could have a material adverse effect on our business, results of operations and financial condition.

There has been significant consolidation within the airline industry, including, for example, the combinations of American Airlines and US Airways, Delta Air Lines and Northwest Airlines, United Airlines and Continental Airlines, Southwest Airlines and AirTran Airways, and Alaska Airlines and Virgin America. In the future, there may be additional consolidation in our industry, such as the planned merger of JetBlue Airways and Spirit Airlines. Business combinations could significantly alter industry conditions and competition within the airline industry and could permit our competitors to reduce their fares.

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

***Airlines are often affected by factors beyond their control, including: air traffic congestion at airports; air traffic control inefficiencies; air traffic control staffing; government shutdowns or mandates; FAA grounding of aircraft; major construction or improvements at airports; adverse weather conditions, such as hurricanes or blizzards; increased security measures; new travel-related taxes; or the outbreak of disease, any of which could have a material adverse effect on our business, results of operations and financial condition.***

Like other airlines, our business is affected by factors beyond our control, including air traffic congestion at airports, air traffic control inefficiencies, major construction or improvements at airports at which we operate, increased security measures, new travel-related taxes and fees, adverse weather conditions, natural disasters and the outbreak of disease. Factors that cause flight delays frustrate passengers and increase costs and decrease revenues, which in turn could adversely affect profitability. The federal government controls all U.S. airspace, and airlines are completely dependent on the FAA to operate that airspace in a safe, efficient and affordable manner. The air traffic control system, which is operated by the FAA, faces challenges in managing the growing demand for U.S. air travel. U.S. and foreign air traffic controllers often rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes resulting in delays. The federal government also controls airport security. In addition, there are proposals before Congress that would treat a wide range of consumer protection issues, which could increase the costs of doing business. Further, implementation of the Next Generation Air Transportation System, or NextGen, by the FAA would result in changes to aircraft routings and flight paths that could lead to increased noise complaints and lawsuits, resulting in increased costs. NextGen is a multi-year modernization project with a target of having all major components in place by 2025. In addition, federal government shutdowns can affect the availability of federal resources necessary to provide air traffic control and airport security. Furthermore, a federal government grounding of our aircraft type could result in flight cancellations and adversely affect our business. Governmental mandates requiring certain behaviors from employees, such as vaccine mandates, could limit our ability to staff to meet demand because employees may choose to resign or decide not to apply for or accept open positions.

Adverse weather conditions and natural disasters, such as hurricanes, thunderstorms, winter snowstorms or earthquakes, can cause flight cancellations or significant delays, and in the past have led to Congressional demands for investigations. Cancellations or delays due to adverse weather conditions or natural disasters, air traffic control problems or inefficiencies, breaches in security or other factors may affect us to a greater degree than other, larger airlines that may be able to recover more quickly from these events, and therefore could have a material adverse effect on our business, results of operations and financial condition to a greater degree than other air carriers. Because of our day of week, limited schedule and optimized utilization and point-to-point network, operational disruptions can have a disproportionate impact on our ability to recover. In addition, many airlines reaccommodate their disrupted passengers on other airlines at prearranged rates under flight interruption manifest agreements. We have been unsuccessful in procuring any of these agreements with our peers, which makes our recovery from disruption more challenging than for larger airlines that have these agreements in place. Similarly, outbreaks of pandemic or contagious diseases, such as ebola, measles, avian flu, severe acute respiratory syndrome (SARS), COVID-19, H1N1 (swine) flu, pertussis (whooping cough) and zika virus, or their respective variants, could result in significant decreases in passenger traffic and the imposition of government restrictions in service and could have a material adverse impact on the airline industry. Any increases in travel-related taxes could also result in decreases in passenger traffic. Any general reduction in airline passenger traffic could have a material adverse effect on our business, results of operations and financial condition. Moreover, U.S. federal government shutdowns may cause delays and cancellations or reductions in discretionary travel due to longer security lines, including as a result of furloughed government employees or reductions in staffing levels, including air traffic controllers. U.S. government shutdowns may also impact our ability to take delivery of aircraft and commence operations in new domestic stations. Another extended shutdown like the instance in December 2018-January 2019 may have a negative impact on our operations and financial results.

***The industry is experiencing a higher than normal number of pilot retirements, increased competition in pilot hiring, more stringent duty time regulations, increased flight hour requirements for commercial airline pilots, reductions in the number of military pilots entering the commercial workforce, increased training requirements and other factors that have led to a shortage of pilots, which could materially adversely affect our business.***

Large numbers of pilots in the industry are approaching the FAA’s mandatory retirement age of 65 or have otherwise accepted an early retirement during the COVID-19 pandemic. Commercial airline pilots are subject to rigorous certification standards and must adhere to flight time and rest requirements. Commencing in 2013, the minimum flight hour requirement to achieve a commercial pilot’s license in the United States increased from 250 to 1,500 hours, thereby significantly increasing the time and cost commitment required to become licensed to fly a commercial aircraft. Additionally, the number of military pilots being trained by the U.S. armed forces and available as commercial pilots upon their retirement from military service has been decreasing. These and other factors have led to a shortage of qualified, entry-level pilots and increased compensation costs, particularly at carriers other than the large legacy carriers. The foregoing factors have led to additional competition from carriers attempting to meet their hiring needs. With the current pilot shortage, airlines may be unable to hire adequate numbers of pilots to meet their needs, resulting in a reduction in the number of flights offered, disruptions, increased costs of operations, financial difficulties and other adverse effects, and these circumstances may become more severe in the future and thereby cause a material adverse effect on our business.

***Risks associated with our presence in international markets, including political or economic instability, and failure to adequately comply with existing and changing legal requirements, may materially adversely affect us.***

Some of our target growth markets include countries with less developed economies, legal systems, financial markets and business and political environments that are vulnerable to economic and political disruptions, such as significant fluctuations in gross domestic product, interest and currency exchange rates, civil disturbances, government instability, nationalization and expropriation of private assets, trafficking and the imposition of taxes or other charges by governments, as well as health and safety concerns. The occurrence of any of these events in markets served by us now or in the future and the resulting instability may have a material adverse effect on our business, results of operations and financial condition.

We emphasize compliance with all applicable laws and regulations in all jurisdictions where we operate and have implemented and continue to implement and refresh policies, procedures and certain ongoing training of our employees, third-party providers and partners with regard to business ethics and key legal requirements; however, we cannot assure that our employees, third-party providers or partners will adhere to our code of ethics, other policies or other legal requirements. If we fail to enforce our policies and procedures properly or maintain adequate recordkeeping and internal accounting practices to record our transactions accurately, we may be subject to sanctions. In the event we believe or have reason to believe our employees, third-party providers or partners have or may have violated applicable laws or regulations, we may incur investigation costs, potential penalties and other related costs, which in turn may materially adversely affect our reputation and could have a material adverse effect on our business, results of operations and financial condition.

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

If any of our aircraft were to be involved in a significant accident or if our property or operations were to be affected by a significant natural catastrophe or other event, we could be exposed to material liability or loss. If insurance markets harden due to other airline global incidents, general aviation incidents or other economic factors, we could be unable to obtain sufficient insurance (including aviation hull and liability insurance and property and business interruption coverage) to cover such liabilities or losses, our business could be materially adversely affected.

We currently obtain war risk insurance coverage (terrorism insurance) as part of our commercial aviation hull and liability policy, and additional excess third-party war risk insurance through the commercial aviation war risk market. Our current war risk insurance from commercial underwriters excludes nuclear, radiological and certain other events. The global insurance market for aviation-related risks has been faced with significant losses, resulting in substantial tightening in insurance markets with reduced capacity and increased prices. If we are unable to obtain adequate third-party hull and liability or third-party war risk (terrorism) insurance or if an event not covered by our insurance were to take place, our business could be materially adversely affected.

***The airline industry is heavily taxed.***

The airline industry is subject to extensive government fees and taxation that negatively impact our revenue and profitability. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. For example, as permitted by federal legislation, most major U.S. airports impose a passenger facility charge per passenger on us. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Moreover, we are obligated to collect a federal excise tax, commonly referred to as the “ticket tax,” on domestic and international air transportation. We collect the excise tax, along with certain other U.S. and foreign taxes and user fees on air transportation (such as passenger security fees), and pass along the collected amounts to the appropriate governmental agencies. Although these taxes and fees are not our operating expenses, they represent an additional cost to our customers, that can drive down demand as we operate in a highly elastic environment, drives down demand. There are continuing efforts in Congress and in other countries to raise different portions of the various taxes, fees, and charges imposed on airlines and their passengers, including the passenger facility charge, and we may not be able to recover all of these charges from our customers. Increases in such taxes, fees and charges could negatively impact our business, results of operations and financial condition.

Under regulations set forth by the Department of Transportation, or the DOT, all governmental taxes and fees must be included in the prices we quote or advertise to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the customer. Further increases in fees and taxes may reduce demand for air travel, and thus our revenues.

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

For the years ended December 31, 2022, 2021 and 2020 we generated ancillary revenues of $192,506, $117,237 and $68,055, respectively. Our ancillary revenue consists primarily of revenue generated from air travel-related services such as baggage fees, seat selection and upgrade fees, priority check-in and boarding fees, itinerary service fees and on-board sales. The DOT has rules governing many facets of the airline-consumer relationship, including, for instance, consumer notice requirements, handling of consumer complaints, price advertising, lengthy tarmac delays, oversales and denied boarding process/compensation, ticket refunds, liability for loss, delay or damage to baggage, customer service commitments, contracts of carriage, consumer disclosures and the transportation of passengers with disabilities. The DOT periodically audits airlines to determine whether such airlines have violated any of the DOT rules. If the DOT determines that we are not, or have not been, in compliance with these rules or if we are unable to remain compliant, the DOT may subject us to fines or other enforcement action. The DOT may also impose additional consumer protection requirements, including adding requirements to modify our websites and computer reservations system, which could have a material adverse effect on our business, results of operations and financial condition. The U.S. Congress and the DOT have examined the increasingly common airline industry practice of unbundling the pricing of certain products and ancillary services, a practice that is a core component of our business strategy. If new laws or regulations are adopted that make unbundling of airline products and services impermissible, or more cumbersome or expensive, or if new taxes are imposed on ancillary revenues, our business, results of operations and financial condition could be negatively impacted. Congressional, Federal agency and other government scrutiny may also change industry practice or the public's willingness to pay for ancillary services.

***We are subject to risks associated with climate change, including increased regulation to reduce emissions of greenhouse gases.***

Concern about climate change and greenhouse gases has resulted, and is expected to continue to result, in additional regulation or taxation of aircraft emissions in the United States and abroad. In particular, on March 6, 2017, ICAO, an agency of the United Nations established to manage the administration and governance of the Convention on International Civil Aviation, adopted new CO2 certification standards for new aircraft beginning in 2020. The new CO2 standards will apply to new aircraft type designs from 2020, and to aircraft type designs already in production as of 2023.

In-production aircraft that do not meet the standard by 2028 will no longer be able to be produced unless their designs are modified to meet the new standards. In August 2016, the Environmental Protection Agency, or the EPA, made a final endangerment finding that aircraft engine greenhouse gas, or GHG, emissions cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare, which obligates the EPA under the Clean Air Act to set GHG emissions standards for aircraft. On January 11, 2021, the EPA issued a rule regulating GHG emissions from aircraft that largely conforms to the March 2017 ICAO standards. However, on November 15, 2021, the EPA announced that it will press for ambitions new airplane GHG emission standards at international negotiations organized by ICAO in late 2022. The development of new airplane GHG emissions standards cannot be predicted at this time. Additionally, President Biden is expected to promote more aggressive policies with respect to climate change and carbon emissions, including in the aviation sector. Accordingly, there may be future rulemaking that may result in stricter GHG emissions standards than those contained in the rule. In addition, federal climate legislation, including the "Green New Deal" resolution, has been introduced in Congress recently, although Congress has yet to pass a bill specifically addressing GHG regulation. Several states are also considering or have adopted initiatives to regulate emissions of GHGs, primarily through the planned development of GHG emissions inventories and/or regional cap-and-trade programs.

In addition, in October 2016, ICAO adopted CORSIA, which is a global, market-based emissions offset program designed to encourage carbon-neutral growth beyond 2020. Further, in June 2018 ICAO adopted standards pertaining to the collection and sharing of information on international aviation emissions beginning in 2019. CORSIA will increase operating costs for us and other U.S. airlines that operate internationally. CORSIA is being implemented in phases, with information sharing beginning in 2019 and a pilot phase beginning in 2021, to be followed by a first phase of the program beginning in 2024 and a second phase beginning in 2027. Countries can voluntarily participate in the pilot and first phase, and the United States agreed to participate in these voluntary phases. Participation in the second phase is mandatory for certain countries, including the United States. Certain details are still being developed and the impact cannot be fully predicted. The potential impact of CORSIA or other emissions-related requirements on our costs will ultimately depend on a number of factors, including baseline emissions, the price of emission allowances or offsets that we would need to acquire, the efficiency of our fleet and the number of flights subject to these requirements. These costs have not been completely defined and could fluctuate.

We also expect the SEC to adopt rules requiring certain new disclosures, including environmental-related disclosures, which could be costly and difficult to implement. Compliance with existing and future environmental laws and regulations can require significant expenditures and operational changes and violations can lead to significant fines and penalties and reputational harm. In the event that legislation or regulation with respect to GHG emissions associated with aircraft or applicable to the fuel industry is enacted in the United States or other jurisdictions where we operate or where we may operate in the future, or as part of international conventions to which we are subject, it could result in significant costs for us and the airline industry. In addition to direct costs, such regulation may have a greater effect on the airline industry through increases in fuel costs that could result from fuel suppliers passing on increased costs that they incur under such a system.

***We face competition from air travel substitutes.***

In addition to airline competition from legacy network airlines, LCCs and ULCCs, we also face competition from air travel substitutes. Our business serves primarily leisure travelers, for whom travel is entirely discretionary. On our domestic routes, particularly those with shorter stage lengths, we face competition from some other transportation alternatives, such as bus, train or automobile. The presidential administration and the Secretary of the Department of Transportation have indicated strong support for trains. In addition, technology advancements may limit the demand for air travel. For example, video teleconferencing and other methods of electronic communication may reduce the need for in-person communication and add a new dimension of competition to the industry as travelers seek lower-cost substitutes for air travel. The COVID-19 pandemic accelerated adoption of such technology and customers may be more likely to think it is sufficient for their needs, which could reduce demand for air travel. If we are unable to stimulate demand for air travel with our low base fares or if we are unable to adjust rapidly in the event the basis of competition in our markets changes, it could have a material adverse effect on our business, results of operations and financial condition.

***We cannot assure you that compliance with laws, regulations, orders, rulings and guidance will not have a material adverse effect on our business, results of operations and financial condition.***

Compliance with the laws, regulations, orders, rulings and guidance applicable to the airline industry may increase our costs, which could have a material adverse effect on our business. For example, if our current standards do not meet the FAA’s rules regarding minimum dimensions for passenger seats, the number of seats on our aircraft would be reduced and our operating costs would increase.

In addition, the TSA imposes security procedures and requirements on U.S. airports and airlines serving U.S. airports, some of which are funded by a security fee imposed on passengers and collected by airlines, which impedes our ability to stimulate demand through low fares. We cannot forecast what additional security and safety requirements may be imposed in the future or the costs or revenue impact that would be associated with complying with such requirements.

Furthermore, the DoD continues to issue new IT systems security requirements which require expenditures in order to bring our systems into compliance.

Our ability to operate as an airline is dependent on our obtaining and maintaining authorizations issued to us by the DOT and the FAA. The FAA has the authority to issue mandatory orders relating to, among other things, operating aircraft, the grounding of aircraft, maintenance and inspection of aircraft, installation of new safety-related items, and removal and replacement of aircraft parts that have failed or may fail in the future. A decision by the FAA to ground, or require time-consuming inspections of or maintenance on, our aircraft, for any reason, could negatively affect our business, results of operations and financial condition. Federal law requires that air carriers operating scheduled service be continuously “fit, willing and able” to provide the services for which they are licensed. Our “fitness” is monitored by the DOT, which considers managerial competence, operations, finances, and compliance record. In addition, under federal law, we must be a U.S. citizen (as determined under applicable law). Please see “Business—Foreign Ownership.” While the DOT has seldom revoked a carrier’s certification for lack of fitness, such an occurrence would render it impossible for us to continue operating as an airline. The DOT may also institute investigations or administrative proceedings against airlines for violations of regulations.

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

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

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

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

***We are subject to various environmental and noise laws and regulations, which could have a material adverse effect on our business, results of operations and financial condition.***

We are subject to increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment and noise, including those relating to emissions to the air (including air emissions associated with the operation of our aircraft), discharges (including storm water discharges) to surface and subsurface waters, safe drinking water and the use, management, disposal and release of, and exposure to, hazardous substances, oils and waste materials. We are or may be subject to new or amended laws and regulations that may have a direct effect (or indirect effect through our third-party providers, including the petroleum industry, or airport facilities at which we operate) on our operations. In addition, U.S. airport authorities are exploring ways to limit de-icing fluid discharges. Any such existing, future, new or potential laws and regulations could have an adverse impact on our business, results of operations and financial condition.

Similarly, we are subject to environmental laws and regulations that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under certain laws current and former owners or operators of facilities, as well as generators of waste materials disposed of at such facilities, can be subject to liability for investigation and remediation costs at facilities that have been identified as requiring response actions. Liability under these laws may be strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of fault or compliance with applicable law when the disposal occurred or the amount of wastes directly attributable to us.

In addition, ICAO and jurisdictions around the world have adopted noise regulations that require all aircraft to comply with noise level standards, and governmental authorities in several U.S. and foreign cities are considering or have already implemented aircraft noise reduction programs, including the imposition of overnight curfews and limitations on daytime take-offs and landings. Compliance with existing and future environmental laws and regulations, including emissions limitations and more restrictive or widespread noise regulations, that may be applicable to us could require significant expenditures, increase our cost base and have a material adverse effect on our business, results of operations and financial condition, and violations thereof can lead to significant fines and penalties, among other sanctions.

We participate with other airlines in fuel consortia and fuel committees at our airports where economically beneficial, which agreements generally include cost-sharing provisions and environmental indemnities that are generally joint and several among the participating airlines. Any costs (including remediation and spill response costs) incurred by such fuel consortia could also have an adverse impact on our business, results of operations and financial condition.

We also expect the SEC to adopt rules requiring certain new disclosures, including environmental-related disclosures, which could be costly and difficult to implement. Compliance with existing and future environmental laws and regulations can require significant expenditures and operational changes and violations can lead to significant fines and penalties and reputational harm.

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

Airlines are subject to extensive regulatory and legal compliance requirements, both domestically and internationally, that impose significant costs. In the last several years, Congress has passed laws and the FAA, DOT and TSA have issued regulations, orders, rulings and guidance relating to consumer protections and to the operation, safety, and security of airlines that have required significant expenditures. We expect to continue to incur expenses in connection with complying with such laws and government regulations, orders, rulings and guidance. Additional laws, regulations, taxes and increased airport rates and charges have been proposed from time-to-time that could significantly increase the cost of airline operations or reduce the demand for air travel. For example, the FAA Reauthorization Act of 2018 directed the FAA to issue rules establishing minimum dimensions for passenger seats, including seat pitch, width and length. If adopted, these measures could have the effect of raising ticket prices, reducing revenue, and increasing costs.

For example, the DOT has broad authority over airlines and their consumer and competitive practices, and has used this authority to issue numerous regulations and pursue enforcement actions, including rules and fines relating to the handling of lengthy tarmac delays, consumer notice requirements, consumer complaints, price and airline advertising, distribution, oversales and involuntary denied boarding process and compensation, ticket refunds, liability for loss, delay or damage to baggage, customer service commitments, contracts of carriage and the transportation of passengers with disabilities. Among these is the series of Enhanced Airline Passenger Protection rules issued by the DOT. In addition, the adoption of FAR Part 117 in 2014 modified required pilot rest periods and work hours and Congress has enacted a law and the FAA issued regulations requiring U.S. airline pilots to have a minimum number of hours as a pilot in order to qualify for an Air Transport Pilot certificate, which all pilots on U.S. airlines must obtain. Furthermore, in October 2018, Congress passed the FAA Reauthorization Act of 2018, which extends FAA funds through fiscal year 2023. The legislation contains provisions which could have effects on our results of operations and financial condition. Among other provisions, the new law requires the DOT to clarify that, with respect to a passenger who is involuntarily denied boarding as a result of an oversold flight, there is no maximum level of compensation an air carrier may pay to such passenger and the compensation levels set forth in the regulations are the minimum levels of compensation an air carrier must pay to such a passenger, and to create new requirements for the treatment of disabled passengers. In addition it provides that the maximum civil penalty amount for damage to wheelchairs and other mobility aids or for injuring a disabled passenger may be trebled. The FAA must issue rules establishing minimum dimensions for passenger seats, including seat pitch, width and length. The FAA Reauthorization Act of 2018 also establishes new rest requirements for flight attendants and requires, within one year, that the FAA issue an order requiring installation of a secondary cockpit barrier on each new aircraft. The FAA Reauthorization Act of 2018 also provides for several other new requirements and rulemakings related to airlines, including but not limited to: 1) prohibition on voice communication cell phone use during certain flights, 2) insecticide use disclosures, 3) new training policy best practices for training regarding racial, ethnic, and religious non-discrimination, 4) training on human trafficking for certain staff, 5) departure gate stroller check-in, 6) the protection of pets on airplanes and service animal standards, 7) requirements to refund promptly to passengers any ancillary fees paid for services not received, 8) consumer complaint process improvements, 9) pregnant passenger assistance, 10) restrictions on the ability to deny a revenue passenger permission to board or involuntarily remove such passenger from the aircraft, 11) minimum customer service standards for large ticket agents, 12) information publishing requirements for widespread disruptions and passenger rights, 13) submission of plans pertaining to employee and contractor training consistent with the Airline Passengers with Disabilities Bill of Rights, 14) ensuring assistance for passengers with disabilities, 15) flight attendant duty period limitations and rest requirements, including submission of a fatigue risk management plan, 16) submission of policy concerning passenger sexual misconduct and 17) development of Employee Assault Prevention and Response Plan related to the customer service agents. Furthermore, in September 2019, the FAA published an Advance Notice of Proposed Rulemaking regarding flight attendant duty period limitations and rest requirements. The DOT also published a Notice of Proposed Rulemaking in January 2020 regarding, for example, the accessibility features of lavatories and onboard wheelchair requirements on certain single-aisle aircraft with an FAA certificated maximum capacity of 125 seats or more, training flight attendants to proficiency on an annual basis to provide assistance in transporting qualified individuals with disabilities to and from the lavatory from the aircraft seat, and providing certain information on request to qualified individuals with a disability or persons inquiring on their behalf, on the carrier’s website, and in printed or electronic form on the aircraft concerning the accessibility of aircraft lavatories. The DOT also recently published Final Rules regarding traveling by air with service animals and defining unfair or deceptive practices. The DOT also recently published a Final Rule clarifying that the maximum amount of denied boarding compensation that a carrier may provide to a passenger denied boarding involuntarily is not limited, prohibiting airlines from involuntarily denying boarding to a passenger after the passenger’s boarding pass has been collected or scanned and the passenger has boarded (subject to safety and security exceptions), raising the liability limits for denied boarding compensation, and raising the liability limit for mishandled baggage in domestic air transportation. Failure to remain in full compliance with these and other applicable rules and regulations may subject us to fines or other enforcement action or adversely affect our business, results of operations and financial condition.

**Risks Related to Our Business**

***If we fail to implement our business strategy successfully, our business will be materially adversely affected.***

Our business strategy includes growth in our aircraft fleet, expansion of markets we serve by building out our MSP hub, growing our seat share at MSP and growing non-MSP point-to-point markets, expanding our ancillary product offering and growing our charter service. When developing our route network, we focus on gaining market share on routes that have been underserved or are served primarily by higher cost airlines where we have a competitive cost advantage. Effectively implementing our growth strategy is critical for our business to achieve economies of scale and to sustain or increase our profitability. The COVID-19 pandemic adversely affected our growth plans and business strategy. We face numerous challenges in implementing our growth strategy, including our ability to:

- sustain our relatively low unit costs, continue to realize attractive revenue performance and maintain profitability; stimulate traffic with low fares;
- maintain an optimal level of aircraft utilization, balanced with a low aircraft acquisition cost, to execute our scheduled, cargo and charter operations;
- maintain staffing levels sufficient to operate the full schedule and to grow rapidly;
- access airports located in our targeted geographic markets; and
- maintain operational performance necessary to complete all flights.

If we are unable to obtain and maintain access to a sufficient number of slots, gates or related ground facilities at desirable airports to accommodate our growing fleet, we may be unable to compete in desirable markets, our aircraft utilization rate could decrease, and we could suffer a material adverse effect on our business, results of operations and financial condition. There can be no assurances that we will be able to grow our business at MSP or in non-MSP markets as we anticipate, or at all.

Our growth is also dependent upon our ability to maintain a safe and secure operation and will require additional personnel, equipment and facilities as we induct new aircraft and continue to execute our growth plan. In addition, we will require additional third-party personnel for services we do not undertake ourselves. An inability to hire and retain personnel, especially in light of the CARES Act limitations, timely secure the required equipment and facilities in a cost-effective manner, efficiently operate our expanded facilities or obtain the necessary regulatory approvals may adversely affect our ability to achieve our growth strategy, which could harm our business. Furthermore, expansion to new markets may have other risks due to factors specific to those markets. We may be unable to foresee all of the existing risks upon entering certain new markets or respond adequately to these risks, and our growth strategy and our business may suffer as a result. In addition, our competitors may reduce their fares and/or offer special promotions following our entry into a new market and may also offer more attractive frequent flyer programs and/or access to marketing alliances with other airlines, which we do not currently offer. We cannot assure that we will be able to profitably expand our existing markets or establish new markets.

***The rapid spread of the COVID-19 virus and its variants has materially disrupted and may continue to have an impact on our strategic operating and growth plans in the near-term, and there are risks to our business, operating results, liquidity and financial condition associated with executing our strategic operating and growth plans in the long-term.***

The rapid spread of the COVID-19 virus and its variants has materially disrupted and may continue to have an impact on our strategic operating and growth plans in the near-term, and there are risks to our business, operating results and financial condition associated with executing our strategic operating and growth plans in the long-term. In developing our strategic operating and growth plans, we make certain assumptions, including, but not limited to, those related to customer demand, competition, staffing and hiring, market consolidation, the availability of aircraft and the global economy. Actual economic, market and other conditions have been and may continue to be different from our assumptions. If we do not successfully execute or adjust our strategic operating and growth plans in the long-term, or if actual results continue to vary significantly from our prior assumptions or vary significantly from our future assumptions, our business, operating results and financial condition could be materially and adversely impacted.

***Our cargo business is concentrated with Amazon, and any decrease in volumes or increase in costs, or a termination of the ATSA, could have a material adverse effect on our business, operations, financial condition and brand.***

For the year ended December 31, 2022, cargo revenue under the ATSA represented 10% of our total operating revenues and our cargo revenue consisted entirely of air cargo transportation services provided to Amazon under the ATSA. The ATSA does not require a minimum amount of flying and Amazon is permitted to decrease flying volume at any time. Our cargo business would decline if Amazon’s use of our cargo services decreases for any reason, including due to general economic conditions or preferences of Amazon and its customers, which a decline would materially adversely affect our business, results of operations, and prospects.

In addition, the profitability of the ATSA is dependent on our ability to manage and accurately predict costs. Our projections of operating costs, crew productivity and maintenance expenses contain key assumptions, including flight hours, aircraft reliability, crewmember productivity, compensation and benefits and maintenance costs. If actual costs are higher than projected or aircraft reliability is less than expected, or aircraft become damaged and are out of revenue service for repair, the profitability of the ATSA and future operating results may be negatively impacted. We rely on flight crews that are unionized. If collective bargaining agreements increase our costs and we cannot recover such increases, our operating results would be negatively impacted. It may be necessary for us to terminate certain customer contracts or curtail planned growth.

Performance under the ATSA is subject to a number of challenges and uncertainties, such as: unforeseen maintenance and other costs; our ability to hire pilots, crew and other personnel necessary to support our CMI services, which can be impacted by industry-wide staffing shortages; interruptions in the operations under the ATSA as a result of unexpected or unforeseen events, whether as a result of factors within the Company’s control or outside of the Company’s control; and the level of operations and results of operations, including margins, under the ATSA being less than the Company's current expectations and projections. The ATSA also contains monthly incentive payments for reaching specific on-time arrival performance thresholds and there are monetary penalties for on-time arrival performance below certain thresholds. As a result, our operating revenues may vary from period-to-period depending on the achievement of monthly incentives or the imposition of penalties. Further, we could be found in default if we do not maintain certain minimum thresholds over an extended period of time. If we are placed in default due to the failure to maintain reliability thresholds, Amazon may elect to terminate all or part of the services we provide after a cure period and pursue those rights and remedies available to it at law or in equity, in which case the 2019 Warrants would remain outstanding. Amazon may also terminate the ATSA for convenience, subject to certain notice requirements and payment of a termination fee. The ATSA is also subject to two, two-year extension options, which Amazon may choose not to exercise.

To the extent our volume of flying for Amazon decreases or costs associated with our cargo business increase, or if the ATSA is terminated for any reason, our business, results of operations and financial condition could be materially and adversely affected.

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

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

***Our business is significantly tied to and consolidated in our main hub in Minneapolis-St. Paul, and any decrease in traffic in this hub could have a material adverse effect on our business, operations, financial condition and brand.***

Our service is concentrated around our hub in MSP and our business is impacted by economic and geophysical factors of this region. We maintain a large presence in MSP with approximately 90.6% of 2022 capacity, as measured by ASMs, having MSP as either their origin or destination. Flight operations in Minneapolis can face extreme weather challenges in all seasons, but especially in the winter which at times has resulted in severe disruptions in our operation and the incurrence of material costs as a consequence of such disruptions. Our business could be further harmed by an increase in the amount of direct competition we face in the Minneapolis market or by continued or increased congestion, delays or cancellations. For instance, MSP is also a significant hub for Delta Air Lines. If Delta Air Lines or another legacy network airline were to successfully develop low-cost or low-fare products or if we were to experience increased competition from LCCs or ULCCs in the Minneapolis market, our business, results of operations and prospects could be materially adversely affected.

Our business would also be negatively impacted by any circumstances causing a reduction in demand for air transportation in the Minneapolis area, such as adverse changes in local economic conditions, local regulations and/or mandates, health concerns, adverse weather conditions, negative public perception of Minneapolis, riots, social unrest, terrorist attacks or significant price or tax increases linked to increases in airport access costs and fees imposed on passengers.

We currently operate out of Terminal 2 at MSP. Our access to use our existing gates and other facilities in Terminal 2 is not guaranteed. We cannot assure you that our continued use of our facilities at MSP will occur on acceptable terms with respect to operations and cost of operations, or at all, or that our ongoing use of these facilities will not include additional or increased fees.

***Our reputation and business could be adversely affected in the event of an accident or similar public incident involving our aircraft or personnel.***

We are exposed to potential significant losses and adverse publicity in the event that any of our aircraft or personnel is involved in an accident, terrorist incident or other similar public incident, which could expose us to significant reputational harm and potential legal liability. In addition, we could face significant costs related to repairs or replacement of a damaged aircraft and its temporary or permanent loss from service. Furthermore, our customers, including Amazon, may choose not to use us for their needs following such an incident. We cannot assure you that we will not be affected by such events or that the amount of our insurance coverage will be adequate in the event such circumstances arise and any such event could cause a substantial increase in our insurance premiums. In addition, any future accident or similar incident involving our aircraft or personnel, even if fully covered by insurance or even if it does not involve our airline, may create an adverse public perception about our airline or that the equipment we fly is less safe or reliable than other transportation alternatives, or, in the case of our aircraft, could cause us to perform time-consuming and costly inspections on our aircraft or engines, any of which could have a material adverse effect on our business, results of operations and financial condition.

In addition, any accident involving the Boeing 737-NG or an aircraft similar to the Boeing 737-NG that we operate could result in the curtailment of such aircraft by aviation regulators, manufacturers and other airlines and could create a negative public perception about the safety of our aircraft, any of which could have a material adverse effect on our business, results of operations and financial condition. For example, in 2019, certain global aviation regulators and airlines grounded the Boeing 737 MAX in response to accidents involving aircraft flown by Lion Air and Ethiopian Airlines. In addition, following a 2018 accident involving the failure of a turbofan on a 737-700 aircraft, the National Transportation Safety Board, or NTSB, has recommended that regulators require Boeing to redesign the engine cowl on 737-NG aircraft and retrofit in service 737-NG aircraft with the redesigned cowl. We cannot predict when the FAA will respond to the NTSB recommendations and if it will require us to replace the engine cowls in our aircraft, which may be time-consuming and costly. The resolution of this matter or similar matters in the future could have an impact on our results of operations, financial condition, business and prospects.

***Unauthorized use, incursion or breach of our information technology infrastructure, or that of our third-party providers, could compromise the personally identifiable information of our passengers, prospective passengers or personnel and other sensitive information and expose us to liability, damage our reputation and have a material adverse effect on our business, results of operations and financial condition.***

In the processing of our customer transactions and as part of our ordinary business operations, we and certain of our third-party providers collect, process, transmit and store a large volume of personally identifiable information, including email addresses and home addresses and financial data such as credit and debit card information. This data is increasingly subject to legislation and regulation, such as the Fair Accurate Credit Transparency Act, Payment Card Industry legislation, the California Consumer Privacy Act and the European Union’s General Data Protection Regulation typically intended to protect the privacy of personal data that is collected, processed, stored and transmitted. The security of the systems and network where we and our third-party providers store this data is a critical element of our business, and these systems and our network may be vulnerable to theft, loss, damage and interruption from a number of potential sources and events, including computer viruses, hackers, enemy state actors, denial-of-service attacks, employee theft or misuse, natural or man-made disasters, telecommunications failures, power loss and other disruptive sources and events.

Additionally, any material failure by us or our third-party providers to maintain compliance with the Payment Card Industry security requirements or to rectify a data security issue may result in fines and restrictions on our ability to accept credit and debit cards as a form of payment. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants, or costs incurred in connection with the notifications to customers, employees, providers or the general public as part of our notification obligations to the various governments that govern our business. In addition, data and security breaches can also occur as a result of non-technical issues, including breaches by us or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information.

We are subject to increasing legislative, regulatory and customer focus on privacy issues and data security in the United States and abroad. In addition, a number of our commercial partners, including credit card companies, have imposed data security standards on us, and these standards continue to evolve. We will continue our efforts to meet our privacy and data security obligations; however, it is possible that certain new obligations may be difficult to meet and could increase our costs. Additionally, we must manage evolving cybersecurity risks. The loss, disclosure, misappropriation of or access to the information of our customers, personnel or business partners or any failure by us to meet our obligations could result in legal claims or proceedings, liability or regulatory penalties.

***As the cyber-threat landscape evolves, attacks are growing in frequency, sophistication, and intensity, and are becoming increasingly difficult to detect. We have in the past, and may in the future, experience such cybersecurity threats.***

We and the vendors who service us may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber attacks. Attacks may be targeted at us, our customers (including the DoD) and our providers, including air navigation service providers, or others who have entrusted us with information, including regulators such as the DoD, FAA and DOT. In addition, attacks not targeted at us, but targeted solely at providers, may cause disruption to our computer systems or a breach of the data that we maintain on customers, employees, providers and others. Recently, several high profile consumer-oriented companies have experienced significant data breaches, which have caused those companies to suffer substantial financial and reputational harm. We cannot assure you that the precautions we have taken to avoid an unauthorized incursion of our computer systems are either adequate or implemented properly to prevent a data breach and its adverse financial and reputational consequences to our business.

A significant cybersecurity incident could result in a range of potentially material negative consequences for us, including lost revenue; unauthorized access to, disclosure, modification, misuse, loss or destruction of company systems or data; theft of sensitive, regulated or confidential data, such as personal identifying information or our intellectual property; the loss of functionality of critical systems through ransomware, denial of service or other attacks; and business delays, service or system disruptions, damage to equipment and injury to persons or property. The costs and operational consequences of defending against, preparing for, responding to and remediating an incident may be substantial. Further, we could be exposed to litigation, regulatory enforcement or other legal action as a result of an incident, carrying the potential for damages, fines, sanctions or other penalties, as well as injunctive relief requiring costly compliance measures. A cybersecurity incident could also impact our brand, harm our reputation and adversely impact our relationship with our customers, employees and stockholders.

***We rely on third-party providers and other commercial partners to perform functions integral to our operations.***

We have entered into agreements with third-party providers to furnish certain facilities and services required for our operations, including ground handling, catering, passenger handling, engineering, maintenance, refueling, reservations and airport facilities as well as administrative and support services. We are likely to enter into similar service agreements in new markets we decide to enter, and we cannot assure you that we will be able to obtain the necessary services at acceptable rates, or that such third-party providers will be available to service us.

Although we seek to monitor the performance of third parties that furnish certain facilities or provide us with our ground handling, catering, passenger handling, engineering, maintenance, refueling, reservations and airport facilities, the efficiency, timeliness and quality of contract performance by third-party providers are often beyond our control, and any failure by our third-party providers to perform up to our expectations, or sufficiently staff their operation, may have an adverse impact on our business, reputation with customers, our brand and our operations. These service agreements are generally subject to termination after notice by the third-party providers. In addition, we could experience a significant business disruption if we were to change vendors or if an existing provider ceased to be able to serve us. We expect to be dependent on such third-party arrangements for the foreseeable future.

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

We rely on third-party distribution channels, including those provided by or through GDS, conventional travel agents and OTAs, to distribute a significant portion of our airline tickets, and we expect in the future to rely on these channels to also collect a portion of our ancillary revenues. These distribution channels are more expensive and at present have less functionality in respect of ancillary revenues than those we operate ourselves, such as our website. Certain of these distribution channels also effectively restrict the manner in which we distribute our products generally. To remain competitive, we will need to successfully manage our distribution costs and rights, and improve the functionality of third-party distribution channels, while maintaining an industry-competitive cost structure. Negotiations with key GDSs and OTAs designed to manage our costs, increase our distribution flexibility, and improve functionality could be contentious, could result in diminished or less favorable distribution of our tickets, and may not provide the functionality we require to maximize ancillary revenues. In addition, in the last several years there has been significant consolidation among GDSs and OTAs. This consolidation and any further consolidation could affect our ability to manage our distribution costs due to a reduction in competition or other industry factors. Any inability to manage such costs, rights and functionality at a competitive level or any material diminishment in the distribution of our tickets could have a material adverse effect on our competitive position and our results of operations. Moreover, our ability to compete in the markets we serve may be threatened by changes in technology or other factors that may make our existing third-party sales channels impractical, uncompetitive or obsolete.

***We rely heavily on technology and automated systems to operate our business, and any disruptions or failure of these technologies or systems or any failure on our part to implement any new technologies or systems could materially adversely affect our business.***

We are highly dependent on technology and computer systems and networks to operate our business. These technologies and systems include our computerized airline reservation system provided by *Navitaire*, a unit of Amadeus, operational control systems, telecommunications systems, mobile phone application, airline website and maintenance systems as well as government and other third-party systems. In order for our operations to work efficiently, our website and reservation system must be able to accommodate a high volume of traffic, maintain secure information and deliver flight information. Our reservations system, which is hosted and maintained under a long-term contract by a third-party provider, is critical to our ability to issue, track and accept electronic tickets, conduct check-in, board and manage our passengers through the airports we serve and provide us with access to GDSs, which enlarge our pool of potential passengers. There are many instances in the past where a reservations system malfunctioned, whether due to the fault of the system provider or the airline, with a highly adverse effect on the airline’s operations, and such a malfunction has in the past and could again in the future occur on our system, a third-party system we rely on, or in connection with any system upgrade or migration. We also rely on third-party providers, including government agencies, to maintain our operational control systems, and if those systems are not functioning, we have in the past and may again experience service disruptions, which could result in the loss of important data, increase our expenses, decrease our operational performance and temporarily stall our operations, which may have a materially adverse effect on our business, results of operation, and financial condition.

Any failure of the technologies and systems we use could materially adversely affect our business. For example, if our reservation system fails or experiences interruptions, and we are unable to book seats for a period of time, we could lose a significant amount of revenue as customers book seats on other airlines, and our reputation could be harmed. Additionally, if our flight systems fail or experience disruption, we could suffer reputational harm and incur costs associated with cancelled and delayed flights. In addition, replacement technologies and systems for any service we currently utilize that experiences failures or interruptions may not be readily available on a timely basis, at competitive rates or at all. Furthermore, our current technologies and systems are heavily integrated with our day-to-day operations and any transition to a new technology or system could be complex and time-consuming. Our technologies and systems cannot be completely protected against events that are beyond our control, including natural disasters, cyber attacks, telecommunications failures or the failure of government or other third-party systems. We have previously experienced a software outage that resulted in cancelled flights and delayed flights for several hours, which could impact our on-time performance and completion factor. Substantial or sustained disruptions or system failures could cause service delays or failures and result in our customers purchasing tickets from other airlines. We cannot assure you that any of our security measures, change control procedures or disaster recovery plans that we have implemented are adequate to prevent disruptions or failures. In the event that one or more of our primary technology or systems vendors fails to perform and a replacement system is not available or if we fail to implement a replacement system in a timely and efficient manner, our business could be materially adversely affected.

In addition, in the ordinary course of business, our systems will continue to require modifications, upgrades and refinements to address growth and changing business requirements and to enable us to comply with changing regulatory requirements. Modifications, upgrades and refinements to our systems have been and are expected to continue to be expensive to implement and can divert management's attention from other matters. Furthermore, our operations could be adversely affected, or we could face impositions of regulatory penalties, if we were unable to timely or effectively modify or upgrade our systems as necessary or appropriately balance the introduction of new capabilities with the management of existing systems.

***We may not be able to grow or maintain our unit revenues or maintain our ancillary revenues.***

A key component of our strategy was establishing Sun Country as a premier high-growth, low-cost carrier in the United States by attracting customers with low fares and garnering repeat business by delivering a high-quality customer experience with additional free amenities than traditionally provided on ULCCs in the United States. We intend to continue to differentiate our brand and product in order to expand our loyal customer base and grow or maintain our unit revenues and maintain our ancillary revenues. Differentiating our brand and product has required and will continue to require significant investment, and we cannot assure that the initiatives we have implemented will continue to be successful or that the initiatives we intend to implement will be successful. If we are unable to maintain or further differentiate our brand and product from LCCs or ULCCs, our market share could decline, which could have a material adverse effect on our business, results of operations and financial condition. We may also not be successful in leveraging our brand and product to stimulate new demand with low base fares or gain market share from the legacy network airlines.

In addition, our business strategy includes maintaining our portfolio of desirable, value-oriented, ancillary products and services. However, we cannot assure you that passengers will continue to perceive value in the ancillary products and services we currently offer and regulatory initiatives could adversely affect ancillary revenue opportunities. Failure to maintain our ancillary revenues would have a material adverse effect on our business, results of operations and financial condition. Furthermore, if we are unable to maintain our ancillary revenues, we may not be able to execute our strategy to continue to lower base fares in order to stimulate demand for air travel.

***We operate a single aircraft type.***

A critical cost-saving element of our business strategy is to operate a single-family aircraft fleet; however, our dependence on the Boeing 737-NG aircraft and CFM56 engines for all of our aircraft makes us vulnerable to any design defects or mechanical problems associated with this aircraft type or these engines. In the event of any actual or suspected design defects or mechanical problems with these family aircraft or engines, whether involving our aircraft or that of another airline, we may choose or be required to suspend or restrict the use of our aircraft. For example, several Boeing 737-NG aircraft have been grounded in the past by other airlines after inspections revealed cracks in the "pickle forks," a component of the structure connecting the wings to the fuselages. Our business could also be materially adversely affected if the public avoids flying on our aircraft due to an adverse perception of the Boeing 737-NG aircraft or CFM56 engines, whether because of safety concerns or other problems, real or perceived, or in the event of an accident involving such aircraft or engines.

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

Our business is labor intensive, with labor costs representing approximately 29%, 35% and 37% of our total operating costs for the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, approximately 53% of our workforce was represented by labor unions. We cannot assure you that our labor costs going forward will remain competitive or that any new agreements into which we enter will not have terms with higher labor costs or that the negotiations of such labor agreements will not result in any work stoppages. In addition, one or more of our competitors may significantly reduce their labor costs, thereby providing them with a competitive advantage over us. New entrants to the market may not have unionized workforces and therefore may have substantially lower costs or better labor efficiencies. Furthermore, our labor costs may increase in connection with our growth, especially if we needed to hire more pilots in order to grow various segments of our business, including Cargo. We cannot guarantee that our cargo business will grow and that hiring of additional pilots will be required. We may also become subject to additional collective bargaining agreements in the future as non-unionized workers may unionize.

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

On December 1, 2019 our dispatchers approved a new collective bargaining agreement. The amendable date of the collective bargaining agreement is November 30, 2024. Our collective bargaining agreement with our flight attendants is currently amendable. Negotiations with the union representing this group commenced in November of 2019. By mutual consent, the negotiations were paused in March 2020 due to the COVID-19 pandemic. We restarted negotiations in October of 2021 and negotiations are ongoing. Our collective bargaining agreement with our pilots is amendable on December 31, 2025. Negotiations for a new collective bargaining agreement with our technicians and related craft employees began in October of 2022 and negotiations are ongoing. Our fleet service employees (cargo, commissary/catering, ramp agents, and bag room agents) elected to be represented by the International Brotherhood of Teamsters on January 4, 2023. Negotiations have not yet begun for a new collective bargaining agreement. See also “Business—Employees” in this Annual Report. The outcome of our collective bargaining negotiations cannot presently be determined and the terms and conditions of our future collective bargaining agreements may be affected by the results of collective bargaining negotiations at other airlines that may have a greater ability, due to larger scale, greater efficiency or other factors, to bear higher costs than we can. In addition, if we are unable to reach agreement with any of our unionized work groups in current or future negotiations regarding the terms of their collective bargaining agreements, we may be subject to work interruptions, stoppages or shortages. Any such action or other labor dispute with unionized employees could disrupt our operations, reduce our profitability or interfere with the ability of our management to focus on executing our business strategies. As a result, our business, results of operations and financial condition may be materially adversely affected based on the outcome of our negotiations with the unions representing our employees.

***We rely on efficient daily aircraft utilization to address peak demand days of the week and months of the year, which makes us vulnerable to flight delays, flight cancellations or aircraft unavailability during peak demand periods.***

We aim to optimize our daily aircraft utilization rate by tailoring service to customer demand patterns, which are seasonal and vary by day of the week. Our average daily aircraft utilization was 7.2 hours, 6.8 hours and 5.1 hours for the years ended December 31, 2022, 2021 and 2020, respectively. Aircraft utilization is block hours divided by number of days in the period divided by average aircraft. Part of our business strategy is to efficiently deploy our aircraft, which is achieved in part by higher utilization during the most profitable seasonal periods and days of the week and more limited usage of less expensive aircraft during weak demand periods. During peak demand periods, we may utilize all of our aircraft, and in the event we experience delays and cancellations from various factors, many of which are beyond our control, including air traffic congestion at airports or other air traffic control problems or outages, adverse weather conditions, increased security measures or breaches in security, international or domestic conflicts, terrorist activity, or other changes in business conditions, because we do not have accommodation arrangements with other airlines like legacy network airlines do and cannot reaccommodate passengers on our aircraft because of our limited schedule, we may incur additional costs in completing customer journeys. Due to the relatively small size of our fleet and the limited and changing nature of our scheduled service and our point-to-point network, the unexpected unavailability of one or more aircraft and resulting reduced capacity could have a material adverse effect on our business, results of operations and financial condition. Additionally, we frequently use all freighters in support of our cargo business. In the event we experience a series of aircraft out of service, we would experience a decline in revenue and potentially customer satisfaction. Furthermore, in the event we are unable to procure aircraft at the price-point necessary to allow for lower utilization during weak demand periods, our costs will be higher and could have a material adverse effect on our business, results of operations and financial condition.

***The cost of aircraft repairs and unexpected delays in the time required to complete aircraft maintenance could negatively affect our operating results.***

We provide flight services throughout the world and could be operating in remote regions. Our aircraft may experience maintenance events in locations that do not have the necessary repair capabilities or are difficult to reach. As a result, we may incur additional expenses and lose billable revenues that we would have otherwise earned. Under certain customer agreements, we are required to provide a spare aircraft while scheduled maintenance is completed. If delays occur in the completion of aircraft maintenance, we may incur additional expense to provide airlift capacity and forgo revenues.

***If we are unable to attract, retain and train qualified personnel at reasonable costs or fail to maintain our company culture, our business could be harmed.***

Our business is labor intensive. We require large numbers of pilots, flight attendants, maintenance technicians and other personnel. We compete against other U.S. airlines for pilots, mechanics and other skilled labor and certain U.S. airlines offer wage and benefit packages exceeding ours. The airline industry, including related vendor partners, is experiencing and may continue to experience a shortage of qualified personnel and we face added challenges with attracting and retaining qualified personnel due to the low unemployment rate in Minnesota. In particular, as more pilots in the industry approach mandatory retirement age, or have retired early during the COVID-19 pandemic, the U.S. airline industry is being affected by a pilot shortage. We and other airlines also face shortages of qualified aircraft mechanics, dispatchers, ground handlers, flight attendants and other personnel. As is common with most of our competitors, we have also faced turnover of our employees. As a result of the foregoing, we may not be able to attract, retain or train qualified personnel or may be required to increase wages and/or benefits in order to do so. In addition, we have lost and may continue to lose employees due to the impact of COVID-19 on aviation or as a result of restrictions imposed under the CARES Act, or other governmental requirements placed on employees, which may further impede our ability to attract, retain and train skilled labor. If we are unable to hire, train and retain qualified employees, our business could be harmed and we may be unable to implement our growth plans.

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

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

Our results of operations may be affected by actions taken by governmental or other agencies or authorities having jurisdiction over our operations at these airports, including, but not limited to:

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

Our business is highly dependent on the availability and cost of airport services at the airports where we operate. Any changes in airport operations could have a material adverse effect on our business, results of operations and financial condition.

***Our intellectual property rights, particularly our branding rights, are valuable, and any inability to protect them may adversely affect our business and financial results.***

We consider our intellectual property rights, particularly our branding rights such as our trademarks applicable to our airline and Sun Country Rewards program, to be a significant and valuable aspect of our business. We aim to protect our intellectual property rights through a combination of trademark, copyright and other forms of legal protection, contractual agreements and policing of third-party misuses of our intellectual property, but cannot guarantee that such efforts will be successful. Our failure to obtain or adequately protect our intellectual property or any change in law that lessens or removes the current legal protections of our intellectual property may diminish our competitiveness and adversely affect our business and financial results. Any litigation or disputes regarding intellectual property may be costly and time-consuming and may divert the attention of our management and key personnel from our business operations, either of which may adversely affect our business and financial results.

***Negative publicity regarding our customer service could have a material adverse effect on our business, results of operations and financial condition.***

Our business strategy includes the differentiation of our brand and product from the other U.S. airlines, including LCCs and ULCCs, in order to increase customer loyalty and drive future ticket sales. We intend to accomplish this by continuing to offer passengers dependable customer service. However, in the past, we have experienced customer complaints related to, among other things, product and pricing changes related to our business strategy and customer service. In particular, we have generally experienced a higher volume of complaints when we implemented changes to our unbundling policies, such as charging for seats and baggage. These complaints, together with reports of lost baggage, delayed and cancelled flights, and other service issues, are reported to the public by the DOT. In addition, we could become subject to complaints about our booking practices. Finally, we experienced a significant number of complaints, including letters from lawmakers and attorneys general, concerning non-refundable tickets during the COVID-19 pandemic. If we do not meet our customers' expectations with respect to reliability and service, our brand and product could be negatively impacted, which could result in customers deciding not to fly with us and adversely affect our business and reputation. We have agreements for bus service to transport passengers to our MSP hub. If these operators suffer a service problem, safety failure or accident, our brand would be negatively impacted.

***Our reputation and brand could be harmed if we were to experience significant negative publicity, including through social media.***

We operate in a public-facing industry with significant exposure to social media. Negative publicity, whether or not justified, can spread rapidly through social media. In particular, passengers can use social media to portray interactions with Sun Country, without context, in a manner that can be quickly and broadly disseminated. To the extent that we are unable to respond timely and appropriately to negative publicity, our reputation and brand can be harmed. Damage to our overall reputation and brand could have a negative impact on our financial results.

***We are highly dependent upon our cash and investment balances, Operating Cash Flows and availability under our Revolving Credit Facility.***

Our principal sources of liquidity are cash and cash equivalents, investments and availability under our $25,000 Revolving Credit Facility. We are and will continue to be dependent on our Operating Cash Flows, Cash and Cash Equivalents, and Short-Term Investment balances to fund our operations, provide capital reserves and make scheduled payments on our aircraft-related fixed obligations. If our operating cash flows become insufficient to cover the entirety of our cash outflows, the Revolving Credit Facility may not be adequate to finance our operations. If we fail to generate sufficient funds from operations to meet our operating cash requirements or do not have access to availability under the Revolving Credit Facility, or other sources of borrowings or equity financing, we could default on our obligations. Our inability to meet our obligations as they become due would have a material adverse effect on our business, results of operations and financial condition.

***Our liquidity would be adversely impacted, potentially materially, in the event one or more of our credit card processors were to impose holdback restrictions for payments due to us from credit card transactions.***

We currently have agreements with organizations that process credit card transactions arising from purchases of air travel tickets by our customers. Credit card processors may have financial risk associated with tickets purchased for travel which can occur several weeks or months after the purchase. As of December 31, 2022, we were not subject to any credit card holdbacks under our credit card processing agreements, although if we fail to meet certain liquidity and other financial covenants, our credit card processors have the right to hold back credit card remittances to cover our obligations to them. If our credit card processors were to impose holdback restrictions on us, the negative impact on our liquidity could be significant which could have a material adverse effect on our business, results of operations and financial condition.

***Our ability to obtain financing or access capital markets may be limited.***

We have significant obligations related to leases and debt financing for our aircraft fleet and may incur additional obligations as we grow our operations, and our current strategy is to rely on lessors or access to capital markets to provide financing for our aircraft acquisition needs. There are a number of factors that may affect our ability to raise financing or access the capital markets in the future, including our liquidity and credit status, our operating cash flows, market conditions in the airline industry, U.S. and global economic conditions, the general state of the capital markets and the financial position of the major providers of commercial aircraft financing. We cannot assure you that we will be able to source external financing for our planned aircraft acquisitions or for other significant capital needs, and if we are unable to source financing on acceptable terms, or unable to source financing at all, our business could be materially adversely affected. To the extent we finance our activities with additional debt, we may become subject to financial and other covenants that may restrict our ability to pursue our business strategy or otherwise constrain our growth and operations.

***Our maintenance costs will fluctuate over time; additionally we will periodically incur substantial maintenance costs due to the maintenance schedules of our aircraft fleet and obligations to the lessors, and we could incur significant maintenance expenses outside of such maintenance schedules in the future.***

We have substantial maintenance expense obligations, including with respect to our aircraft operating leases. Prior to an aircraft being returned in connection with an operating lease, we will incur costs to restore these aircraft to the condition required by the terms of the underlying operating leases. The amount and timing of these so-called “return conditions” costs can prove unpredictable due to uncertainty regarding the maintenance status of each particular aircraft at the time it is to be returned and it is not unusual for disagreements to ensue between the airline and the leasing company as to the required redelivery conditions on a given aircraft or engine.

Outside of scheduled maintenance, we incur from time-to-time unscheduled maintenance which is not forecast in our operating plan or financial forecasts, and which can impose material unplanned costs and the loss of flight equipment from revenue service for a significant period of time. For example, a single unplanned engine event can require a shop visit costing several million dollars and cause the engine to be out of service for a number of weeks.

Furthermore, the terms of our lease agreements require us to pay maintenance reserves to the lessor in advance of the performance of major maintenance, resulting in our recording significant prepaid deposits on our Balance Sheets, and there are restrictions on the extent to which such maintenance reserves are available for reimbursement. In addition, the terms of any lease agreements that we enter into in the future could also require maintenance reserves in excess of our current requirements. Any significant increase in maintenance and repair expenses would have a material adverse effect on our business, results of operations and financial condition. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Operating Expenses—Maintenance.”

***We have a significant amount of aircraft and other fixed obligations that could impair our liquidity and thereby harm our business, results of operations and financial condition.***

The airline business is capital intensive. As of December 31, 2022, our 42 passenger aircraft fleet consisted of two aircraft financed under operating leases, 11 aircraft financed under finance leases and 29 aircraft financed under secured debt arrangements or owned outright. As of December 31, 2022, we had future operating lease obligations of $32,019, future debt principal obligations of $355,716, and future finance lease obligations of $321,309. During 2023, based on our aircraft leases and debt structure as of December 31, 2022, we expect to make payments of $7,748 related to operating leases, $58,518 related to debt principal obligations and $33,092 related to finance lease obligations. Additionally, we made payments for maintenance reserves of $15,809 for 2022 and expect to make significant payments for maintenance reserves in the future. Our ability to pay the fixed costs associated with our contractual obligations will depend on our operating performance, cash flow, availability under the Revolving Credit Facility and our ability to secure adequate future financing, which will in turn depend on, among other things, the success of our current business strategy and our future financial and operating performance, competitive conditions, fuel price volatility, any significant weakening or improving in the U.S. economy, availability and cost of financing, as well as general economic and political conditions and other factors that are, to some extent, beyond our control. The amount of our aircraft-related fixed obligations could have a material adverse effect on our business, results of operations and financial condition and could:

- require a substantial portion of cash flow from operations be used for operating lease and maintenance deposit payments and interest expense, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to obtain additional financing to support our expansion plans and for working capital and other purposes on acceptable terms or at all;
- make it more difficult for us to pay our other obligations as they become due during adverse general economic and market industry conditions because any related decrease in revenues could cause us to not have sufficient cash flows from operations to make our scheduled payments;
- reduce our flexibility in planning for, or reacting to, changes in our business and the airline industry and, consequently, place us at a competitive disadvantage to our competitors with lower fixed payment obligations; and
- cause us to lose access to one or more aircraft and forfeit our maintenance and other deposits if we are unable to make our required aircraft lease rental payments and our lessors exercise their remedies under the lease agreement, including cross-default provisions in certain of our leases.

There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all. A failure to pay our operating lease, debt and other fixed cost obligations or a breach of our contractual obligations, including the Credit Agreement, could result in a variety of adverse consequences, including the exercise of remedies by our creditors and lessors. In such a situation, it is unlikely that we would be able to cure our breach, fulfill our obligations, make required lease payments or otherwise cover our fixed costs and our secured lenders could foreclose against the assets securing the indebtedness owing to them, which would have a material adverse effect on our business, results of operations and financial condition.

***We depend on a sole-source supplier for the majority of our aircraft parts and any supply disruption could have a material adverse effect on our business.***

We have entered into a contract with Delta Air Lines, Inc., or Delta, one of our competitors that is also the largest airline operating at MSP, for the vast majority of our aircraft parts. We are vulnerable to any problems associated with the performance of Delta's obligations to supply our aircraft parts, including design defects, mechanical problems and regulatory issues associated with engines and other parts. If Delta experiences a significant business challenge, disruption or failure due to issues such as financial difficulties or bankruptcy, regulatory or quality compliance issues, or other financial, legal, regulatory or reputational issues, ceases to produce our aircraft parts, is unable to effectively deliver our aircraft parts on timelines and at the prices we have negotiated, or terminates the contract, we would incur substantial transition costs and we would lose the cost benefits from our current arrangement with Delta, which would have a material adverse effect on our business, results of operations and financial condition.

***Reduction in demand for air transportation, or governmental reduction or limitation of operating capacity, in the domestic United States, Canada, Mexico or Caribbean markets, or a reduction in demand for our charter or cargo operations, could harm our business, results of operations and financial condition.***

A significant portion of our operations are conducted to and from the domestic United States, Canada, Mexico or Caribbean markets. Our business, results of operations and financial condition could be harmed if we lose our authority to fly to these markets, by any circumstances causing a reduction in demand for air transportation, or by governmental reduction or limitation of operating capacity, in these markets, such as adverse changes in local economic or political conditions, public health restrictions, including testing or vaccination requirements, negative public perception of these destinations, unfavorable weather conditions, public health concerns, civil unrest, violence or terrorist-related activities. Furthermore, our business could be harmed if jurisdictions that currently limit competition allow additional airlines to compete on routes we serve. In addition, a reduction in demand from our charter customers, including as a result of decreased U.S. Department of Defense troop movements or fewer sports events and related travel, or from Amazon under the ATSA could have a material and adverse effect on our business, results of operations and financial condition.

***Our business could be materially adversely affected if we lose the services of our key personnel.***

Our success depends to a significant extent upon the efforts and abilities of our senior management team and key financial and operating personnel. In particular, we depend on the services of our senior management team, particularly Jude Bricker, our Chief Executive Officer, and Dave Davis, our President and Chief Financial Officer. The CARES Act places limitations on pay for these key positions. Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager, or other key employee without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, results of operations and financial condition. We do not maintain key-man life insurance on our management team.

***Our quarterly results of operations fluctuate due to a number of factors, including seasonality.***

We expect our quarterly results of operations to continue to fluctuate due to a number of factors, including our seasonal operations, competitive responses in key locations or routes, price changes in aircraft fuel and the timing and amount of maintenance expenses. As a result of these and other factors, quarter-to-quarter comparisons of our results of operations and comparisons of our key operating statistics may not be reliable indicators of our future performance. Seasonality may cause our quarterly results to fluctuate since historically our passengers tend to fly more during the winter months and less in the summer and fall months. We cannot assure you that we will find profitable markets in which to operate during the off-peak season. Lower demand for air travel during the fall and other off-peak months could have a material adverse effect on our business, results of operations and financial condition. We may not realize any or all of our estimated cost savings, which would have a negative effect on our results of operations.

As part of our business strategy, we expect to implement certain operational improvements and cost savings initiatives. Any cost savings that we realize from such efforts may differ materially from our estimates. Our estimates are the current estimates of the Company, but they involve risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such estimates. In addition, any cost savings that we realize may be offset, in whole or in part, by reductions in revenues, or through increases in other expenses. Any one-time costs incurred to achieve our cost savings going forward may be more than we expect and, to achieve additional cost savings, we may need to incur additional one-time costs. Our operational improvements and cost savings plans are subject to numerous risks and uncertainties that may change at any time. We cannot assure you that our initiatives will be completed as anticipated or that the benefits we expect will be achieved on a timely basis or at all. The future performance of the Company may differ significantly from the anticipated performance of the Company.

***We may become involved in litigation that may materially adversely affect us.***

From time-to-time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including commercial, employment, class action, whistleblower, patent, product liability and other litigation and claims, and governmental and other regulatory investigations and proceedings. In particular, in recent years, there has been significant litigation in the United States and abroad involving airline consumer complaints. We have in the past faced, and may face in the future, claims by third parties that we have violated a passenger's rights. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability and/or require us to change our business practices. Because of the potential risks, expenses and uncertainties of litigation, we may, from time to time, settle disputes, even where we believe that we have meritorious claims or defenses. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, results of operations and financial condition.

**Risks Related to Our Indebtedness**

***The Credit Agreement contains, and any future indebtedness of ours could contain, restrictions that limit our flexibility.***

The five-year credit agreement (the "Credit Agreement") contains, and any future indebtedness of ours could contain covenants that impose significant operating and financial restrictions on us, such as restrictions on our and our subsidiaries' ability to, among other things:

- incur additional debt, guarantee indebtedness, or issue certain preferred equity interests;
- pay dividends on or make distributions in respect of, or repurchase or redeem, our capital stock, or make other restricted payments;
- prepay, redeem, or repurchase certain debt;
- make loans or certain investments;
- sell certain assets;
- create liens on certain assets;
- consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we will be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. These restrictive covenants may limit our ability to engage in activities that may be in our long-term best interest. The failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of a substantial amount of our indebtedness.

***We are subject to certain restrictions on our business as a result of our participation in governmental programs under the CARES Act and we may be subject to similar or other restrictions pursuant to future governmental programs.***

Under the Payroll Support Program, the Treasury provided us an aggregate of $62,312 in Payroll Support Payments from April 21, 2020 to October 1, 2020, and an additional $37,040 in grants during the first half of 2021 (collectively, the "Payroll Support Payments"). Further, we were notified on April 15, 2021 that we would receive a grant of $34,547 under Payroll Support Program 3, which was received during April and May 2021. Additionally, on October 26, 2020, we entered into a loan and guarantee agreement (the "CARES Act Loan Agreement") with the Treasury under the aviation direct loan program of the CARES Act, pursuant to which the Treasury agreed to extend loans to us in an aggregate principal amount of $45,000, subject to specified terms. We used a portion of the net proceeds from our initial public offering to repay in full all amounts outstanding under the CARES Act Loan Agreement on March 24, 2021. See Notes 3 and 8 to the Consolidated Financial Statements included in Part II, Item 8 herein for more information.

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 include restrictions on the payment of certain executive compensation until April 1, 2023. Due to an administrative issue, during the twelve months ended June 30, 2022, the compensation payable to an executive officer temporarily exceeded the limit under the CARES Act. Once the issue was identified, the executive officer voluntarily rescinded the unvested portion of the equity grant that caused the executive's compensation to exceed the CARES Act limit. At no point did the executive's cash compensation and equity awards that could be monetized exceed the CARES Act limit. The Company did not accrue any amounts related to this matter as of December 31, 2022. To the extent we are deemed to have failed to remain in full compliance with the CARES Act and the applicable rules and regulations thereunder, we may become subject to fines or other enforcement actions, which may adversely affect our business, results of operations and financial condition.

The substance and duration of the remaining restrictions to which we are subject under the grants and/or loans under the CARES Act, including, but not limited to, those outlined above, may materially affect our operations, and we may not be successful in managing these impacts. Further, these restrictions could limit our ability to take actions that we otherwise might have determined to be in the best interests of our company and our stockholders. In particular, limitations on executive compensation may impact our ability to retain senior management or other key employees.

We cannot predict whether the assistance under any of these programs will be adequate to support our business while it continues to be impacted by the COVID-19 virus and its variants or whether additional assistance will be required or available in the future. Future governmental programs in which we participate may include similar or other restrictions on the operation of our business. There can be no assurances that additional grants will be available or that we will qualify for future programs.

**Risks Related to Ownership of Our Common Stock**

***Our stock price may fluctuate significantly.***

The market price of our common stock could vary significantly as a result of a number of factors, some of which are beyond our control.

The following factors could affect our stock price:

- our operating and financial performance and prospects;
- quarterly variations in the rate of growth (if any) of our financial or operational indicators, such as earnings per share, net income, revenues, Adjusted Net Income (Loss), Adjusted EBITDA and Adjusted CASM;
- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- strategic actions by our competitors;
- changes in operating performance and the stock market valuations of other companies;
- announcements related to litigation;
- our failure to meet revenue or earnings estimates made by research analysts or other investors;
- changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research coverage, by equity research analysts;
- speculation in the press or investment community;
- sales of our common stock by us or our stockholders, or the perception that such sales may occur;
- changes in accounting principles, policies, guidance, interpretations, or standards;
- additions or departures of key management personnel;
- actions by our stockholders;
- general economic and market conditions;
- the COVID-19 virus and its variants and their effects;
- domestic and international economic, legal and regulatory factors unrelated to our performance;
- material weakness in our internal control over financial reporting; and
- the realization of any risks described under this "Risk Factors" section, or other risks that may materialize in the future.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in very substantial costs, divert our management's attention and resources and harm our business, financial condition, and results of operations.

***We are an "emerging growth company," and will be able to take advantage of reduced disclosure requirements applicable to "emerging growth companies," which could make our common stock less attractive to investors.***

We are an "emerging growth company," as defined in the JOBS Act, and, for as long as we continue to be an "emerging growth company," we intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies." These exemptions include not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an "emerging growth company" until the earliest of 1) the last day of the first fiscal year in which our annual gross revenues exceed $1.235 billion, 2) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur at the end of our most recently completed fiscal year if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, we have been required to file annual and quarterly report under the Exchange Act for a period of at least 12 months and we have filed at least one annual report pursuant to the Exchange Act, 3) the last day of our fiscal year ending December 31, 2026, and 4) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three-year period. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may decline or become more volatile and it may be difficult for us to raise additional capital if and when we need it.

***We will incur significant costs and devote substantial management time as a result of operating as a public company, particularly after we are no longer an "emerging growth company."***

As a public company, we have and will continue to incur significant legal, accounting and other expenses. For example, we are required to comply with the requirements of Section 404(a) of the Sarbanes-Oxley Act and the Dodd-Frank Act, as well as rules and regulations subsequently implemented by the SEC and heightened auditing standards, and Nasdaq, our stock exchange, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. The rules governing management's assessment of our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time consuming and costly. Further, the expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. These laws and regulations could also make it more costly for us to obtain certain types of insurance, including director and officer liability insurance and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, our management and other personnel may need to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we expect to continue incurring significant expenses and devote substantial management effort toward ensuring compliance with the requirements of the Sarbanes-Oxley Act. In that regard, we have needed to and may continue to need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Furthermore, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our consolidated financial statements and fail in meeting our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from Nasdaq, regulatory investigations, civil or criminal sanctions and litigation, any of which would have a material and adverse effect on our business, results of operations and financial condition. Furthermore, if we are unable to satisfy our obligations as a public company, our common stock could be delisted, and we could be subject to fines, sanctions and other regulatory action and potentially civil litigation. Failure to remain in full compliance with these and other applicable rules and regulations may also subject us to fines or other enforcement action or adversely affect our business, results of operations and financial condition.

However, for as long as we remain an "emerging growth company" as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Under the JOBS Act, “emerging growth companies” can delay adopting new or revised accounting standards until such time as those standards apply to private companies. As of December 31, 2022 we have not delayed the adoption of new or revised accounting standards as allowed under the JOBS Act.

After we are no longer an “emerging growth company,” we expect to incur additional management time and cost to comply with the more stringent reporting requirements applicable to companies that are deemed accelerated filers or large accelerated filers, including complying with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing and materiality of such costs.

***Our certificate of incorporation and bylaws include provisions limiting ownership and voting by non-U.S. citizens.***

To comply with restrictions imposed by federal law on foreign ownership and control of U.S. airlines, our certificate of incorporation and bylaws restrict ownership and control of shares of our common stock by non-U.S. citizens. The restrictions imposed by federal law and DOT policy require that we be owned and controlled by U.S. citizens, that no more than 25% of our voting stock be owned or controlled, directly or indirectly, by persons or entities who are not U.S. citizens, as defined in 49 U.S.C. § 40102(a)(15), that no more than 49% of our stock be owned or controlled, directly or indirectly, by persons or entities who are not U.S. citizens and are from countries that have entered into “open skies” air transport agreements with the United States, that our president and at least two-thirds of the members of our Board of Directors and other managing officers be U.S. citizens and that we be under the actual control of U.S. citizens. Our certificate of incorporation and bylaws provide that the failure of non-U.S. citizens to register their shares on a separate stock record, which we refer to as the “foreign stock record,” would result in a loss of their voting rights in the event and to the extent that the aggregate foreign ownership of the outstanding common stock exceeds the foreign ownership restrictions imposed by federal law. Our bylaws further provide that no shares of our common stock will be registered on the foreign stock record if the amount so registered would exceed the foreign ownership restrictions imposed by federal law. If it is determined that the amount registered in the foreign stock record exceeds the foreign ownership restrictions imposed by federal law, shares will be removed from the foreign stock record, resulting in the loss of voting rights, in reverse chronological order based on the date of registration therein, until the number of shares registered therein does not exceed the foreign ownership restrictions imposed by federal law.

The restrictions on ownership and control of shares of our common stock could adversely impact the price that investors might be willing to pay in the future for shares of our common stock.

***The Apollo Stockholder has significant influence over us, and Apollo’s interests may conflict with our interests and the interests of other stockholders.***

As of December 31, 2022, the Apollo Stockholder beneficially owned approximately 43% of the voting power of our outstanding common equity. Although the Apollo Stockholder beneficially owns less than 50% of our outstanding common equity, individuals affiliated with Apollo continue to have significant influence over the outcome of votes on all matters requiring approval by our stockholders, including the election of directors, changes to certain of our governing documents, entering into significant corporate transactions such as mergers, tender offers, and the sale of all or substantially all of our assets and issuance of additional debt or equity. The interests of Apollo and its affiliates, including the Apollo Funds and the Apollo Stockholder, could conflict with or differ from our interests or the interests of our other stockholders. For example, the concentration of ownership held by the Apollo Stockholder could delay, defer, or prevent a change in control of our company or impede a merger, takeover, or other business combination which may otherwise be favorable for us. Additionally, Apollo and its affiliates are in the business of making investments in companies and may, from time to time, acquire and hold interests in or provide advice to businesses that compete directly or indirectly with us, or are suppliers or customers of ours. Apollo and its affiliates may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. Any such investment may increase the potential for the conflicts of interest discussed in this risk factor. So long as the Apollo Stockholder continues to directly or indirectly beneficially own a significant amount of our equity, even if such amount is less than 50%, the Apollo Stockholder will continue to be able to substantially influence or effectively control our ability to enter into corporate transactions. The Apollo Stockholder also has a right to nominate a number of directors comprising a percentage of our board of directors in accordance with Apollo and its affiliates' beneficial ownership of the voting power of our outstanding common stock (rounded up to the nearest whole number).

***We are a holding company and rely on dividends, distributions, and other payments, advances, and transfers of funds from our subsidiaries to meet our obligations.***

We are a holding company that does not conduct any business operations of our own. As a result, we are largely dependent upon cash dividends and distributions and other transfers, including for payments in respect of our indebtedness, from our subsidiaries to meet our obligations. The agreements governing the indebtedness of our subsidiaries, including the Credit Agreement, impose restrictions on our subsidiaries' ability to pay dividends or other distributions to us. Each of our subsidiaries is a distinct legal entity, and under certain circumstances legal and contractual restrictions may limit our ability to obtain cash from them and we may be limited in our ability to cause any future joint ventures to distribute their earnings to us. The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could also limit or impair their ability to pay dividends or other distributions to us.

***Our future earnings and earnings per share, as reported under GAAP, could be adversely impacted by the warrants granted to Amazon. If Amazon exercises its right to acquire shares of our common stock pursuant to the 2019 Warrants, this will dilute the ownership interests of our then-existing stockholders and could adversely affect the market price of our common stock.***

The warrants granted to Amazon in 2019 increase the number of diluted shares reported, which has an effect on our diluted earnings per share to the extent the warrants actually vest. The warrants have an exercise price of approximately $15.17 per share, approximately 25% of which had vested as of December 31, 2022. A portion of the 2019 Warrants will vest incrementally based on aggregate global payments by Amazon to the Company or its affiliates pursuant to the ATSA. In addition, vesting can occur immediately in certain circumstances, including upon a change of control (as defined in the 2019 Warrant) or certain transfers of 30% or more of the voting power in the Company to a new person or group, other than any equity offering by the Company or the Apollo Stockholder pursuant to an effective registration statement so long as no person or group, within the meaning of the Exchange Act, acquires more than 50% of the voting power of the Company in such offering). If additional 2019 Warrants vest and Amazon exercises its right to acquire shares of our common stock pursuant to the 2019 Warrants, it will dilute the ownership interests of our then-existing stockholders and reduce our earnings per share. In addition, to the extent the common stock issued upon exercise of the 2019 Warrants is transferred to non-U.S. citizens, it will further limit the amount of our common stock that may be owned or controlled by other non-U.S. citizens. Furthermore, any sales in the public market of any common stock issuable upon the exercise of the 2019 Warrants could adversely affect prevailing market prices of our common stock.

***Future sales of our common stock in the public market, or the perception in the public market that such sales may occur, could reduce our stock price.***

As of December 31, 2022, we had 57,325,238 shares of common stock outstanding, warrants to purchase 9,482,606 shares of common stock, options to purchase 4,535,055 shares of common stock and 230,191 shares of common stock that may be issued upon the vesting of outstanding restricted stock units. In addition, certain of our existing stockholders, including the Apollo Stockholder and Amazon, have certain rights to require us to register the sale of common stock held by them including in connection with underwritten offerings. Pursuant to these registration rights, we filed a "shelf" registration statement, under which the Apollo Stockholder and Amazon could offer and sell, from time-to-time, up to an aggregate of 34,352,603 shares of our common stock, including 9,482,606 shares of our common stock issuable upon exercise of outstanding warrants. Additionally, we filed a registration statement in respect of all shares of common stock that we may issue under the Omnibus Incentive Plan and the SCA Acquisition Equity Plan. After registration, these shares can be freely sold in the public market upon issuance. Sales of significant amounts of stock in the public market upon expiration of lock-up agreements, the perception that such sales may occur, or early release of any lock-up agreements, could adversely affect prevailing market prices of our common stock or make it more difficult to sell shares of common stock at a time and price that you deem appropriate.

***We do not anticipate paying dividends on our common stock in the foreseeable future.***

We do not anticipate paying any dividends in the foreseeable future on our common stock. We intend to retain all future earnings for the operation and expansion of our business, the repayment of outstanding debt, and for general corporate purposes. The Credit Agreement contains, and any future indebtedness likely will contain, restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to pay dividends and make other restricted payments. As a result, capital appreciation, if any, of our common stock may be the only source of gain for the foreseeable future. While we may change this policy at some point in the future, we cannot assure you that we will make such a change.

***We are required to pay our pre-Initial Public Offering ("IPO") stockholders for certain tax benefits, and the amounts of such payments could be material.***

We entered into an income tax receivable agreement with our pre-IPO stockholders that provides for the payment by us to our pre-IPO stockholders of 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local income tax that we and our subsidiaries actually realize for periods starting at least 12 months after the closing date of our initial public offering as a result of the utilization of tax attributes existing at the time of our initial public offering.

These tax attributes include net operating loss carryforwards, deductions, tax basis and certain other tax attributes, in each case that relate to periods (or portions thereof) ending on or prior to the closing date of our initial public offering.

We expect that the payments we make under the income tax receivable agreement could be material. Assuming no material changes in the relevant tax law, and that we and our subsidiaries earn sufficient income to realize the full tax benefits subject to the income tax receivable agreement, we expect that future payments under the income tax receivable agreement will aggregate to be approximately $103,800 as of December 31, 2022. Payments in accordance with the terms of the income tax receivable agreement could have an adverse effect on our liquidity and financial condition.

In addition, under some circumstances, including certain mergers, asset sales and other transactions constituting a “change of control” under the income tax receivable agreement or if we breach our obligations thereunder, the income tax receivable agreement will terminate and we will be required to make a payment equal to the present value of future payments under the income tax receivable agreement, which payment will be calculated based on certain assumptions, including those relating to our and our subsidiaries’ future taxable income. In these situations, our obligations under the income tax receivable agreement could have a material and adverse impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales or other “change of control” transactions.

To the extent that we are unable to make payments under the income tax receivable agreement for any reason, such payments will be deferred and will accrue interest until paid, which could adversely affect our results of operations and could also affect our liquidity in periods in which such payments are made.

For more information on the income tax receivable agreement, see Note 15 of the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

***We are continuing to improve our internal control over financial reporting.***

Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company,” as defined in the JOBS Act, which at the latest would be the end of the fiscal year ending December 31, 2026. At such time, our internal control over financial reporting may be insufficiently documented, designed or operating, which may cause our independent registered public accounting firm to issue a report that is adverse.

***As previously disclosed, we have identified a material weakness in our internal control over financial reporting and, if we are unable to remediate this material weakness, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.***

As disclosed in Part II, Item 9A, “Controls and Procedures,” we have previously disclosed the identification of a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis. The control deficiency described below created a reasonable possibility that a material misstatement to the annual or interim consolidated financial statements would not have been prevented or detected on a timely basis. Accordingly, Management has concluded that this control deficiency constituted a material weakness as of June 30, 2022. Specifically, Management's controls over the accounting for complex, non-routine transactions were not designed or implemented to operate with a sufficient level of precision. This included controls addressing the application of ASC Topic 842, *Leases,* to the purchase of aircraft subject to an existing operating lease.

Failure to have effective internal control over financial reporting and disclosure controls and procedures could impair our ability to produce accurate financial statements on a timely basis and could lead to a restatement of our financial statements. If, as a result of the ineffectiveness of our internal control over financial reporting and disclosure controls and procedures, we cannot provide reliable financial statements, our business decision processes may be adversely affected, our business and results of operations could be harmed, and investors could lose confidence in our reported financial information. In addition, in some circumstances, failure to maintain effective internal control over financial reporting could result in investigations or sanctions by regulatory authorities.

As described in Part II, Item 9A, Management began supplementing the system of internal control over financial reporting to address the material weakness. Such remediation measures may require additional time and resources and there is no assurance that these initiatives will ultimately have the intended effects. As Management continues to evaluate and work to improve our internal control over financial reporting, Management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary. Therefore, we cannot assure you when the Company will remediate such weakness, nor can we be certain that additional actions will not be required and what costs of any such additional actions may be. In addition, there can be no assurance that such remediation efforts will be successful, that our internal control over financial reporting will be effective as a result of these efforts nor that additional material weaknesses will not arise in the future or that Management has identified all material weaknesses. If we identify any new material weaknesses in the future, any such newly identified material weakness could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. Any such future deficiencies identified may not be material weaknesses that would be required to be reported in future periods. In addition, we cannot assure you that our independent registered public accounting firm will be able to attest that such internal controls are effective when they are required to do so.

If we fail to remediate the material weakness and maintain effective internal control over financial reporting or disclosure controls and procedures, we may not be able to rely on the integrity of our financial results, which could result in inaccurate or late reporting of our financial results, as well as delays or the inability to meet our reporting obligations or to comply with SEC rules and regulations. Any of these could result in delisting actions by the Nasdaq Stock Market, investigation and sanctions by regulatory authorities, stockholder investigations and lawsuits, and could adversely affect our business and the trading price of our common stock. The potential consequences of any material weakness could have a material adverse effect on our business, results of operations and financial condition.

## ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

### Aircraft Fleet

We fly Boeing 737-NG aircraft, which we believe provides us significant operational and cost advantages compared to airlines that operate multiple fleet types. Flight crews are interchangeable across all of our aircraft, and maintenance, spare parts inventories and other operational support are highly simplified relative to more complex fleets. As of December 31, 2022, we operated a fleet of 54 Boeing 737-NG aircraft, consisting of 53 Boeing 737-800s and one Boeing 737-700.

As of December 31, 2022, we operated 42 aircraft in our passenger fleet. Of these passenger aircraft, 13 were financed under operating or finance leases, 26 of the owned aircraft are financed and three aircraft were unencumbered. The average age of the passenger aircraft in our fleet was approximately 15 years as of December 31, 2022.

As of December 31, 2022 the Company had a commitment to lease three aircraft with deliveries spanning the fourth quarter of 2023 and the first quarter of 2024. The leases will each have annual lease payments of approximately $2,000 for six years. We do not have an aircraft order book because we only purchase mid-life aircraft. As a result, unlike many other airlines, we are not locked into large future capital expenditures. Rather, we opportunistically take advantage of aircraft prices with purchases at the time of our choosing.

We also operate 12 aircraft dedicated to our cargo business. These freighters had an average age of 20 years as of December 31, 2022. This fleet of freighters is subleased directly from Amazon and we operate them pursuant to the ATSA. Based upon review of the ATSA, the sublease arrangement does not qualify as a lease under ASC 842, *Leases*, because we do not control the use of the aircraft. As such, no right-of-use asset and lease liability is recognized in our financial statements for the Amazon arrangement. We may expand our freighter fleet in order to serve additional cargo customers or provide additional service to Amazon.

### Facilities

In most of the airports we serve, we do not directly lease facilities, but rather operate under flexible common use agreements. This facilitates our strategy of entering and exiting markets to service periods of peak demand. Our terminal passenger service facilities, which include ticket counters, gate space, operational support space and baggage service offices, generally have month-to-month terms or are used on a per use basis. For any leased space we are typically responsible for maintenance, insurance and other facility-related expenses and services under these agreements. We also have entered into use agreements at many of the airports we serve that provide for the non-exclusive use of runways, taxiways and other facilities. Landing fees under these agreements are based on the number of landings and weight of the aircraft.

We primarily operate out of eight of the 14 gates at Terminal 2 at MSP, five of which are assigned to us on a priority basis with common use access to the remaining gates. Our leases for our terminal passenger service facilities, which include operational support space and baggage service offices, are leased on a month-to-month basis.

Gate space and ticket counter space is used and billed on a per operation (each arrival and departure) basis until an annual operating cap is met. Our leases also include two hangars:

- 108,000 square foot maintenance hangar, which includes office space and is where we provide certain maintenance on our aircraft; and

- 90,000 square foot office and hangar facility which has been converted into our corporate headquarters.

For charter service with an origin or destination where we do not have ground handling capabilities, we arrange with airports, fixed base operators or military bases to provide ground services on an as needed basis.

Our principal executive offices and headquarters are presently located on MSP property at 2005 Cargo Road, Minneapolis, Minnesota 55450, consisting of approximately 90,000 square feet, under a lease which expires in February 2029.

## ITEM 3: LEGAL PROCEEDINGS

We are subject to commercial litigation claims and to administrative and regulatory proceedings and reviews that may be asserted or maintained from time to time. We 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 4: MINE SAFETY DISCLOSURES

Not applicable.

# PART II

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

### Market Information

On March 17, 2021, our common stock began trading on the Nasdaq Global Select Market ("Nasdaq") under the symbol "SNCY". Prior to that date, there was no public market for our common stock. As of December 31, 2022, there were 57,325,238 shares of common stock outstanding and held of record by approximately 60 stockholders and no shares of preferred stock were outstanding. The number of record holders of our common stock does not include Depository Trust Company ("DTC") participants or beneficial owners holding shares through nominee names.

### Dividend Policy

We have not to date paid any cash dividends on our common stock and we currently do not intend to pay cash dividends on our common stock in the foreseeable future. However, we may, in the future, decide to pay dividends on our common stock. Any declaration and payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, cash flows, capital requirements, levels of indebtedness, restrictions imposed by applicable law, our overall financial condition, restrictions in our debt agreements, and any other factors deemed relevant by our board of directors.

As a holding company, our ability to pay dividends also depends on our receipt of cash dividends from our operating subsidiaries. Our ability to pay dividends is restricted as a result of the Credit Agreement and may be restricted under future indebtedness that we or our subsidiaries may incur. For more information on the Company's Credit Agreement, see Note 8 to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" of this Annual Report.

### Securities Authorized for Issuance under Equity Compensation Plans

The Company has 3,600,000 shares authorized under the Sun Country Airlines Holdings, Inc. 2021 Omnibus Incentive Plan, of which 3,276,169 remains available as of December 31, 2022. For more information on the Company's compensation plans, see Note 10 to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" of this Annual Report.

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|---|
| Sun Country Airlines Holdings, Inc. 2021 Omnibus Incentive Plan | 76,605 | $ 32.87 | 3,276,169 |
| Sun Country Airlines 2018 Equity Incentive Plan | 4,458,450 | $ 6.08 | — |
| Total | 4,535,055 | $ 6.53 | 3,276,169 |

### Purchases of Equity Security by the Issuer and Affiliated Purchasers

On October 31, 2022, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company may purchase up to $50,000 of its Common Stock, $0.01 par value per share ("Common Stock"). The Company may purchase shares of its Common Stock on a discretionary basis from time-to-time through open market repurchases, privately negotiated transactions, accelerated share repurchase, or other means, including through Rule 10b5-1 trading plans.

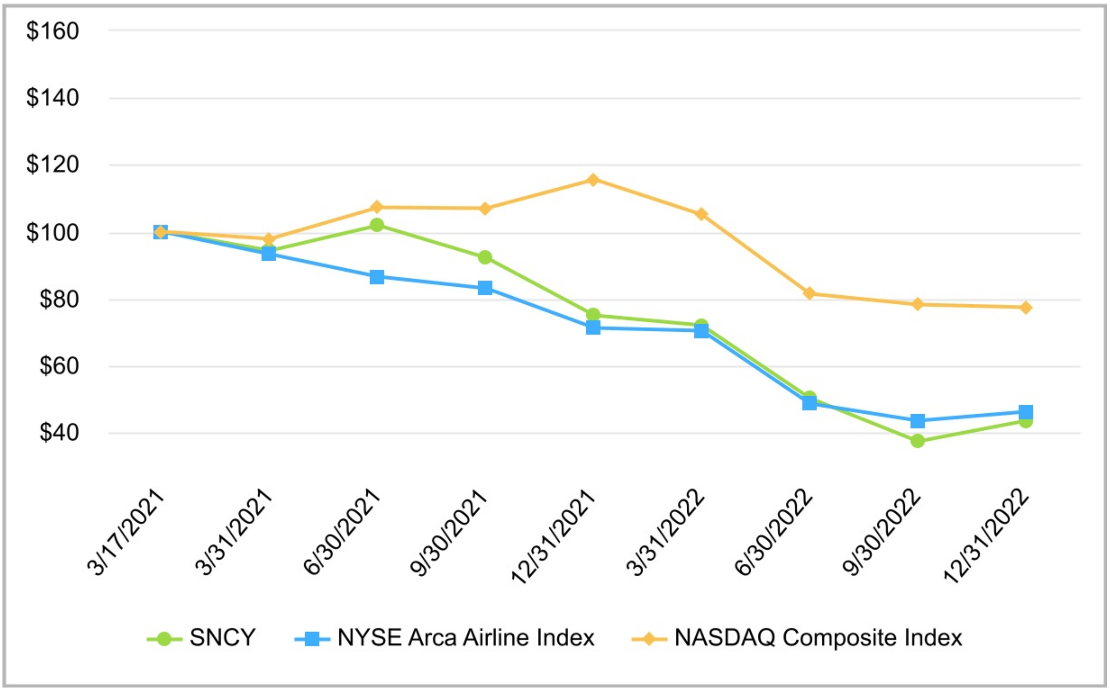
The stock repurchase program has no expiration date and may be modified, suspended, or terminated at any time. Any repurchases made under this program will be funded from the Company's existing cash flows, or future cash flows.

| | Total Number of Shares Purchased | Average Price Paid per Share | | Total Number of Shares Purchased as Part of Publicly Announced Plans | Approximate Dollar Value ($ in thousands) of Shares that May Yet be Purchased Under Plan |
|---|---|---|---|---|---|
| October 1-31, 2022 | — | $ — | | — | $ — |
| November 1-30, 2022 | 890,586 | | (1) | 890,586 | 25,000 |
| December 1-31, 2022 | — | — | | — | — |
| Total | 890,586 | $ — | | 890,586 | $ 25,000 |

(1) During the fourth quarter of 2022, the Company entered into a $25,000 accelerated share repurchase program. The Company received an initial delivery of 890,586 shares at an average price of $19.65 per share during the fourth quarter of 2022. The settlement of the program occurred during January 2023, upon which the Company received an additional 480,932 shares. In total, the Company repurchased 1,371,518 shares at an average price of $18.23 per share. For more information, see Note 16 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

**Stock Performance Graph**

The following graph compares the cumulative total return from March 17, 2021 through December 31, 2022 on our common stock with the cumulative total return on the NASDAQ Composite Index and the NYSE ARCA Airline Index. The graph assumes that the value of the investment on our common stock and each of the Indexes was $100 on March 17, 2021, and further assumes that all dividends are reinvested.




| 2022 | 3/31/2022 | 6/30/2022 | 9/30/2022 | 12/31/2022 |
|---|---|---|---|---|
| SNCY | $ 71.96 | $ 50.41 | $ 37.41 | $ 43.60 |
| NYSE Arca Airline Index | 70.34 | 48.69 | 43.43 | 46.12 |
| NASDAQ Composite Index | 105.14 | 81.54 | 78.19 | 77.39 |

| 2021 | 3/17/2021 | 3/31/2021 | 6/30/2021 | 9/30/2021 | 12/31/2021 |
|---|---|---|---|---|---|
| SNCY | $ 100.00 | $ 94.23 | $ 101.73 | $ 92.19 | $ 74.90 |
| NYSE Arca Airline Index | 100.00 | 93.13 | 86.51 | 82.96 | 71.28 |
| NASDAQ Composite Index | 100.00 | 97.94 | 107.24 | 106.83 | 115.67 |

The stock performance depicted in the graph above represents historical performance and is not to be relied upon as indicative of future performance.

**ITEM 6: [RESERVED]**

**ITEM 7: 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.

*The following discussion and analysis presents factors that had a material effect on our results of operations during the years ended December 31, 2022 and 2021. Also discussed is our financial position as of*

*December 31, 2022 and 2021. Unless expressly stated otherwise, for discussion and analysis of fiscal year 2020 items and fiscal year 2021 compared to fiscal year 2020, please refer to Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2021, which was filed with the United States Securities and Exchange Commission and is incorporated herein by reference. This section should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report. 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 Annual Report titled "Risk Factors" "Cautionary Note Regarding Forward-Looking Statements" and elsewhere in this Annual Report. The "Risk Factors" and the "Cautionary Note Regarding Forward-Looking Statements" should be read carefully to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.*

**Business 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. Based in Minnesota, we focus on serving leisure and VFR passengers and charter customers and providing CMI service to Amazon, with flights throughout the United States and to destinations in Canada, Mexico, Central America and the Caribbean. 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 TRASM than ULCCs while maintaining lower Adjusted CASM than LCCs, resulting in best-in-class unit profitability. Our business includes many cost characteristics of ULCCs, 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. 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 both 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 DoD, and collegiate and professional sports teams. 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 we are currently 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 of in-flight entertainment to passenger devices, seat reclining 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 experienced a significant decrease in demand related to the COVID-19 pandemic, which caused a material decline in our 2021 results as compared to pre-pandemic levels, and negatively impacted our financial condition and operating results.

During the year ended December 31, 2022, we have continued to see recovery in demand from the COVID-19 virus and its variants relative to demand in 2021, which may impact the comparability of results presented. However, the ongoing impact of the COVID-19 pandemic virus and its variants on overall demand for future air travel remains uncertain and cannot be predicted at this time. While the COVID-19 pandemic induced an industry downturn, we believe that our investments have positioned us to profitably grow our business in the long term following the continued recovery of the U.S. airline industry.

2022 operational challenges, driven by training throughput issues and uncertainties in pilot staffing, fuel price increases due to geopolitical events, and the impact of macroeconomic conditions including inflationary pressures have impacted the Company, as well as the industry. In the near term, current airline travel demand will partially offset the additional costs associated with operational challenges, fuel price increases, and other inflationary pressures. Our flexible business model gives us the ability to adjust our services in response to these market conditions, which is targeted at producing the highest possible returns for Sun Country.

For more information on our business and strategic advantages, see the "Business" section within Part I, Item 1 of this Annual Report.

***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 business, primarily generated through our service to the U.S. Department of Defense, collegiate and professional sports teams, and casinos.

*Ancillary*. Ancillary revenue consists primarily of revenue generated from air travel-related services such as baggage fees, seat selection and upgrade fees, priority check-in and boarding 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 since 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 the Apollo Funds in 2018. See Note 6 of the Consolidated Financial Statements included in Part II, Item 8 of this report 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 costs 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 and finance leased aircraft, which is subsequently amortized as a component of depreciation and amortization expense. Certain maintenance expenses are reduced by the amortization of a liability (or contra-asset) established at the time of our acquisition by the Apollo Funds in 2018 related to 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 of the Consolidated Financial Statements included in Part II, Item 8 of this report.

*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, amortization of 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 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, cash equivalents and investment balances.

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

*Other, net*. Other expenses include activities not classified in any other area of the Consolidated Statements of Operations, such as changes in the TRA Liability.

***Income Taxes***

Income taxes are accounted for using the asset and liability method. Deferred taxes are recorded based on differences between the financial statement basis and tax basis of assets and liabilities and available tax loss and credit carryforwards.

**Prior Periods' Financial Statement Revisions**

As described in Note 2 to the Consolidated Financial Statements, we have revised previously issued financial statements to correct an immaterial misstatement. Accordingly, all prior period numbers included in this Management's Discussion and Analysis of Financial Condition and Results of Operations reflect the effect of the revisions.

## Operating Statistics

### Key Operating Statistics and Metrics

| | Year Ended December 31, 2022 [1] | | | | Year Ended December 31, 2021 [1] | | | |
|---|---|---|---|---|---|---|---|---|
| | Scheduled Service | Charter | Cargo | Total | Scheduled Service | Charter | Cargo | Total |
| Departures [2] | 23,166 | 8,616 | 11,619 | 43,686 | 19,706 | 7,093 | 11,295 | 38,317 |
| Block hours [2] | 76,081 | 17,788 | 32,691 | 127,361 | 64,584 | 14,967 | 33,934 | 114,106 |
| Aircraft miles [2] | 30,413,446 | 6,295,154 | 12,502,451 | 49,438,373 | 26,228,100 | 5,483,145 | 13,372,671 | 45,269,162 |
| ASMs (thousands) [2] | 5,637,233 | 1,093,530 | | 6,771,340 | 4,844,203 | 951,086 | | 5,826,827 |
| TRASM (cents) | 11.40 | 14.78 | | 11.87 | 8.35 | 13.39 | | 9.12 |
| Average passenger aircraft during the period [3] | | | | 35.9 | | | | 32.2 |
| Passenger aircraft at end of period [3] | | | | 42 | | | | 36 |
| Cargo aircraft at end of period | | | | 12 | | | | 12 |
| Average daily aircraft utilization (hours) [3] | | | | 7.2 | | | | 6.8 |
| Average stage length (miles) | | | | 1,155 | | | | 1,183 |
| Revenue passengers carried [4] | 3,598,584 | | | | 2,733,364 | | | |
| Revenue passenger miles (RPMs) (thousands) [4] | 4,706,996 | | | | 3,618,208 | | | |
| Load factor [4] | 83.5% | | | | 74.7% | | | |
| Average base fare per passenger [4] | $ 121.80 | | | | $ 102.21 | | | |
| Ancillary revenue per passenger [4] | $ 53.49 | | | | $ 42.89 | | | |
| Charter revenue per block hour | | $ 9,086 | | | | $ 8,508 | | |
| Fuel gallons consumed (thousands) [2] | 59,222 | 12,055 | | 71,690 | 49,685 | 10,729 | | 60,739 |
| Fuel cost per gallon, excluding derivatives and other items | | | | $ 3.75 | | | | $ 2.19 |
| Employees at end of period | | | | 2,510 | | | | 2,181 |
| CASM (cents) [5] | | | | 12.39 | | | | 8.77 |
| Adjusted CASM (cents) [6] | | | | 7.04 | | | | 6.48 |

(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.

**Results of Operations**
**For the Years Ended December 31, 2022 and 2021**

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Scheduled Service | $ 438,308 | $ 279,377 | $ 158,931 | 57 % |
| Charter Service | 161,619 | 127,331 | 34,288 | 27 % |
| Ancillary | 192,506 | 117,237 | 75,269 | 64 % |
| Passenger | 792,433 | 523,945 | 268,488 | 51 % |
| Cargo | 90,350 | 91,428 | (1,078) | (1)% |
| Other | 11,661 | 7,642 | 4,019 | 53 % |
| Total Operating Revenues | 894,444 | 623,015 | 271,429 | 44 % |
| **Operating Expenses:** | | | | |
| Aircraft Fuel | 268,363 | 129,110 | 139,253 | 108 % |
| Salaries, Wages, and Benefits | 245,855 | 178,207 | 67,648 | 38 % |
| Aircraft Rent | 8,768 | 17,653 | (8,885) | (50)% |
| Maintenance | 46,604 | 40,095 | 6,509 | 16 % |
| Sales and Marketing | 31,053 | 22,060 | 8,993 | 41 % |
| Depreciation and Amortization | 67,641 | 57,075 | 10,566 | 19 % |
| Ground Handling | 33,816 | 26,981 | 6,835 | 25 % |
| Landing Fees and Airport Rent | 45,658 | 40,726 | 4,932 | 12 % |
| Special Items, net | — | (72,419) | 72,419 | (100)% |
| Other Operating, net | 90,978 | 71,580 | 19,398 | 27 % |
| Total Operating Expenses | 838,736 | 511,068 | 327,668 | 64 % |
| Operating Income | 55,708 | 111,947 | (56,239) | (50)% |
| **Non-operating Income (Expense):** | | | | |
| Interest Income | 4,527 | 85 | 4,442 | NM |
| Interest Expense | (31,018) | (26,326) | (4,692) | 18 % |
| Other, net | (5,235) | 14,624 | (19,859) | NM |
| Total Non-operating Income (Expense), net | (31,726) | (11,617) | (20,109) | 173 % |
| Income before Income Tax | 23,982 | 100,330 | (76,348) | (76)% |
| Income Tax Expense | 6,306 | 19,082 | (12,776) | (67)% |
| Net Income | $ 17,676 | $ 81,248 | $ (63,572) | (78)% |

"NM" stands for not meaningful

Total Operating Revenues increased $271,429, or 44%, to $894,444 for the year ended December 31, 2022 from $623,015 for the year ended December 31, 2021. The increase was largely driven by an increase in demand for passenger service during the year ended December 31, 2022 as compared to 2021, which was significantly impacted by a decrease in passenger demand due to the COVID-19 pandemic.

***Scheduled Service*****.** Scheduled service revenue increased by $158,931, or 57%, to $438,308 for the year ended December 31, 2022 from $279,377 for the year ended December 31, 2021. The table below presents select operating data for scheduled service:

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | Change | % Change |
|---|---|---|---|---|
| Departures | 23,166 | 19,706 | 3,460 | 18 % |
| Passengers | 3,598,584 | 2,733,364 | 865,220 | 32 % |
| Average base fare per passenger | $ 121.80 | $ 102.21 | $ 19.59 | 19 % |
| RPMs (thousands) | 4,706,996 | 3,618,208 | 1,088,788 | 30 % |
| ASMs (thousands) | 5,637,233 | 4,844,203 | 793,030 | 16 % |
| TRASM (cents) | 11.40 | 8.35 | 3.05 | 37 % |
| Passenger load factor | 83.5 % | 74.7 % | 8.8 pts | N/A |

The significant year-over-year increases in all scheduled service operating data was primarily the result of the continued recovery in demand from the COVID-19 pandemic during the year ended December 31, 2022, relative to the same period in 2021. The year-over-year increase in demand is demonstrated by a 32% increase in passengers, a 19% increase in the average base fare per passenger, and an 8.8 percentage point increase in load factor. The year-over-year revenue increase is slightly offset by the introduction of a new Ancillary product, which reclassified approximately $30,409 of revenue, that would have been previously recognized within Scheduled Service, to Ancillary.

***Charter Service*****.** Charter service revenue increased $34,288, or 27%, to $161,619 for the year ended December 31, 2022, from $127,331 for the year ended December 31, 2021. The increase in Charter service revenue was driven by the increase in rates and a 19% increase in Charter block hours, due to the continued recovery from the COVID-19 pandemic and new charter agreements that began operations during 2022. Charter revenue per block hour was $9,086 for the year ended December 31, 2022, as compared to $8,508 for the year ended December 31, 2021, for an increase of 7%. Rates in 2021 suffered from significant competitive pressure because other carriers had excess aircraft, crew, and resources to operate charter capacity. Charter revenue per block hour for the year ended December 31, 2022 was further benefited by increased rates for fuel reimbursements as a result of the year-over-year increase in fuel prices.

***Ancillary***. Ancillary revenue increased by $75,269, or 64%, to $192,506 for the year ended December 31, 2022, from $117,237 for the year ended December 31, 2021. Ancillary revenue was $53.49 per passenger in the year ended December 31, 2022, up $10.60, or 25%, from the year ended December 31, 2021. The 32% increase in Scheduled Service passengers during the period resulted in greater sales of air travel-related services such as baggage fees, seat selection and upgrade fees, priority check-in and boarding fees, itinerary service fees and on-board sales. Ancillary revenue for the year ended December 31, 2022 was further benefited by the introduction of a new ancillary product that began in the second quarter of 2022. This new product reclassified approximately $30,409 of revenue, that would have been previously recognized within Scheduled Service, to Ancillary.

***Cargo***. Revenue from cargo services was $90,350 for the year ended December 31, 2022, as compared to $91,428 for the year ended December 31, 2021. The number of departures increased by 3% year-over-year; however, block hours declined 4%. This was primarily due to shorter and more frequent flights in the schedule when compared to 2021, and heavy maintenance visits on all aircraft limited the level of operations. Operational factors and an approximately $1,700 one-time revenue benefit recognized in 2021 also contributed to the year-over-year revenue decrease.

***Other***. Other revenue was $11,661 for the year ended December 31, 2022, as compared to $7,642 for the year ended December 31, 2021. The increase was primarily driven by an increase in revenue from Sun Country Vacations as a result of higher year-over-year bookings.

*Operating Expenses*

***Aircraft Fuel***. We believe Aircraft Fuel expense, excluding derivatives and other items, is the best measure of the effect of fuel prices on our business as it consists solely of direct fuel expenses that are related to our operations and is consistent with how management analyzes our operating performance. This measure is defined as GAAP Aircraft Fuel expense, excluding gains related to fuel hedge derivative contracts and certain costs that are recognized within Aircraft Fuel expense, but are not directly related to our Fuel Cost per Gallon.

The primary components of Aircraft Fuel expense are shown in the following table:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2022 | 2021 | Change | % Change |
| Total Aircraft Fuel Expense | $ 268,363 | $ 129,110 | $ 139,253 | 108 % |
| Exclude: Fuel Derivative Gains | — | 3,527 | (3,527) | NM |
| Other Excluded Items | 739 | 335 | 404 | 121 % |
| Aircraft Fuel Expense, Excluding Derivatives and Other Items | $ 269,102 | $ 132,972 | $ 136,130 | 102 % |
| Fuel Gallons Consumed (thousands) | 71,690 | 60,739 | 10,951 | 18 % |
| Fuel Cost per Gallon, Excluding Derivatives and Other Items | $ 3.75 | $ 2.19 | $ 1.56 | 71 % |

(1) "NM" stands for not meaningful

The increase in Aircraft Fuel expense was mainly driven by the 71% increase in the average price per gallon of fuel due to current market conditions, which have been impacted by global geopolitical events, and an 18% increase in fuel gallons consumed resulting from a recovery in demand as demonstrated by an 18% increase in Passenger Service block hours.

***Salaries, Wages, and Benefits***. Salaries, wages, and benefits expense increased $67,648, or 38%, to $245,855 for the year ended December 31, 2022, as compared to $178,207 for the year ended December 31, 2021. The increase was driven by the new collective bargaining agreement for our pilots, which went into effect in the first quarter of 2022, increased per unit costs, increase in headcount, and an increase in Passenger Service block hours. The average employee headcount as of December 31, 2022 was 2,324, as compared to 1,884 as of December 31, 2021, for an increase of 440, or 23%. The increase in employee headcount was to support all lines of business during the ongoing recovery from the impacts of the COVID-19 pandemic.

***Aircraft Rent***. Aircraft rent expense decreased $8,885, or 50%, to $8,768 for the year ended December 31, 2022, as compared to $17,653 for the year ended December 31, 2021. Aircraft Rent expense decreased primarily due to the composition of our aircraft fleet shifting from aircraft under operating leases (expense is recorded within Aircraft Rent) to owned aircraft or finance leases (expense is recorded through Depreciation and Amortization and Interest Expense). Specifically, in 2022, we executed lease amendments which modified two aircraft from operating leases to finance leases and purchased two aircraft previously classified as operating leases. For the year ended December 31, 2022 and 2021, there were an average of four and seven aircraft under operating leases, respectively.

***Maintenance***. Maintenance materials and repair expense increased $6,509, or 16%, to $46,604 for the year ended December 31, 2022, as compared to $40,095 for the year ended December 31, 2021. The increase in maintenance expense was primarily driven by increased departures and block hours across the Passenger segment, an increase in line maintenance for the Cargo fleet, and increased per unit costs due to incremental contract labor spend.

***Sales and Marketing***. Sales and marketing expense increased $8,993, or 41%, to $31,053 for the year ended December 31, 2022, as compared to $22,060 for the year ended December 31, 2021. Passenger revenue increased 51% between these two periods leading to nearly $7,800 in increased credit card processing, GDS, and OTA fees during this time period.

***Depreciation and Amortization***. Depreciation and amortization expense increased $10,566, or 19%, to $67,641 for the year ended December 31, 2022, as compared to $57,075 for the year ended December 31, 2021. The increase was primarily due to the impact of a change in the composition of our aircraft fleet that results in an increased number of owned aircraft and aircraft under finance leases (the expense is recorded as Depreciation and Amortization and Interest Expense). For the years ended December 31, 2022 and 2021, there were an average of 25 and 19 owned aircraft and 11 and seven finance leases, respectively.

***Ground Handling***. Ground handling expense increased $6,835, or 25%, to $33,816 for the year ended December 31, 2022, as compared to $26,981 for the year ended December 31, 2021. The increase was primarily driven by the 19% increase in Passenger segment departures due to the continued recovery in demand from the COVID-19 pandemic and new charter agreements that began operations during 2022.

***Landing Fees and Airport Rent***. Landing fees and airport rent increased $4,932, or 12%, to $45,658 for the year ended December 31, 2022, as compared to $40,726 for the year ended December 31, 2021. The increase was primarily driven by the 19% increase in Passenger segment departures due to the continued recovery in demand from the COVID-19 pandemic and new charter agreements that began operations during 2022.

***Special Items, net***. There were no Special Items recorded for the year ended December 31, 2022, as compared to a net benefit of $72,419 for the year ended December 31, 2021. The net benefit was primarily driven by the payroll support received under the CARES Act. For more information on Special Items, see Note 17 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

***Other Operating, net***. Other operating, net expense increased $19,398, or 27%, to $90,978 for the year ended December 31, 2022, as compared to $71,580 for the year ended December 31, 2021, mainly due to increased departures within the Passenger segment, which resulted in higher crew and other employee travel costs, catering expenses, and other operational overhead costs, as well as an increase in rates associated with these expenditures.

*Non-operating Income (Expense)*

***Interest Income***. Interest income was $4,527 for the year ended December 31, 2022 primarily due to the change in investment strategy which led to the purchase of debt securities during 2022. Interest income for the year ended December 31, 2021 was nominal.

***Interest Expense***. Interest expense increased $4,692, or 18%, to $31,018 for the year ended December 31, 2022, as compared to $26,326 for the year ended December 31, 2021. The increase was primarily due to a larger mix of owned aircraft that were financed or refinanced with the proceeds from the 2022-1 EETC, as well as an increase in aircraft accounted for as finance leases during the year ended December 31, 2022. For more information on the Company's Debt, see Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

***Other, net***. Other, net decreased by $19,859 to a net expense of $5,235 for the year ended December 31, 2022, as compared to net benefit of $14,624 for the year ended December 31, 2021. The increase was primarily due to the $5,000 adjustment to increase the estimated Tax Receivable Agreement ("TRA") liability as of December 31, 2022, as compared to the $16,400 adjustment to decrease the estimated TRA liability as of December 31, 2021. For more information on the TRA liability, see Note 15 to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" of this Annual Report.

***Income Tax Expense (Benefit).*** The Company's effective tax rate increased by 7.3% to 26.3% for the year ended December 31, 2022, as compared to 19.0% for the year ended December 31, 2021. The effective tax rate represents a blend of federal and state taxes and includes the impact of certain nondeductible or nontaxable items. The year-over-year increase in the effective tax rate was impacted by the non-taxable adjustments of the TRA liability, which was a $5,000 expense in 2022 as compared to a $16,400 benefit in 2021.

**Segment Information**

For the Years Ended December 31, 2022 and 2021:

| | Year Ended December 31, 2022 | | | Year Ended December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Passenger | Cargo | Total | Passenger | Cargo | Total |
| Operating Revenues | $ 804,094 | $ 90,350 | $ 894,444 | $ 531,587 | $ 91,428 | $ 623,015 |
| Operating Expenses: | | | | | | |
| Aircraft Fuel | 268,279 | 84 | 268,363 | 128,863 | 247 | 129,110 |
| Salaries, Wages, and Benefits | 189,134 | 56,721 | 245,855 | 135,721 | 42,486 | 178,207 |
| Aircraft Rent | 8,768 | — | 8,768 | 17,653 | — | 17,653 |
| Maintenance | 33,293 | 13,311 | 46,604 | 29,537 | 10,558 | 40,095 |
| Sales and Marketing | 31,053 | — | 31,053 | 22,060 | — | 22,060 |
| Depreciation and Amortization | 67,530 | 111 | 67,641 | 56,970 | 105 | 57,075 |
| Ground Handling | 33,808 | 8 | 33,816 | 26,981 | — | 26,981 |
| Landing Fees and Airport Rent | 45,234 | 424 | 45,658 | 40,230 | 496 | 40,726 |
| Special Items, net | — | — | — | (54,019) | (18,400) | (72,419) |
| Other Operating, net | 71,148 | 19,830 | 90,978 | 56,428 | 15,152 | 71,580 |
| Total Operating Expenses | 748,247 | 90,489 | 838,736 | 460,424 | 50,644 | 511,068 |
| Operating Income (Loss) | $ 55,847 | $ (139) | $ 55,708 | $ 71,163 | $ 40,784 | $ 111,947 |
| Adjustment for Special Items | — | — | — | (54,019) | (18,400) | (72,419) |
| Operating Income (Loss), Excluding Special Items | $ 55,847 | $ (139) | $ 55,708 | $ 17,144 | $ 22,384 | $ 39,528 |
| Operating Margin %, Excluding Special Items | 6.9 % | (0.2)% | 6.2 % | 3.2 % | 24.5 % | 6.3 % |

*Passenger.* Passenger operating income decreased by $15,316 to $55,847 for the year ended December 31, 2022 from $71,163 for the year ended December 31, 2021. Operating Margin Percentage, Excluding Special Items, net increased by 3.7 percentage points, to 6.9%, from 3.2% over the same periods. The year-over-year decrease in Passenger Operating Income is primarily driven by the allocated payroll support received under the CARES Act during the first half of 2021, recognized within Special Items, net; an increase in Aircraft Fuel expense due to market conditions from geopolitical events; and an increase in Salaries, Wages, and Benefits driven by the new CBA for our pilots that went into effect in the beginning of 2022. The increase in Operating Margin Percentage, Excluding Special Items, net was primarily driven by the year-over-year increases in revenue across all Passenger segment business lines, partially offset by the increases in Aircraft Fuel expense and Salaries, Wages, and Benefits. The CARES Act credits were allocated to both the Passenger and Cargo segment results based on their respective segment salaries, wages, and benefits. For more information on the changes in the components of Operating Income for the Passenger segment, refer to the Results of Operations discussion above.

*Cargo.* Cargo had an operating loss of $139 for the year ended December 31, 2022, as compared to operating income of $40,784 for the year ended December 31, 2021, which is a decrease of $40,923. Operating Margin Percentage, Excluding Special Items, net decreased by 24.7 percentage points, to (0.2)%, over the same periods. The decrease in Operating Income was primarily driven by the allocated payroll support received under the CARES Act during the first half of 2021, recognized within Special Items, net, a revenue benefit recognized in the prior period, a year-over-year increase in Salaries, Wages, and Benefits driven by the new CBA for our pilots that went into effect in the beginning of 2022, and decreased block hours. The year-over-year decrease in Operating Margin Percentage, Excluding Special Items, net was driven by the factors listed above, excluding the benefit recognized as a result of the allocated payroll support received under the CARES Act during the first half of 2021. The CARES Act credits were allocated to both the Passenger and Cargo segment results based on their respective segment salaries, wages, and benefits. For more information on the components of Operating Income for the Cargo segment, refer to the Results of Operations discussion above, where we 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 Annual Report to the most directly comparable GAAP financial measures.

**Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Net Income and Adjusted EBITDA**

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Net Income, and Adjusted EBITDA 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.

The measures described above have limitations as analytical tools. Some of the limitations applicable to these measures include: they do not reflect the impact of certain cash and non-cash charges resulting from matters we consider not to be indicative of our ongoing operations; and other companies in our industry may calculate these non-GAAP measures differently than we do, limiting each measure’s usefulness as a comparative measure. Because of these limitations, the following non-GAAP measures should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP and may not be the same as or comparable to similarly titled measures presented by other companies due to the possible differences in the method of calculation and in the items being adjusted.

For the foregoing reasons, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Net Income and Adjusted EBITDA have significant limitations which affect their use as indicators of our profitability. Accordingly, readers are cautioned not to place undue reliance on this information.

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

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Adjusted Operating Income Margin reconciliation: | | |
| Operating Revenue | $ 894,444 | $ 623,015 |
| Operating Income | 55,708 | 111,947 |
| | | |
| Special Items, net [(a)] | — | (72,419) |
| Stock compensation expense | 2,774 | 5,562 |
| TRA expenses [(b)] | — | 320 |
| Other Adjustments [(c)] | — | 3,015 |
| Adjusted Operating Income | $ 58,482 | $ 48,425 |
| Operating Income Margin | 6.2 % | 18.0 % |
| Adjusted Operating Income Margin | 6.5 % | 7.8 % |

(a) The adjustments include Special Items, net, as presented in Note 17 to the Company's Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

(b) This represents the one-time costs to establish the TRA liability with our TRA holders. See Note 15 to the Company's Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

(c) Other adjustments for the year ended December 31, 2021 included an adjustment to expenses related to pilot vacation time resulting from the new CBA.

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

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Adjusted Net Income reconciliation: | | |
| Net Income | $ 17,676 | $ 81,248 |
| | | |
| Special Items, net [(a)] | — | (72,419) |
| Stock compensation expense | 2,774 | 5,562 |
| (Gain) Loss on asset transactions, net [(b)] | (318) | 3 |
| Early pay-off of US Treasury loan | — | 842 |
| Loss on refinancing credit facility | 1,557 | 382 |
| Secondary Offering Costs | — | 1,763 |
| TRA expenses [(c)] | — | 320 |
| TRA adjustment [(d)] | 5,000 | (16,400) |
| Other Adjustments [(e)] | — | 3,015 |
| Income tax effect of adjusting items, net [(f)] | (923) | 13,922 |
| Adjusted Net Income | $ 25,766 | $ 18,238 |

(a) The adjustments include Special Items, net, as presented in Note 17 to the Company's Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

(b) Due to changes in the Company's operations, Management determined that, beginning in the fourth quarter of 2022, certain asset transactions will no longer be included as adjustments to Adjusted Net Income because these transactions are part of our recurring operations. This change was made prospectively beginning in the fourth quarter of 2022, and no prior period amounts have been adjusted.

(c) This represents the one-time costs to establish the TRA liability with our TRA holders. See Note 15 to the Company's Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

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

(e) Other adjustments for the year ended December 31, 2021 included an adjustment to expenses related to pilot vacation time resulting from the new CBA.

(f) The tax effect of adjusting items, net is calculated at the Company's statutory rate for the applicable period. The TRA adjustment is not tax deductible and therefore not included in this adjustment.

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

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
|---|---|---|
| Adjusted EBITDA Reconciliation: | | |
| Net Income | $ 17,676 | $ 81,248 |
| Special Items, net [(a)] | — | (72,419) |
| Stock Compensation expense | 2,774 | 5,562 |
| (Gain) Loss on asset transactions, net [(b)] | (318) | 3 |
| Secondary Offering Costs | — | 1,763 |
| TRA expenses [(c)] | — | 320 |
| TRA adjustment [(d)] | 5,000 | (16,400) |
| Interest Income | (4,527) | (85) |
| Interest expense | 31,018 | 26,326 |
| Provision for income taxes | 6,306 | 19,082 |
| Depreciation and Amortization | 67,641 | 57,075 |
| Other Adjustments [(e)] | — | 3,015 |
| Adjusted EBITDA | $ 125,570 | $ 105,490 |

(a) The adjustments include Special Items, net, as presented in Note 17 to the Company's Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

(b) Due to changes in the Company's operations, Management determined that, beginning in the fourth quarter of 2022, certain asset transactions will no longer be included as adjustments to Adjusted EBITDA because these transactions are part of our recurring operations. This change was made prospectively beginning in the fourth quarter of 2022, and no prior period amounts have been adjusted.

(c) This represents the one-time costs to establish the TRA liability with our TRA holders. See Note 15 of the Company's Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

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

(e) Other adjustments for the year ended December 31, 2021 included an adjustment to expenses related to pilot vacation time resulting from the new CBA.

**CASM and Adjusted CASM**

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, certain commissions and other costs of selling our vacation products 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.

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. 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 long-term employee retention, rather than to motivate or reward operational performance for any period. Thus, stock-based compensation expense varies for reasons that are generally unrelated to operational decisions and performance in any period.

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 aforementioned reasons, Adjusted CASM has significant limitations which affect its use as an indicator of our profitability. Accordingly, readers are cautioned not to place undue reliance on this information.

The following tables present the reconciliation of CASM to Adjusted CASM.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Operating Expenses | Per ASM (in cents) | Operating Expenses | Per ASM (in cents) |
| CASM | $ 838,736 | 12.39 | $ 511,068 | 8.77 |
| Less: | | | | |
| Aircraft Fuel | 268,363 | 3.96 | 129,110 | 2.22 |
| Stock Compensation expense | 2,774 | 0.04 | 5,562 | 0.10 |
| Special Items, net [a] | — | — | (72,419) | (1.25) |
| TRA Expense [b] | — | — | 320 | 0.01 |
| Cargo expenses, not already adjusted above | 89,765 | 1.33 | 67,203 | 1.15 |
| Sun Country Vacations | 1,043 | 0.02 | 781 | 0.01 |
| Other Adjustments [c] | — | — | 3,015 | 0.05 |
| Adjusted CASM | $ 476,791 | 7.04 | $ 377,496 | 6.48 |
| Available Seat Miles | 6,771,340 | | 5,826,827 | |

(a) The adjustments include Special Items, net, as presented in Note 17 to the Company's Consolidated Financial Statements included in Part II, Item 8 of this report.

(b) This represents the one-time costs to establish the TRA liability with our TRA holders. See Note 15 to the Company's Consolidated Financial Statements included in Part II, Item 8 of this report.

(c) Other adjustments for the year ended December 31, 2021 included an adjustment to expenses related to pilot vacation time resulting from the new CBA.

## Liquidity and Capital Resources

The airline business is capital intensive. Our ability to successfully execute our business strategy is largely dependent on the continued availability of capital with attractive terms and maintaining 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, and debt financing.

Our primary sources of liquidity as of December 31, 2022 included our existing cash and cash equivalents of $92,086 and short-term investments of $178,936, our expected cash generated from operations, and the $24,650 of available funds from the Revolving Credit Facility. In addition, we had restricted cash of $10,842 as of December 31, 2022, 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 the charter transportation is provided.

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

We believe that our unrestricted cash and cash 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 twelve 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, geopolitical factors, regulations, or acts of terrorism.

**Aircraft** – As of December 31, 2022, we operated a fleet of 54 Boeing 737-NG aircraft. This includes 42 aircraft in the passenger fleet and 12 cargo operated aircraft through the ATSA. During the year ended December 31, 2022, the Company acquired seven incremental aircraft, five of which were financed using proceeds from the issuance of Class A and Class B pass-through trust certificates (the "2022-1 EETC"), and two through finance lease arrangements. An owned aircraft was retired due to the aircraft sustaining damage beyond economic repair.

During the year ended December 31, 2022, the Company completed transactions that adjusted the composition of its fleet. The Company executed lease amendments to purchase two aircraft at the end of the lease term, which modified the classification from operating leases to finance leases with expiration dates in fiscal year 2026. The Company purchased two aircraft previously classified as finance leases, using proceeds from the 2022-1 EETC. Additionally, the Company purchased two aircraft previously classified as operating leases, both of which are now unencumbered.

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. For more information on our fleet and leases, see Note 6 and Note 9 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

**Maintenance Deposits** - In addition to funding the acquisition of aircraft, we are required by certain of our aircraft lessors to fund cash reserves in advance of 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 Consolidated Balance Sheets. As of December 31, 2022, we had $33,674 of total Lessor Maintenance Deposits.

**Investments** - The Company invests its cash and cash equivalents in highly liquid securities with strong credit ratings. As of December 31, 2022, the Company held $172,635 of debt securities, all of which are classified as current assets because of their highly liquid nature and availability to be converted into cash to fund current operations. Given the significant portion of our portfolio held in cash and cash equivalents and the high credit quality of our debt security investments, we do not anticipate fluctuations in the aggregate fair value of our investments to have a material impact on our liquidity or capital position.

The Company also holds $6,301 of Certificates of Deposit that are included in Investments on the Consolidated Balance Sheets as of December 31, 2022.

**CARES Act** - During 2021, we received grants totaling $71,587 from the Treasury under the CARES Act Payroll Support Program. We also received a CARES Act Loan of $45,000 in October 2020, which was repaid in full on March 24, 2021 using proceeds from the IPO.

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. Restrictions on the payment of certain executive compensation continue through April 1, 2023. Due to an administrative issue, during the twelve months ended June 30, 2022, the compensation payable to an executive officer temporarily exceeded the limit under the CARES Act by $319. Once the issue was identified, the executive officer voluntarily rescinded the unvested portion of the equity grant that caused the executive's compensation to exceed the CARES Act limit. At no point did the executive's cash compensation and equity awards that could be monetized exceed the CARES Act limit. The Company did not accrue any amounts related to this matter as of December 31, 2022. To the extent we are deemed to have failed to remain in full compliance with the CARES Act and the applicable rules and regulations thereunder, we may become subject to fines or other enforcement actions, which may adversely affect our business, results of operations and financial condition. For more information on the CARES Act provisions, see Note 3 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

**Credit Facilities** - The Company uses its Credit Facilities to provide liquidity support for general corporate purposes and to finance the acquisition of aircraft. On February 10, 2021, we entered into a Credit Agreement which included a $25,000 Revolving Credit Facility and a $90,000 Delayed Draw Term Loan Facility ("DDTL"). The proceeds from the Revolving Credit Facility can be used for general corporate purposes, whereas the proceeds from the DDTL were to be used solely to finance the acquisition of aircraft or engines to be registered in the United States. The Credit Agreement includes financial covenants that require a minimum trailing 12-month EBITDAR ($87,700 as of March 31, 2022 and beyond) and a minimum liquidity of $30,000 at the close of any business day. The Company was in compliance with this covenant as of December 31, 2022.

During 2021, the Company drew $80,500 on the DDTL to purchase six aircraft, which were previously under operating leases. The Company repaid the outstanding balance for the DDTL in full in March 2022 using proceeds it received from the 2022-1 EETC. No amounts under the DDTL are available to the Company as of December 31, 2022. As of December 31, 2022, the Company had $24,650 of financing available through the Revolving Credit Facility.

**Debt** - At our discretion, we obtain debt financing through the issuance of pass-through trust certificates to purchase, or refinance, aircraft. 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. The 2019-1 EETC is payable in semi-annual installments, in June and December, through December 2027.

In March 2022, the Company arranged for the issuance of the 2022-1 EETC in an aggregate face amount of $188,277 for the purpose of financing or refinancing 13 aircraft. The 2022-1 EETC is secured by a lien on the financed or refinanced aircraft and is cross collateralized by the other aircraft financed through the issuance. The Company is required to make semi-annual principal and interest payments each March and September. The first payment occurred on September 15, 2022.

For more information on our credit facilities or debt, see Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

**TRA Liability -** In connection with the Company's IPO, the Company entered into a TRA with pre-IPO stockholders (the “TRA holders”). The TRA 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 is 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.

Pursuant to certain CARES Act restrictions, payments under the TRA were prohibited through September 30, 2022. The Company expects to make payments under the TRA starting in 2023. Payments will be made in future periods as Pre-IPO Tax Attributes are utilized.

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash and Cash Equivalents | $ 92,086 | $ 309,338 |
| Available-for-Sale Securities | 172,635 | — |
| Amount Available Under Revolving Credit Facility | 24,650 | 25,000 |
| Total Liquidity | $ 289,371 | $ 334,338 |

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Total Debt, net | $ 352,235 | $ 277,426 |
| Finance Lease Obligations | 251,296 | 192,155 |
| Operating Lease Obligations | 26,132 | 76,041 |
| Total Debt and Lease Obligations | 629,663 | 545,622 |
| Stockholders' Equity | 492,712 | 490,589 |
| Total Invested Capital | $ 1,122,375 | $ 1,036,211 |
| | | |
| Debt-to-Capital | 0.56 | 0.53 |

***Sources and Uses of Liquidity***

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Total Operating Activities | $ 127,440 | $ 158,976 | $ (31,536) | (20)% |
| Investing Activities: | | | | |
| Purchases of Property & Equipment | (187,922) | (123,332) | (64,590) | 52 % |
| Proceeds from the Sale of Property & Equipment | 2,451 | 56 | 2,395 | NM |
| Proceeds from Insurance Settlements | 8,865 | — | 8,865 | NM |
| Purchases of Investments | (178,960) | (1,797) | (177,163) | NM |
| Proceeds from the Sale of Investments | 1,236 | 1,137 | 99 | 9 % |
| Proceeds from the Maturities of Investments | 5,000 | — | 5,000 | NM |
| Total Investing Activities | (349,330) | (123,936) | (225,394) | 182 % |
| Financing Activities: | | | | |
| Cash from Stock Offering, net | — | 227,510 | (227,510) | NM |
| Proceeds from Stock Option and Warrant Exercises, net | 1,934 | 4,233 | (2,299) | (54)% |
| Common Stock Repurchases | (25,054) | — | (25,054) | NM |
| Proceeds from Borrowings | 188,277 | 80,500 | 107,777 | 134 % |
| Repayment of Finance Lease Obligations | (42,062) | (11,931) | (30,131) | 253 % |
| Repayment of Borrowings | (113,492) | (85,370) | (28,122) | 33 % |
| Debt Issuance Costs | (2,570) | (2,560) | (10) | — % |
| Total Financing Activities | 7,033 | 212,382 | (205,349) | (97)% |
| Net (Decrease) Increase in Cash | $ (214,857) | $ 247,422 | $ (462,279) | (187)% |

"Cash" consists of Cash, Cash Equivalents and Restricted Cash
"NM" stands for not meaningful

### *Operating Cash Flow Activities*

Operating activities in the years ended December 31, 2022 and 2021 provided $127,440 and $158,976 of cash, respectively. During the years ended December 31, 2022 and 2021, Net Income was $17,676 and $81,248, respectively. Net Income in 2021 benefited from $71,587 in grants received under the CARES Act. For more information on the components of Net Income for the years ended December 31, 2022 and 2021 refer to the Consolidated Results of Operations discussion above.

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 fall and early winter months as advanced ticket sales grow prior to the late winter and spring peak travel season and decrease during the summer months. Air Traffic liabilities have increased year-over-year by $39,433, or 33%, largely driven by an increase in demand for passenger service as compared to 2021, which was significantly impacted by a decrease in passenger demand due to the COVID-19 pandemic.

*Fuel.* Fuel expense represented approximately 32% and 25% of our total operating expense for the years ended December 31, 2022 and 2021, respectively. The market price for jet fuel is volatile, which can impact the comparability of our periodic cash flows from operations. Fuel consumption has increased by 18% year-over-year, consistent with increased passengers as the impact of the pandemic subsides. Additionally, the average cost per gallon increased by 71% year-over-year due to current market conditions, which have been impacted by global geopolitical events.

*CARES Act.* During the year ended December 31, 2021 we received $71,587 in CARES Act grants.

*Operating Leases.* Payments for our Operating Lease Liabilities decreased primarily due to the composition of our aircraft fleet shifting from aircraft under operating leases to owned aircraft or finance leases. Specifically, in 2022, we executed lease amendments which modified two aircraft from operating leases to finance leases and purchased two aircraft previously classified as operating leases. For the year ended December 31, 2022 and 2021, there were an average of four and seven aircraft under operating leases, respectively. As of December 31, 2022, we operated two aircraft under operating leases.

### *Investing Cash Flow Activities*

*Capital Expenditures.* Our capital expenditures were $187,922 and $123,332 for the years ended December 31, 2022 and 2021, respectively. Our capital expenditures during the year ended December 31, 2022 primarily included the purchase of five incremental aircraft, two aircraft off operating leases, five spare engines, a flight simulator, and other miscellaneous assets.

Our capital expenditures during the year ended December 31, 2021 were primarily related to the purchases of six existing aircraft previously under operating leases that were financed through draws on the DDTL, one incremental aircraft, and a flight simulator.

*Investments.* During 2022, the Company purchased $178,960 of investments as part of a change in investment strategy which led to the purchase of debt securities.

### *Financing Cash Flow Activities*

*Debt*. In March 2022, the Company arranged for the issuance of the 2022-1 EETC in an aggregate face amount of $188,277 for the purpose of financing or refinancing 13 aircraft. Five of these aircraft were owned fleet assets previously financed by the DDTL, which was repaid with the proceeds from the 2022-1 EETC.

In the year ended December 31, 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. We repaid in full the Cares Act Loan on March 24, 2021 using the proceeds from the IPO. In addition, we repaid $39,951 of other debt.

For additional information regarding these financing arrangements, see Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

*Finance Leases*. Our repayments of finance lease obligations were $42,062 and $11,931 for the years ended December 31, 2022 and 2021, respectively. During 2022, the Company purchased two aircraft previously classified as finance leases using proceeds from the 2022-1 EETC. The resulting cash outflows are recorded as payments for finance lease obligations. There were no similar transactions during the year ended December 31, 2021. The year-over-year increase was further impacted by change in the composition of our aircraft fleet that results in an increased number of aircraft operated under finance leases. For the years ended December 31, 2022 and 2021, there were an average of 11 and seven finance leases, respectively. As of December 31, 2022, the Company operated 11 aircraft under finance leases.

*Common Stock Repurchases.* On October 31, 2022, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company may purchase up to $50,000 of its Common Stock, $0.01 par value per share ("Common Stock"). The Company may purchase shares of its Common Stock on a discretionary basis from time-to-time through open market repurchases, privately negotiated transactions, accelerated share repurchase, or other means, including through Rule 10b5-1 trading plans. During the fourth quarter of 2022, the Company entered into a $25,000 Accelerated Share Repurchase Program. The Company received an initial delivery of 890,586 shares at an average price of $19.65 per share during the fourth quarter of 2022. The settlement of the program occurred during January 2023, upon which the Company received an additional 480,932 shares. In total, the Company repurchased 1,371,518 shares at an average price of $18.23 per share.

As of December 31, 2022, the Company had $25,000 of Board authorization remaining to purchase shares of its Common Stock. The stock repurchase program has no expiration date and may be modified, suspended, or terminated at any time.

**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 covers 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 and 2022-1 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. We use these certificates to finance or refinance aircraft purchases. The obligations are listed in Note 8 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

*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, Los Angeles International Airport, Seattle Tacoma International Airport, Portland International Airport, Phoenix Sky Harbor International Airport, Orlando International Airport, Southwest Florida International Airport and San Francisco 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, 1) not variable interest entities ("VIEs") because they are not legal entities, or 2) 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**

Our long-term cash requirements under our various contractual obligations and commitments include:

- *Debt.* For further detail of our long-term debt and the timing of expected future payments, see Note 8 to the Consolidated Financial Statements included in Part II, Item 8, included in this Annual Report. Interest coupon payments on the Company's EETC financings are paid semi-annually.
- *Aircraft Leases and Maintenance Reserves.* For more information of our operating and finance leases, as well as the timing of expected future lease payments, see Note 9 to the Consolidated Financial Statements included in Part II, Item 8, included in this Annual Report.
- *TRA Liability.* For more information on the TRA liability to be paid to our pre-IPO stockholders, see Note 15 to the Consolidated Financial Statements included in Part II, Item 8, included in this Annual Report.

During the second quarter of 2022, an owned aircraft was retired due to the aircraft sustaining damage beyond economic repair. The best estimate of this event was recorded as of the second quarter, the estimate has since been revised. The impact of the retirement was not material to the Company's Consolidated Results of Operations. The estimate will continue to be revised when additional information becomes available or when the contingency is finalized. The Company does not believe the finalization of the contingency will have a material effect on the Company's Consolidated Results of Operations.

As of December 31, 2022 the Company had a commitment to lease three aircraft with deliveries spanning the fourth quarter of 2023 and the first quarter of 2024. The leases will each have annual lease payments of approximately $2,000 for six years.

As of December 31, 2022 the Company had a commitment to purchase an engine for approximately $4,500. The engine was purchased and delivered in January 2023.

For additional information, refer to Note 18 Commitments and Contingencies to our Consolidated Financial Statements included elsewhere in this Annual Report. Except as described herein, there have been no material changes in our contractual obligations and commitments other than in the ordinary course of business since our fiscal year ended December 31, 2022.

**Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with 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. We believe our estimates and assumptions are reasonable; however, actual results could differ from those estimates.

Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report. Some of those significant accounting policies require us to make difficult, subjective, or complex judgments, or estimates. An accounting estimate is considered to be critical if it meets both of the following criteria:

i. the estimate requires assumptions about matters that are highly uncertain at the time the accounting estimate is made, and

ii. different estimates reasonably could have been used, or changes in the estimate that are reasonably likely to occur from period to period may have a material impact on the presentation of our financial condition, changes in financial condition, or results of operations.

We have identified the following critical accounting policies:

– Revenue Recognition
– Loyalty Program Accounting
– Asset Impairment Analysis
– Valuation of the Tax Receivable Agreement TRA Liability

**Revenue Recognition**

Scheduled passenger service, charter service, and most ancillary revenues are recognized when the passenger flight occurs. Revenues exclude amounts collected on behalf of other parties, including transportation taxes.

The Company initially defers ticket sales as an air traffic liability and recognizes revenue when the passenger flight occurs. Unused non-refundable tickets expire at the date of scheduled travel and are recorded as revenue unless the customer notifies the Company in advance of such date that the customer will not travel. If notification is made, a travel credit is created for the face value, including ancillary fees, less applicable change fees. Revenue for change fees is deferred and recognized when the passenger travel is provided.

Travel credits may generally be redeemed toward future travel for up to 12 months after the date of the original booking. As of December 31, 2022 and 2021, the Company's air traffic liability included $10,192 and $10,924, respectively, related to travel credits for future travel. The Company records an estimate for travel credits that will expire unused, otherwise known as breakage, in Passenger Revenue upon issuance of the travel credit. During the years ended December 31, 2022 and 2021, the Company recorded $12,560 and $12,456, respectively, of estimated travel credit breakage. A portion of travel credits will expire unused, at which time any remaining revenue is recognized.

The estimated breakage rate is primarily based on historical experience of travel credit activity and other factors that may not be indicative of future trends, such as the COVID-19 pandemic, program changes or modifications that could affect the ultimate usage patterns of tickets and travel credits. The Company continuously monitors its breakage rate assumptions and may adjust its estimated breakage rate in the future. Changes in the Company's estimated breakage rate impact revenue recognition prospectively.

For the year ended December 31, 2022, a 10% change in the Company's estimated travel credit breakage rate would have resulted in a change to Passenger Revenue of approximately $921.

There are no critical accounting estimates associated with Charter or Cargo revenue recognition that would materially impact the amount of revenue recognized in any specific period.

**Loyalty Program Accounting**

The Sun Country Rewards program provides loyalty awards to program members based on accumulated loyalty points. The Company records a liability for loyalty points earned by passengers under the Sun Country Rewards program using two methods: 1) a liability for points that are earned by passengers on purchases of the Company's services is established by deferring revenue based on the redemption value, net of breakage, and 2) a liability for points attributed to loyalty points issued to the Company's co-branded credit card holders is established by deferring a portion of payments received from the Company's co-branded agreement. The Company's Sun Country Rewards program allows for the redemption of loyalty points to include payment towards air travel, land travel, taxes, and other ancillary purchases. The balance of the Loyalty Program Liabilities fluctuates based on seasonal patterns, which impacts 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). The Company records an estimate for loyalty points breakage in Passenger Revenue upon issuance of the loyalty points. Loyalty points held by co-branded credit card members do not expire. All other loyalty points expire if unused after three years.

*Loyalty Points Earned Through Travel Purchases*. Passenger sales that earn Sun Country Rewards provide customers with travel services and loyalty points, which are each considered distinct performance obligations. The Company values each performance obligation on a standalone basis. The Company determines the standalone selling price of loyalty points issued using a redemption value approach, which considers the value a passenger will receive upon redemption of the loyalty points. Consideration allocated to loyalty points is deferred, net of estimated breakage, and recognized as Passenger Revenue when both the loyalty points have been redeemed and the passenger travel occurs.

*Loyalty Points Earned through the Co-Branded Credit Card Program*. Under the Company's co-branded credit card program, funds received for the marketing of a co-branded credit card and delivery of loyalty points are accounted for as a multiple-deliverable arrangement. The Company determined that the arrangement has two distinct performance obligations: (1) loyalty points to be awarded; and, (2) use of our brand and access to our customer lists, and certain other advertising and marketing elements (collectively, the marketing performance obligation). Funds received from the co-branded credit card program are allocated to the two performance obligations based on relative standalone selling price. The assumptions used to allocate the funds received are not considered critical to the application of the accounting model for the Company's loyalty program. Consideration allocated to loyalty points is deferred and recognized as Passenger Revenue when both the loyalty points have been redeemed and the passenger travel occurs. Consideration allocated to the marketing performance obligation is recognized as revenue as the spend occurs and is recorded in Other Revenue.

The Company estimates breakage for loyalty points that are not likely to be redeemed. Loyalty points are combined in one homogenous pool, that includes both air and non-air travel awards, and are not separately identifiable. The estimated breakage rate is primarily based on historical experience of loyalty point redemption activity and other factors that may not be indicative of future trends, such as the COVID-19 pandemic, program changes or modifications that could affect the ultimate usage pattern of loyalty points. The Company continuously monitors its breakage rate assumptions and may adjust its estimated breakage rate for loyalty points in the future. Changes in the Company's estimated breakage rate assumptions impact revenue recognition prospectively.

During the years ended December 31, 2022 and 2021, the Company recorded $1,557 and $852, respectively, of loyalty points breakage within Passenger Revenue. A 10% change in the Company's loyalty point estimated breakage rate would have resulted in a change to Passenger Revenue of approximately $194.

**Asset Impairment Analysis**

The Company's long-lived assets, such as Property & Equipment and finite-lived Intangible Assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. The Company's assets include aircraft and associated engines, operating and finance lease assets, the Company's customer relationship finite-lived intangible assets, and other long-lived assets. The Company reviews the current economic and operating environment to determine whether events or circumstances indicate that these assets (or asset groups) may be impaired. Such indicators include, but are not limited to: 1) significant, permanent decrease in the market price of the Company's long-lived assets, 2) significant decrease in the projected cash flows generated from the use of its long-lived assets, 3) changes in the estimated useful life or productive capacity of the asset, 4) changes in the regulatory environment in which the Company operates, and 5) a decision to permanently remove flight equipment or other long-lived assets from operations. If such factors are identified and the Company determines that the carrying amount of the long-lived asset (or asset group) is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the asset (or asset group's) carrying amount exceeds its fair value. Fair value is determined using various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

When the Company assesses its long-lived assets for impairment, it utilizes certain assumptions, including, but not limited to: 1) estimated fair value of the assets, and 2) estimated future undiscounted cash flows expected to be generated by those assets. Cash flow estimates are determined based on additional assumptions, including asset utilization, average fares, projected fuel costs and other operating costs, along with the estimated service life of the asset. Certain of these assumptions are highly volatile and could change significantly from period to period due to various macroeconomic and industry-specific events.

To determine whether impairment exists, the Company groups its assets based on the lowest level of identifiable cash flows, which is its operating segments. This is due to the Company operating a Passenger Service fleet comprised exclusively of one type of aircraft, the Boeing 737-NG. Primarily all of the Company's long-lived assets are owned by, or associated with, the Passenger operating segment.

The Company has not recorded an impairment on its long-lived assets for any of the periods presented in these Consolidated Financial Statements, nor did it identify any triggering events during the year ended December 31, 2022 and 2021.

**Valuation of the TRA Liability**

In connection with its IPO, the Company entered into a TRA with the TRA holders. The TRA 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 is deemed to realize in certain circumstances) as a result of certain Pre-IPO Tax Attributes.

Prior to the expiration of the dividend and capital distribution restrictions included in the CARES Act in 2022, the TRA Liability was subject to adjustments as a result of changes in taxable income earned during the restricted period. Future adjustments in the TRA liability balance and/or timing of TRA liability payments are contingent upon, among other things, 1) generation of future taxable income over the term of the TRA, 2) the Company's participation in future government programs, and 3) future changes in tax laws. Any adjustments to the TRA liability would be recorded in Other Non-Operating Income (Expense) in the Company's Consolidated Statements of Operations.

A $10,000 change in forecasted taxable income would have resulted in a change to the TRA liability of approximately $1,200. Stock option exercises during the year ended December 31, 2022 did not significantly impact the TRA liability. Adjustments to the TRA were recorded in the current period in Other, net within Non-operating Income (Expense) on the Company's Consolidated Statements of Operations. During the year ended December 31, 2022, the TRA liability increased by $5,000, which was recorded as an expense within the Consolidated Statement of Operations. During the year ended December 31, 2021, the TRA liability decreased by $16,400, which was recorded as a benefit within the Consolidated Statement of Operations.

**ITEM 7A. 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. Accordingly, actual results may differ from the information provided below.

*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 had no hedges in place at December 31, 2022. We do not hold or issue option or swap contracts for trading purposes. We currently do not expect 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 first quarter of 2023, we estimate that a one cent per gallon increase in the average aircraft fuel price would increase aircraft fuel expense by approximately $213 excluding 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 and our short-term investment securities. A change in market interest rates would impact interest expense under the Revolving Credit Facility, totaling $25,000 in principal capacity. During the first quarter of 2022, we repaid the outstanding balance of the DDTL using proceeds from the 2022-1 EETC, which terminated the DDTL. We are unable to draw any additional amounts from the DDTL and no longer face any exposure to market risk on this portion of our Credit Facilities. Assuming the Revolving Credit Facility is fully drawn, a 100 basis point increase in interest rates would result in a corresponding increase in interest expense of approximately $250 annually.

Our short-term investment securities are primarily comprised of fixed-rate debt investments. An increase in market interest rates decreases the market value of fixed-rate investments. Conversely, a decrease in market interest rates increases the market value. The fair market value of our short-term investments with exposure to interest rate risk was $172,635 as of December 31, 2022. These investments are highly liquid and are available to be quickly converted into known amounts of cash to fund current operations. The Company limits its investments to investment grade quality securities. Given these factors and that a significant portion of our portfolio is held in cash and cash equivalents, we do not anticipate fluctuations in the aggregate fair value of our financial assets to have a material impact on our liquidity or capital position.

## ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Sun Country Airlines Holdings, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying Consolidated Balance Sheets of Sun Country Airlines Holdings, Inc. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2018.

Minneapolis, Minnesota
February 15, 2023

**SUN COUNTRY AIRLINES HOLDINGS, INC.**

**CONSOLIDATED BALANCE SHEETS**
**(Dollars in thousands, except per share and share amounts)**

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and Cash Equivalents | $ 92,086 | $ 309,338 |
| Restricted Cash | 10,842 | 8,447 |
| Investments | 178,936 | 6,283 |
| Accounts Receivable, net of an allowance for credit losses of $231 and $250, respectively | 35,124 | 30,156 |
| Short-term Lessor Maintenance Deposits | 1,241 | 5,505 |
| Inventory, net of a reserve for obsolescence of $1,107 and $1,275, respectively | 7,659 | 5,405 |
| Prepaid Expenses | 11,423 | 8,511 |
| Other Current Assets | 8,179 | 1,798 |
| Total Current Assets | 345,490 | 375,443 |
| **Property & Equipment, net:** | | |
| Aircraft and Flight Equipment | 636,584 | 447,319 |
| Ground Equipment and Leasehold Improvements | 35,948 | 20,876 |
| Computer Hardware and Software | 10,831 | 8,785 |
| Finance Lease Assets | 261,991 | 209,457 |
| Rotable Parts | 17,059 | 9,150 |
| Total Property & Equipment | 962,413 | 695,587 |
| Accumulated Depreciation & Amortization | (176,746) | (117,069) |
| Total Property & Equipment, net | 785,667 | 578,518 |
| **Other Assets:** | | |
| Goodwill | 222,223 | 222,223 |
| Other Intangible Assets, net of accumulated amortization of $18,890 and $14,890, respectively | 85,110 | 89,110 |
| Operating Lease Right-of-use Assets | 22,182 | 61,658 |
| Aircraft Deposits | 9,134 | 10,021 |
| Long-term Lessor Maintenance Deposits | 32,433 | 20,346 |
| Deferred Tax Assets | 12,956 | 17,608 |
| Other Assets | 9,217 | 5,495 |
| Total Other Assets | 393,255 | 426,461 |
| Total Assets | $ 1,524,412 | $ 1,380,422 |

See accompanying Notes to Consolidated Financial Statements

**SUN COUNTRY AIRLINES HOLDINGS, INC.**

**CONSOLIDATED BALANCE SHEETS**
**(Dollars in thousands, except per share and share amounts)**

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts Payable | $ 62,370 | $ 39,805 |
| Accrued Salaries, Wages, and Benefits | 26,521 | 28,527 |
| Accrued Transportation Taxes | 17,666 | 12,736 |
| Air Traffic Liabilities | 157,995 | 118,562 |
| Over-market Liabilities | 1,535 | 4,309 |
| Finance Lease Obligations | 17,990 | 11,705 |
| Loyalty Program Liabilities | 13,963 | 11,451 |
| Operating Lease Obligations | 6,296 | 17,231 |
| Current Maturities of Long-term Debt | 57,548 | 29,412 |
| Income Tax Receivable Agreement Liability | 2,260 | — |
| Other Current Liabilities | 12,984 | 7,913 |
| Total Current Liabilities | 377,128 | 281,651 |
| **Long-term Liabilities:** | | |
| Over-market Liabilities | 1,039 | 10,428 |
| Finance Lease Obligations | 233,306 | 180,450 |
| Loyalty Program Liabilities | 1,474 | 8,267 |
| Operating Lease Obligations | 19,836 | 58,810 |
| Long-term Debt | 294,687 | 248,014 |
| Income Tax Receivable Agreement Liability | 101,540 | 98,800 |
| Other Long-term Liabilities | 2,690 | 3,413 |
| Total Long-term Liabilities | 654,572 | 608,182 |
| Total Liabilities | 1,031,700 | 889,833 |
| **Commitments and Contingencies (Note 18)** | | |
| **Stockholders' Equity:** | | |
| Common stock with $0.01 par value, 995,000,000 shares authorized, 58,217,647 and 57,872,452 issued and 57,325,238 and 57,872,452 outstanding at December 31, 2022 and 2021, respectively | 582 | 579 |
| Preferred stock with $0.01 par value, 5,000,000 shares authorized, no shares issued and outstanding at December 31, 2022 and 2021, respectively | — | — |
| Treasury stock, at cost, 892,409 and no shares held at December 31, 2022 and 2021, respectively | (17,605) | — |
| Additional Paid-In Capital | 488,494 | 485,638 |
| Retained Earnings | 22,048 | 4,372 |
| Accumulated Other Comprehensive Loss | (807) | — |
| Total Stockholders' Equity | 492,712 | 490,589 |
| Total Liabilities and Stockholders' Equity | $ 1,524,412 | $ 1,380,422 |

See accompanying Notes to Consolidated Financial Statements

**SUN COUNTRY AIRLINES HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Dollars in thousands, except per share and share amounts)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Operating Revenues:** | | | |
| Passenger | $ 792,433 | $ 523,945 | $ 359,232 |
| Cargo | 90,350 | 91,428 | 36,809 |
| Other | 11,661 | 7,642 | 5,445 |
| Total Operating Revenue | 894,444 | 623,015 | 401,486 |
| **Operating Expenses:** | | | |
| Aircraft Fuel | 268,363 | 129,110 | 83,392 |
| Salaries, Wages, and Benefits | 245,855 | 178,207 | 141,641 |
| Aircraft Rent | 8,768 | 17,653 | 30,989 |
| Maintenance | 46,604 | 40,095 | 27,416 |
| Sales and Marketing | 31,053 | 22,060 | 16,570 |
| Depreciation and Amortization | 67,641 | 57,075 | 48,086 |
| Ground Handling | 33,816 | 26,981 | 20,596 |
| Landing Fees and Airport Rent | 45,658 | 40,726 | 31,256 |
| Special Items, net | — | (72,419) | (64,563) |
| Other Operating, net | 90,978 | 71,580 | 48,718 |
| Total Operating Expenses | 838,736 | 511,068 | 384,101 |
| Operating Income | 55,708 | 111,947 | 17,385 |
| **Non-operating Income (Expense):** | | | |
| Interest Income | 4,527 | 85 | 377 |
| Interest Expense | (31,018) | (26,326) | (22,073) |
| Other, net | (5,235) | 14,624 | (371) |
| Total Non-operating Income (Expense), net | (31,726) | (11,617) | (22,067) |
| Income (Loss) before Income Tax | 23,982 | 100,330 | (4,682) |
| Income Tax Expense (Benefit) | 6,306 | 19,082 | (778) |
| Net Income (Loss) | $ 17,676 | $ 81,248 | $ (3,904) |
| Net Income (Loss) per share to common stockholders: | | | |
| Basic | $ 0.31 | $ 1.47 | $ (0.08) |
| Diluted | $ 0.29 | $ 1.37 | $ (0.08) |
| Shares used for computation: | | | |
| Basic | 57,951,955 | 55,182,811 | 46,806,042 |
| Diluted | 61,046,595 | 59,324,040 | 46,806,042 |

See accompanying Notes to Consolidated Financial Statements

**SUN COUNTRY AIRLINES HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(Dollars in thousands)**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Net Income (Loss)** | $ 17,676 | $ 81,248 | $ (3,904) |
| **Other Comprehensive Loss:** | | | |
| Net unrealized loss on Available-for-Sale securities, net of deferred tax benefit of $241, $—, and $—, respectively | (807) | — | — |
| Other Comprehensive Loss | (807) | — | — |
| **Comprehensive Income (Loss)** | $ 16,869 | $ 81,248 | $ (3,904) |

See accompanying Notes to Consolidated Financial Statements

## SUN COUNTRY AIRLINES HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
## (Dollars in thousands, except share amounts)

| | | Common Stock | | Treasury Stock | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Warrants | Shares | Amount | Shares | Amount | Loans to Stockholders | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
| December 31, 2019 | 40,638,068 | 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 Loss | — | — | — | — | — | — | — | (3,904) | — | (3,904) |
| Amazon Warrants | 252,869 | — | — | — | — | — | 1,866 | — | — | 1,866 |
| Stock-based Compensation | — | 33,709 | — | — | — | — | 2,110 | — | — | 2,110 |
| December 31, 2020 | 885,052 | 46,839,659 | 468 | — | — | (3,500) | 248,525 | 38,324 | — | 283,817 |
| Exercise of Stock Options | — | 718,985 | 7 | — | — | — | 4,226 | — | — | 4,233 |
| Shares Surrendered by Stockholders | — | (140,737) | (1) | — | — | 3,500 | (3,499) | — | — | — |
| Initial Public Offering | — | 10,454,545 | 105 | — | — | — | 225,224 | — | — | 225,329 |
| Net Income | — | — | — | — | — | — | — | 81,248 | — | 81,248 |
| Income Tax Receivable Agreement | — | — | — | — | — | — | — | (115,200) | — | (115,200) |
| Amazon Warrants | 758,608 | — | — | — | — | — | 5,600 | — | — | 5,600 |
| Stock-based Compensation | — | — | — | — | — | — | 5,562 | — | — | 5,562 |
| December 31, 2021 | 1,643,660 | 57,872,452 | 579 | — | — | — | 485,638 | 4,372 | — | 490,589 |
| Stock issued for Stock-Based Awards | — | 345,195 | 3 | — | — | — | 1,983 | — | — | 1,986 |
| Net Stock Settlement of Stock-Based Awards | — | — | — | 1,823 | (52) | — | — | — | — | (52) |
| Common Stock Repurchases | — | — | — | 890,586 | (17,553) | — | (7,501) | — | — | (25,054) |
| Net Income | — | — | — | — | — | — | — | 17,676 | — | 17,676 |
| Amazon Warrants | 758,608 | — | — | — | — | — | 5,600 | — | — | 5,600 |
| Stock-based Compensation | — | — | — | — | — | — | 2,774 | — | — | 2,774 |
| Other Comprehensive Loss | — | — | — | — | — | — | — | — | (807) | (807) |
| December 31, 2022 | 2,402,268 | 58,217,647 | $ 582 | 892,409 | $ (17,605) | $ — | $ 488,494 | $ 22,048 | $ (807) | $ 492,712 |

See accompanying Notes to Consolidated Financial Statements

## SUN COUNTRY AIRLINES HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (Dollars in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Net Income (Loss)** | $ 17,676 | $ 81,248 | $ (3,904) |
| **Adjustments to reconcile Net Income (Loss) to Cash from Operating Activities:** | | | |
| Depreciation and Amortization | 67,641 | 57,075 | 48,086 |
| Tax Receivable Agreement Adjustment | 5,000 | (16,400) | — |
| Operating Lease Right-of-use Assets | 1,538 | 16,477 | 25,880 |
| (Gain) Loss on Asset Transactions, net | (1,107) | (5) | 413 |
| Unrealized (Gain) Loss on Fuel Derivatives | — | (3,527) | 12,206 |
| Amortization of Over-market Liabilities | (2,837) | (5,236) | (10,421) |
| Deferred Income Taxes | 4,893 | 18,609 | (789) |
| Amazon Warrants Vested | 5,600 | 5,600 | 1,866 |
| Stock-based Compensation Expense | 2,774 | 5,562 | 2,110 |
| Amortization of Debt Issuance Costs and Debt Securities | 172 | 1,239 | 1,523 |
| Loss on Extinguishment of Debt | 1,557 | 1,224 | — |
| **Changes in Operating Assets and Liabilities:** | | | |
| Accounts Receivable | (3,312) | (481) | (6,282) |
| Inventory | (3,014) | (484) | (614) |
| Prepaid Expenses | (2,918) | (510) | 15 |
| Lessor Maintenance Deposits | (13,005) | (8,089) | (9,415) |
| Aircraft Deposits | (2,583) | 445 | 1,290 |
| Other Assets | (8,403) | 2,351 | (5,447) |
| Accounts Payable | 17,623 | 5,820 | (7,174) |
| Accrued Transportation Taxes | 4,930 | 6,853 | (7,845) |
| Air Traffic Liabilities | 39,433 | 17,486 | (15,584) |
| Loyalty Program Liabilities | (4,281) | (2,351) | (823) |
| Operating Lease Obligations | (1,718) | (37,101) | (28,352) |
| Other Liabilities | 1,781 | 13,171 | 3,635 |
| **Net Cash Provided by Operating Activities** | 127,440 | 158,976 | 374 |
| **Cash Flows from Investing Activities:** | | | |
| Purchases of Property & Equipment | (187,922) | (123,332) | (96,298) |
| Proceeds from the Sale of Property & Equipment | 2,451 | 56 | 200 |
| Proceeds from Insurance Settlements | 8,865 | — | — |
| Purchase of Investments | (178,960) | (1,797) | (927) |
| Proceeds from the Sale of Investments | 1,236 | 1,137 | 997 |
| Proceeds from the Maturities of Investments | 5,000 | — | — |
| **Net Cash Used in Investing Activities** | (349,330) | (123,936) | (96,028) |
| **Cash Flows from Financing Activities:** | | | |
| Cash Received from Stock Offering | — | 235,894 | — |
| Costs of Stock Offering | — | (8,384) | — |
| Proceeds from Stock Option and Warrant Exercises | 1,965 | 4,233 | 21 |
| Taxes Paid for Net Stock Settlement of Stock-Based Awards | (31) | — | — |
| Common Stock Repurchases | (25,054) | — | — |
| Proceeds from Borrowings | 188,277 | 80,500 | 265,307 |
| Repayment of Finance Lease Obligations | (42,062) | (11,931) | (89,697) |
| Repayment of Borrowings | (113,492) | (85,370) | (69,906) |
| Debt Issuance Costs | (2,570) | (2,560) | (4,186) |
| **Net Cash Provided by Financing Activities** | 7,033 | 212,382 | 101,539 |
| | | | |
| **Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash** | (214,857) | 247,422 | 5,885 |
| **Cash, Cash Equivalents and Restricted Cash--Beginning of the Period** | 317,785 | 70,363 | 64,478 |
| **Cash, Cash Equivalents and Restricted Cash--End of the Period** | $ 102,928 | $ 317,785 | $ 70,363 |

## SUN COUNTRY AIRLINES HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (Dollars in thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **Supplemental information:** | | | |
| Cash Payments for Interest | $ 24,051 | $ 23,601 | $ 20,304 |
| Cash Payments for Income Taxes, net | 1,691 | 172 | 47 |
| **Non-cash transactions:** | | | |
| Operating Lease Deposits Applied Against the Purchase of Aircraft | 1,085 | 3,296 | 19,976 |
| Aircraft and Flight Equipment Acquired through Finance Leases | 40,480 | 91,134 | — |
| Finance Lease Asset Modifications | 46,311 | — | — |
| Aircraft Acquired from Exercise of Finance Lease Purchase Option, net of Accumulated Depreciation | 28,012 | — | — |
| Purchases of Property & Equipment in Accounts Payable | 4,367 | 221 | 734 |
| Derecognition of Operating Lease Right-of-Use Assets, net | 8,674 | 41,135 | — |
| Derecognition of Operating Lease Obligations | $ 8,674 | $ 44,726 | $ — |

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

| | December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Cash and Cash Equivalents | $ 92,086 | $ 309,338 | $ 62,028 |
| Restricted Cash | 10,842 | 8,447 | 8,335 |
| Total Cash, Cash Equivalents and Restricted Cash | $ 102,928 | $ 317,785 | $ 70,363 |

See accompanying Notes to Consolidated Financial Statements

## 1. COMPANY BACKGROUND

Sun Country Airlines Holdings, Inc. (together with its consolidated subsidiaries, "Sun Country" or the "Company") 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, schools, companies and other individual entities 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" or "Sun Country".

### Equity Transactions

When certain investment funds managed by affiliates of Apollo Global Management, Inc. (the “Apollo Funds”) purchased the Company in 2018, SCA Horus Holdings, LLC, (the “Apollo Stockholder”) was issued 5,326,755 shares of common stock of SCA Acquisition Holdings, LLC with no par value. Also in 2018, SCA Acquisition Holdings, LLC issued 40,005,885 warrants to the Apollo Stockholder allowing it to acquire shares of common stock of SCA Acquisition Holdings, LLC at the exercise price of approximately $0.0005 per share. On January 31, 2020, all 40,005,885 outstanding warrants were exercised to purchase common stock of SCA Acquisition Holdings, LLC.

In conjunction with the issuance of 1,416,645 shares of common stock of SCA Acquisition Holdings, LLC in 2018 to two stockholders, the Company issued, recourse promissory notes of $3,500, which are included as Loans to Stockholders on the Consolidated Statements of Changes in Stockholders’ Equity. In February of 2021, these promissory notes were repaid in full with equivalent shares of stock.

On January 31, 2020, SCA Acquisition Holdings, LLC was converted into a Delaware corporation pursuant to a statutory conversion and changed its name to Sun Country Airlines Holdings, Inc. In connection with the conversion to a corporation, all of the outstanding shares, warrants and options were converted into shares or rights to shares of Sun Country Airlines Holdings, Inc.

### 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 $0.01 par value of the common stock was not adjusted in connection with 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 Consolidated Financial Statements and applicable disclosures have been retroactively adjusted to reflect the effect of the Stock Split for all periods.

### 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 $225,329 after deducting underwriting discounts and commissions, and other offering expenses.

Concurrently with the closing of the initial public offering, the Apollo Stockholder, also completed a 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.

**Secondary Offerings**

During May and October 2021, the Apollo Stockholder and other selling stockholders, sold 7,250,000 and 8,500,000 shares of the Company’s common stock at a public offering price of $34.50 and $32.50, respectively. Under both transactions, the underwriters were given options to purchase additional shares of the Company's common stock at the public offering price. During the May and October 2021 offerings, the underwriters elected to purchase an additional 1,087,500 and 435,291 of the option shares, respectively. The Company incurred offering expenses of $1,763 in conjunction with the two secondary offerings and did not receive any of the proceeds from these offerings.

**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”).

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. There were 632,183 warrants that vested upon execution of the ATSA and 63,217 warrants will vest for each milestone of $8,000 in qualifying payments made by Amazon to the Company. During the years ended December 31, 2022, 2021 and 2020, total warrants vested were 758,608, 758,608 and 252,869, respectively. This resulted in Amazon holding 2,402,268 vested warrants as of December 31, 2022. The exercise period of these warrants is through the eighth anniversary of the issue date.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation –** The consolidated financial statements include the accounts of Sun Country Airlines Holdings, Inc. and its subsidiaries and have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). All material intercompany balances and transactions have been eliminated in consolidation. The Company reclassified certain prior period amounts to conform to the current period presentation. The Company operates its fiscal year on a calendar year basis.

**Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make 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 and the reported amounts of revenues and expenses during the reporting periods. 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.

Management believes that all adjustments necessary for the fair presentation of results, consisting of normally recurring items, have been included in the Consolidated Financial Statements.

**Revision of Previously Issued Consolidated Financial Statements**

During the second quarter of 2022, the Company identified an immaterial misstatement in its Consolidated Financial Statements for the year ended December 31, 2021 (the "previously issued financial statements"). The error related to the improper application of Accounting Standards Codification (ASC) Topic 842, *Leases* regarding the treatment of the incremental difference between the net purchase price of the leased aircraft and the net operating lease recorded on the Balance Sheets immediately prior to the transaction. This difference should have been capitalized as part of the acquisition costs incurred to purchase the aircraft off the operating lease. The Company incorrectly expensed this amount as incurred within Special Items, net on the Consolidated Statements of Operations. The error resulted in an understatement of the benefit within Special Items, net, partially offset by incremental Depreciation and Amortization expense for the year ended December 31, 2021, and an understatement of Aircraft and Flight Equipment.

(Dollars in thousands, except per share and share amounts)

The Company assessed the materiality of the errors on the prior period financial statements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 99, *Materiality*, codified in ASC 250, *Presentation of Financial Statements*. Management concluded it was immaterial to the Company's previously issued annual or interim financial statements.

The Company has revised the previously issued financial statements as presented in these Consolidated Financial Statements and notes included in this Annual Report on Form 10-K.

The impact of the revision on the Company's previously issued Consolidated Balance Sheets as of December 31, 2021 are as follows:

| | December 31, 2021 | | |
|---|---|---|---|
| | **As Previously Issued** | **Correction** | **As Revised** |
| **Assets** | | | |
| Aircraft and Flight Equipment | $ 440,356 | $ 6,963 | $ 447,319 |
| Total Property & Equipment | 688,624 | 6,963 | 695,587 |
| Accumulated Depreciation & Amortization | (115,013) | (2,056) | (117,069) |
| Total Property & Equipment, net | 573,611 | 4,907 | 578,518 |
| Deferred Tax Asset | 18,737 | (1,129) | 17,608 |
| Total Other Assets | 427,590 | (1,129) | 426,461 |
| Total Assets | 1,376,644 | 3,778 | 1,380,422 |
| **Stockholder's Equity** | | | |
| Retained Earnings | 594 | 3,778 | 4,372 |
| Total Stockholders' Equity | 486,811 | 3,778 | 490,589 |
| Total Liabilities and Stockholders' Equity | $ 1,376,644 | $ 3,778 | $ 1,380,422 |

(Dollars in thousands, except per share and share amounts)

The impact of the revision on the Company's previously issued Consolidated Statements of Operations for the year ended December 31, 2021 are as follows:

| | Year Ended December 31, 2021 | | |
|---|---|---|---|
| | As Previously Issued | Correction | As Revised |
| **Operating Expenses** | | | |
| Depreciation and Amortization | $ 55,019 | $ 2,056 | $ 57,075 |
| Special Items, net | (65,456) | (6,963) | (72,419) |
| Total Operating Expenses | 515,975 | (4,907) | 511,068 |
| | | | |
| Operating Income | 107,040 | 4,907 | 111,947 |
| Income Before Income Tax | 95,423 | 4,907 | 100,330 |
| Income Tax Expense | 17,953 | 1,129 | 19,082 |
| Net Income | 77,470 | 3,778 | 81,248 |
| Basic Income per share | $ 1.40 | $ 0.07 | $ 1.47 |
| Diluted Income per share | $ 1.31 | $ 0.06 | $ 1.37 |

The Company's Consolidated Statement of Changes in Stockholders' Equity as of December 31, 2021 has been corrected to reflect the changes to the impacted Stockholders' Equity accounts as described above.

The impact of the revision on the Company's previously issued Consolidated Statements of Cash Flows for the year ended December 31, 2021 is as follows:

| | Year Ended December 31, 2021 | | |
|---|---|---|---|
| | As Previously Issued | Correction | As Revised |
| **Operating Activities** | | | |
| Net Income | $ 77,470 | $ 3,778 | $ 81,248 |
| Depreciation and Amortization | 55,019 | 2,056 | 57,075 |
| Non-Cash Gain on Asset Transaction, Net | (12,673) | 12,668 | (5) |
| Deferred Income Taxes | 17,480 | 1,129 | 18,609 |
| Operating Lease Obligations | (24,433) | (12,668) | (37,101) |
| Net Cash Provided by Operating Activities | 152,013 | 6,963 | 158,976 |
| **Investing Activities** | | | |
| Purchases of Property & Equipment | (116,369) | (6,963) | (123,332) |
| Net Cash Used in Investing Activities | $ (116,973) | $ (6,963) | $ (123,936) |

The revision had no impact on the Company's Net Cash Provided by Financing Activities for the year ended December 31, 2021.

**A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:**

**Revenue Recognition** – Scheduled passenger service, charter service, and most ancillary revenues are recognized when the passenger flight occurs. Revenues exclude amounts collected on behalf of other parties, including transportation taxes.

*Scheduled Service.* The Company initially defers ticket sales as an Air Traffic Liability and recognizes revenue when the passenger flight occurs. Unused non-refundable tickets expire at the date of scheduled travel and are recorded as revenue unless the customer notifies the Company in advance of such date that the customer will not travel. If notification is made, a travel credit is created for the face value less applicable change fees. Travel credits may generally be redeemed toward future travel for up to 12 months after the date of the original booking. Therefore, these credits are recorded as a current liability on the Company's Consolidated Balance Sheets. The Company records an estimate for travel credits that will expire unused, otherwise known as breakage, in Passenger Revenue upon issuance of the travel credit. The estimated breakage rate is primarily based on historical experience of travel credit activity and other factors that may not be indicative of future trends, such as the COVID-19 pandemic, program changes or modifications that could affect the ultimate usage patterns of tickets and travel credits. The Company continuously monitors its breakage rate assumptions and may adjust its estimated breakage rate in the future. Changes in the Company's estimated breakage rate impacts revenue recognition prospectively. The Company currently accounts for direct selling costs, including credit card fees, and commissions, in accordance with the terms of each service. The expense is deferred and recognized when the travel occurs.

*Ancillary.* Ancillary revenue consists primarily of revenue generated from air travel-related services such as baggage fees, seat selection and upgrade fees, priority check-in and boarding fees, itinerary service fees and on-board sales, which are recognized when the associated flight occurs. Revenue for change fees is deferred and recognized when the passenger travel is provided. Fees received in advance of the flight date are initially recorded as an Air Traffic Liability.

*Charter.* Charter revenue is recognized at the time of departure when transportation is provided. Revenue is generated from airline service agreements and is typically based on block hours flown. Under these agreements, the Company is obligated to provide aircraft for travel. Customers are generally responsible for aircraft fuel, landing fees, and certain other flight expenses, which are typically arranged by the Company. When functioning as the customers' agent for arranging such services, the Company records amounts reimbursable from the customer as revenues, net of the associated costs incurred to fulfill the performance obligations. The typical lead time for a charter flight is significantly less than one year; therefore, the Company does not capitalize cost related to obtaining the contract.

*Cargo.* The ATSA is a six-year contract and includes two, two-year extensions exercisable at Amazon's option, providing for a total term of ten years if both extension options are exercised. Each extension must be exercised with at least 180 days' prior written notice before the expiration of the then-current term. The ATSA has annual rate escalations. Rate increases occurred on December 13, 2022, 2021, and 2020. Cargo revenue is typically recognized based on hours flown, number of flights, and the amount of aircraft resources provided during a reporting period.

The ATSA contains three performance obligations: Flight Services, Heavy Maintenance and Fuel. As Sun Country is the principal in providing Flight Services, revenue and related costs are recognized gross on the Statement of Operations. Sun Country acts as the agent in providing the Heavy Maintenance and Fuel performance obligations, which are reimbursed by Amazon based on the actual costs incurred. Consumption of aircraft fuel and heavy maintenance are recognized in revenue, net of the associated costs incurred to fulfill the performance obligations.

The ATSA with Amazon consists of three main components for revenue; a fixed amount is received each month per aircraft, a fixed amount is received each month per flight, and an amount per block hour is received each month. The ATSA contains a Service Level Agreement ("SLA") and penalties for certain delays and cancellations. The SLA can result in a bonus or penalty for the month depending on the Company's performance. When determining the transaction price, the Company will estimate the variable consideration and consideration payable to Amazon over the contract term. Each period, the Company updates its estimate for the variable consideration and consideration payable to the customer and treats the adjustment as an adjustment to the transaction price. When updating the estimate, the Company considers whether there are any changes in expected block hours, changes in expected bonuses or penalties based on performance, changes in warrants expected to be issued, and changes in reimbursable costs. The transaction price is allocated to the performance obligations based on their relative standalone selling price. The transaction price for Flight Services, which includes an upfront payment for startup costs, is reduced by the estimated value of warrants to be issued to Amazon based on expected performance under the ATSA.

**Loyalty Program Accounting** – The Company records a liability for loyalty points earned by passengers under its Sun Country Rewards program using two methods: 1) a liability for points that are earned by passengers on purchases of the Company’s services is established by deferring revenue based on the redemption value net of breakage, and 2) a liability for points attributed to loyalty points issued to the Company’s co-branded credit card holders is established by deferring a portion of payments received from the Company’s co-branded agreement. The Company’s Sun Country Rewards program allows for the redemption of loyalty points to include payment towards air travel, land travel, taxes, and other ancillary purchases. The Company determines the standalone selling price of loyalty points issued using a redemption value approach, which considers the value a passenger will receive upon redemption of the loyalty points. Consideration allocated to loyalty points is deferred, net of estimated breakage, and recognized as Passenger Revenue when both the loyalty points have been redeemed and the passenger travel occurs. The Company estimates breakage for loyalty points that are not likely to be redeemed. These estimates are based on historical experience of loyalty point redemption activity and other factors, such as program changes and modifications that could affect the ultimate usage pattern of loyalty points. The current portion of the Loyalty Point Liability is an estimate primarily based on historical redemption patterns over the past 12 months, as well as other factors that may not be indicative of historical trends.

Under the Company's co-branded credit card program, funds received for the marketing of a co-branded credit card and delivery of loyalty points are accounted for as a multiple-deliverable arrangement. At the inception of the arrangement, the Company evaluated all deliverables in the arrangement to determine whether they represent distinct performance obligations. The Company determined the arrangement has two distinct performance obligations: loyalty points to be awarded, and brand and marketing. Funds received are allocated based on relative standalone selling price. Revenue for the brand and marketing performance obligation is recognized as revenue when earned and recorded in Other Revenue. Consideration allocated to loyalty points is deferred and recognized as Passenger Revenue upon future redemption of the points.

**Cash and Equivalents** – The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash balances at several financial institutions; at times, such balances may be in excess of insurance limits. The Company has not experienced any losses on these balances.

**Restricted Cash** – Charter revenue receipts received prior to the date of transportation are recorded as Restricted Cash and as a component of the Air Traffic Liabilities. Department of Transportation ("DOT") regulations require 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, which is typically within 12 months of booking. For that reason, the balance of Restricted Cash is classified as a current asset on the Company's Consolidated Balance Sheets.

**Investments** – The Company's investments consist of Debt Securities and Certificates of Deposit. The Certificates of Deposit are recorded at cost, plus accrued interest. These certificates serve as collateral for letters of credit required by various airports and other vendors. All of the certificates have original maturities greater than 90 days.

The Debt Securities are classified as Current Assets on the Consolidated Balance Sheets because the securities are highly liquid and are available to be quickly converted into known amounts of cash to fund current operations. These investments have original maturities of three months or greater. Most of the Company's Debt Securities will mature within one year. The Company limits its exposure to any one issuer or market sector, and largely limits its investments to investment grade quality securities. Securities downgraded below policy minimums after purchase will be disposed of in accordance with the Company’s investment policy.

The Company's Debt Securities are classified as Available-for-Sale and are reported at fair value on the Company's Consolidated Balance Sheets. Unrealized gains and losses on the Company's Available-for-Sale securities are excluded from Net Income and are reported as a component of Accumulated Other Comprehensive Income, net of income tax effects, within Stockholders' Equity on the Consolidated Balance Sheets until realized. Realized gains and losses are recorded using the specific identification method and reflected in Other, net within Non-operating Income (Expense) on the Company's Consolidated Statement of Operations. Premiums and discounts recorded on Available-for-Sale debt securities are accounted for in Interest Income within Non-operating Income (Expense) on the Company's Consolidated Statement of Operations.

At each reporting period, the Company assesses its Available-for-Sale investments in an unrealized loss position to determine whether an impairment exists. The Company will record an impairment if management intends to sell an impaired security, will likely be required to sell a security before recovery of the entire amortized cost, or the same level of collectible cash flows from the security is no longer expected. The entire impairment will be included in Other, net within Non-operating Income (Expense) on the Company's Consolidated Statement of Operations. The Company did not recognize any impairment losses on its Available-for-Sale investments for the year ended December 31, 2022.

**Accounts Receivable** – Accounts Receivable are recorded at the amount due from customers and do not bear interest. They consist primarily of amounts due from Amazon, credit card companies associated with ticket sales and charter service customers. The Company's Accounts Receivable balances at December 31, 2022 and 2021 also included $1,000 and $2,163, respectively, due from aircraft lessors related to maintenance deposits. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowances for credit losses by considering a number of factors, including the length of time accounts receivable are past due, the Company’s previous loss history, the customer’s current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. During the years ended December 31, 2022, 2021 and 2020, $70, $17 and $982 in Accounts Receivable were written off, respectively.

**Lessor Maintenance Deposits** – Certain of the Company’s aircraft lease agreements provide that the Company pay maintenance reserves monthly to aircraft lessors to be held as collateral in advance of major maintenance activities required to be performed by the Company. Generally, maintenance reserve payments are variable based on actual flight hours or cycles. These lease agreements provide that maintenance reserves are reimbursable to the Company upon completion of the maintenance event in an amount equal to the lesser of (1) the amount of the maintenance reserve held by the lessor associated with the specific maintenance event or (2) the qualifying costs related to the specific maintenance event.

Maintenance reserve payments that are expected to be recoverable via reimbursable expenses are reflected as Lessor Maintenance Deposits on the accompanying Consolidated Balance Sheets. These deposits are expected to be reimbursed to the Company upon performance of maintenance activities. Upon completion of the maintenance event, the lessor is billed and the amount due is recorded in Accounts Receivable. Lessor Maintenance Deposits not deemed probable of recovery are expensed as incurred.

The Company makes certain assumptions at the inception of the lease and at each Balance Sheet date to determine the recoverability of maintenance deposits. These assumptions are based on various factors, such as the estimated time between the maintenance events, the cost of such maintenance events, the date the aircraft is due to be returned to the lessor and the number of flight hours and cycles the aircraft is estimated to be utilized before it is purchased or returned to the lessor. Changes in estimates are accounted for on a prospective basis.

At the April 11, 2018 acquisition date of Sun Country, Inc. (the “Acquisition Date”), the Company established a contra-asset to represent the Company’s obligation to perform planned maintenance events on leased aircraft held as of the Acquisition Date. As reimbursable maintenance events are performed and maintenance expense is incurred, the contra-asset is recognized as a reduction to Maintenance expense.

**Inventory** – Inventories primarily consist of expendable parts related to flight equipment, which cannot be economically repaired, reconditioned or reused after removal from the aircraft, are carried at average cost and charged to operations as consumed. An allowance for obsolescence and excess is provided over the remaining useful life of the related fleet for spare parts expected to be on hand at the date that aircraft type is retired from service. These parts are assumed to have an estimated residual value of 10% of the original cost.

**Leases** – Lease classification is evaluated by the Company at lease commencement and when significant amendments are executed. The Company's leases generally do not provide a readily determinable implicit rate; therefore, the Company estimates the incremental borrowing rate to discount lease payments based on information available at lease commencement. The lease term consists of the noncancellable period of the lease and periods covered by options to extend the lease if the Company is reasonably certain to exercise the option. For leases of 12 months or less, the Company expenses lease payments on a straight-line basis over the lease term.

*Operating Lease Right-of-Use Asset and Liabilities*

For all operating leases with a term greater than 12 months, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date based on the estimated present value of future minimum lease payments, which includes certain lease and non-lease components, over the lease term. Operating Lease Right-of-use Assets and Operating Lease Obligations have their own lines on the Consolidated Balance Sheets.

*Finance Leases*

Finance leases are initially recorded at the net present value of future minimum lease payments, which includes certain lease and non-lease components. Finance leases generally have one of these five attributes: 1) ownership of the underlying asset transfers to the Company at the end of the lease term, 2) the lease agreement contains a purchase option that the Company is reasonably certain to exercise, 3) the lease term represents the major part of the asset’s economic life, 4) the present value of lease payments over the lease term equals or exceeds substantially all of the fair value of the asset, and 5) the underlying asset is so specialized in nature that it provides no alternative use to the lessor after the lease term. Finance Lease Assets are presented on separately on the Consolidated Balance Sheets. The Company depreciates Finance Lease Assets consistent with its useful life policy presented in the table below.

*Leased Aircraft Return Costs*

The Company's aircraft lease agreements often contain provisions that require the Company to return aircraft airframes, engines, and other aircraft components to the lessor in a certain condition or pay an amount to the lessor based on the airframe and engine's actual return condition. Lease return costs are recognized beginning when it is probable that such costs will be incurred and they can be estimated. The Company assesses the need to accrue lease return costs periodically throughout the year or whenever facts and circumstances warrant an assessment. When costs become both probable and estimable, lease return costs are expensed as a component of Aircraft Rent expense on the Consolidated Statements of Operations.

**Property & Equipment** – Property and equipment are recorded at cost or fair value at the Acquisition Date and depreciated, when the asset is ready for its intended use, on a straight-line basis to an estimated residual value over their estimated useful lives or lease term (if applicable), whichever is shorter, as follows:

| | |
|---|---|
| Airframes | 10-25 years (depending on age) |
| Engines – Core | 7 or 12 years (based on remaining cycles) |
| Engines - Initial Greentime (time remaining until the first scheduled major maintenance event) | 1st scheduled maintenance event |
| Leasehold Improvements, Aircraft, Other | 3-25 years (or life of lease, if shorter) |
| Office and Ground Equipment | 5-7 years |
| Computer Hardware and Software | 3-5 years |
| Property and Equipment under Finance Leases | Lesser of the lease term or economic life |
| Rotable Parts | Average remaining life of aircraft fleet, currently estimated to be 6-16 years |

Modifications that enhance the operating performance or extend the useful lives of leased airframes are considered leasehold improvements and are capitalized and depreciated over the economic life of the asset or the term of the lease, whichever is shorter. Similar modifications made to owned aircraft are capitalized and depreciated consistent with the Company's policy.

The Company capitalizes certain internal and external costs associated with the acquisition and development of internal-use software for new products, and enhancements to existing products, that have reached the application development stage and meet recoverability tests. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining internal-use software, and labor cost for employees who are directly associated with, and devote time to, internal-use software projects.

The Company depreciates Rotable Parts to an estimated residual value using the pooling life method. Depreciation under the pooling life method is calculated over the estimated average useful life of the passenger aircraft fleet.

The Company capitalizes certain costs of activities necessary to get the asset ready for its intended use. Capitalized interest represents interest costs incurred during the aircraft induction period, capitalization ceases when the asset is ready for service. See Note 8 for further information on the Company's Long-Term Debt.

**Airframe and Engine Maintenance** – The Company accounts for non-major maintenance and repair costs incurred, as well as major maintenance costs of owned airframes, all leased airframes, and engines acquired via operating leases, using the expense as incurred method. Certain costs covered by third-party maintenance agreements are charged to expense based on an hourly fee, as defined by the contract. These expenses are reported as a component of Maintenance expense on the accompanying Consolidated Statements of Operations.

The Company applies the Built-in Overhaul method for significant maintenance costs of owned engines, as well as to engines acquired via finance leases where the Company is reasonably certain to exercise a purchase option. Under this method, engine values are separated into amounts for life limited parts and "greentime", representing the value of the engine for the time on-wing remaining until the next anticipated major maintenance event. Life limited parts are capitalized based on catalog rates published by the original equipment manufacturer and depreciated over their estimated useful lives. Initial engine "greentime" and subsequent major engine maintenance events are capitalized and depreciated until the next anticipated major maintenance event, assuming no residual value. The estimated period until the next scheduled major maintenance event is estimated based on assumptions such as estimated cycles, hours, and months, required maintenance intervals, and the age/condition of related parts. These assumptions may change based on forecasted aircraft utilization changes, updates to government regulations, and manufacturer maintenance intervals, as well as unplanned incidents causing damage requiring a major maintenance event prior to a scheduled visit. If the estimated timing of the next maintenance event changes, the related depreciation period changes prospectively. These expenses are reported as a component of Depreciation and Amortization on the accompanying Consolidated Statements of Operations.

**Asset Impairment Analysis** – Long-lived assets, such as Property & Equipment and Finite-Lived Intangible Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. If circumstances require a long-lived asset or asset group be tested for impairment, the Company first compares the undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

To determine whether impairment exists, the Company grouped its assets based on the lowest level of identifiable cash flows, which is its operating segments. This is due to the Company operating a Passenger Service fleet comprised exclusively of one type of aircraft, the Boeing 737-NG. Primarily all of the Company's long-lived assets are owned by, or associated with, the Passenger operating segment. No impairment losses were recognized during the years ended December 31, 2022, 2021 or 2020.

**Goodwill and Other Intangible Assets** – Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination. Indefinite-Lived Intangible Assets represents a tradename acquired in a business combination and Finite-Lived Intangible Assets represent customer relationships. Goodwill and Other Indefinite-Lived Intangible Assets must be tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill is tested at the reporting unit level. The Company has two reporting units: Passenger and Cargo, all Goodwill is related to the passenger reporting unit.

Finite-Lived Intangible Assets are amortized over an estimated useful life based on several factors, including the effects of demand, competition, contractual relationship, and other business factors. The Company concluded that the customer relationships Finite-Lived Intangible Assets have an estimated life of 12 years and are being amortized over this period on a straight-line basis.

The value of Goodwill and Other Indefinite-lived Intangible Assets is assessed under either a qualitative or quantitative approach. Under a qualitative approach, the Company considers various market factors, including certain key assumptions, such as the market value of other airlines, fuel prices, the overall economy, passenger yields and changes to the regulatory environment. The Company analyzes these factors to determine if events and circumstances have affected the fair value of Goodwill and Other Indefinite-lived Intangible Assets. If it is determined that it is more likely than not that the asset may be impaired, the Company uses a quantitative approach to determine the reporting unit or intangible asset's fair value incorporating the key assumptions listed below. An impairment charge is recorded for the amount of carrying value that exceeds the determined fair value as of the testing date.

When the Company evaluates Goodwill or its Other Indefinite-Lived Intangible Assets for impairment using a quantitative approach, the Company utilizes market and income approach valuation techniques. These measurements include the following key assumptions, 1) forecasted revenues, expenses and cash flows, 2) current discount rates, 3) observable market transactions, and 4) anticipated changes to the regulatory environment. These assumptions are consistent with those that hypothetical market participants would use. Because the Company is required to make estimates and assumptions when evaluating Goodwill and Other Indefinite-Lived Intangible Assets for impairment, actual transaction amounts may differ materially from these estimates.

The Company performed its most recent annual Goodwill and Other Indefinite-Lived Intangible Assets impairment analysis as of October 1, 2022. The Company did not recognize any impairment losses for the years ended December 31, 2022, 2021 or 2020.

**Income Taxes** – Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce Deferred Tax Assets to the amount expected to be realized. All Deferred Tax Assets and Liabilities, along with any related valuation allowance, are classified as noncurrent on the Consolidated Balance Sheets. Interest and penalties on uncertain tax positions, to the extent they exist, are included in the Company's provision for income taxes. The provision for income taxes represents the current tax expense for the period and the change during the period in Deferred Tax Assets and Liabilities.

**Valuation of the Tax Receivable Agreement ("TRA") Liability** – In connection with the Company's IPO, the Company entered into a TRA with pre-IPO stockholders (the "TRA holders"). The TRA 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.

Prior to the expiration of the dividend and capital distribution restrictions included in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in 2022, the TRA Liability was subject to adjustments as a result of changes in taxable income earned during the restricted period. Future adjustments in the TRA liability balance and/or timing of TRA liability payments are contingent upon, among other things, 1) generation of future taxable income over the term of the TRA, 2) the Company's participation in future government programs, and 3) future changes in tax laws. Any adjustments to the TRA liability would be recorded in Other Non-Operating Income (Expense) in the Company's Consolidated Statements of Operations.

Pursuant to certain CARES Act restrictions, payments under the TRA were prohibited through September 30, 2022. The Company expects to make payments under the TRA starting in 2023. The portion of the TRA expected to be paid in 2023 is reflected as a current liability on the Consolidated Balance Sheets. All other amounts are reflected as a non-current liability on the Consolidated Balance Sheets.

**Aircraft Fuel -** Aircraft fuel expense includes jet fuel, federal and state taxes, other fees and the mark-to-market gains and losses associated with the Company's fuel derivative contracts since it does not apply hedge accounting.

**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. The Company expenses advertising costs as incurred.

**Equity Incentive Plan** – Under its Equity Incentive Plan, the Company has primarily issued Time-Based Stock Options, Performance-Based Stock Options, Restricted Stock and Restricted Stock Unit ("RSUs") awards. Due to the Company's limited stock award history, it does not always have sufficient historical stock option activity to make predictive assumptions based solely on its stock or stock option activity for the Black-Scholes option-pricing model or other pricing models. As a result, the Company may need to use data from other comparable public companies or alternative calculation methods to make predictive assumptions. Further, the Company has elected to account for forfeitures as they occur, rather than forecasting the future forfeitures. If an award is forfeited prior to vesting, the associated reduction in expense is reflected net in stock-based compensation expense in that period. Stock compensation expense is reported as a component of Salaries, Wages, and Benefits within the Company's Consolidated Statement of Operations. See Note 10 for further information on the Equity Incentive Plan.

(Dollars in thousands, except per share and share amounts)

**Earnings per Share -** Basic earnings per share, which excludes dilution, is computed by dividing Net Income (Loss) 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 securities or other contracts to issue common stock is calculated by applying the treasury stock method. The treasury stock method assumes a hypothetical issuance of shares to settle the securities or other contracts to issue common stock, with the assumed proceeds used to purchase common stock at the average market price for the period. Assumed proceeds include the amount to be paid upon exercise, if applicable, and the average unrecognized compensation cost. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares.

Warrants held by Amazon are included in the calculation of 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 has not been satisfied.

The performance conditions for the Company's unvested performance-based stock options are assessed quarterly. The unvested performance-based stock options are included in the calculation of dilutive shares to the extent that the performance condition has been met and the impact would be dilutive.

**Concentration Risk**

Approximately 33% and 56% of the Company’s Accounts Receivable balances as of December 31, 2022, and 2021 were due from Amazon, respectively. In addition, approximately 16% and 8% of the Company’s Accounts Receivable balances as of December 31, 2022 and 2021, were due from one financial institution for tickets purchased via credit cards.

Approximately 69%, of the Company's fuel purchases were made from three vendors for the year ended December 31, 2022. Approximately 54% and 57% of the Company’s fuel purchases were made from two vendors for the years ended December 31, 2021 and 2020, respectively.

Approximately 53% of the Company’s workforce were under union contracts as of December 31, 2022 with four different unions: Air Line Pilots Association (“ALPA”), International Brotherhood of Teamsters (“IBT”), Transport Workers Union (“TWU”) and Aircraft Mechanics Fraternal Association ("AMFA"). As of January 4, 2023, our fleet service employees (cargo, commissary/catering, ramp agents, and bag room agents) elected to be represented by the IBT. Negotiations have not yet begun for a new collective bargaining agreement with our fleet service employees. As of December 31, 2022, approximately 55% of the Company’s union workforce are under contracts in negotiations that are new or have become amendable. With the January 4th, 2023 election by the Company's fleet services employees to be represented by a union, this percentage increased to 63%.

The following table shows the Company’s airline employee groups represented by unions:

| Employee Group | Number of Active Employees Represented at December 31, 2022 | Union | Date on which Collective Bargaining Agreement Becomes Amendable |
|---|---|---|---|
| Sun Country Pilots | 571 | ALPA | December 31, 2025 |
| Sun Country Flight Attendants | 547 | IBT | December 31, 2019 |
| Sun Country Dispatchers | 32 | TWU | November 30, 2024 |
| Sun Country Technicians and related craft employees | 177 | AMFA | Contract in Negotiations |

**Recently Adopted Accounting Standards**

In August 2020, the FASB issued ASU 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* This standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. On January 1, 2022, the Company adopted ASU 2020-06 using a modified retrospective approach. There was no financial statement impact upon adoption.

In May 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2021-04, Earnings Per Share (Topic 260), *Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options.* This new standard provides clarification and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (such as warrants) that remain equity classified after modification or exchange. On January 1, 2022, the Company adopted ASU 2021-04 on a prospective basis, as required by the Standard. There was no financial statement impact upon adoption.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832), *Disclosures by Business Entities about Government Assistance ("ASU 2021-10")*. The new standard requires additional disclosures regarding government grants and money contributions. The standard requires disclosures on the nature of the transactions and related accounting policies, including significant terms and conditions, as well as the amounts and specific financial statement line items affected by the transactions. The Company adopted this standard as of January 1, 2022 and included disclosures as required under ASU 2021-10, see Note 3 for additional information on COVID-19 related government assistance the Company has received.

**3. IMPACT OF THE COVID-19 PANDEMIC**

The COVID-19 pandemic resulted in a dramatic decline in passenger demand across the U.S. airline industry. Sun Country experienced a significant decline in demand related to the COVID-19 pandemic, which caused a material decline in 2021 and 2020 revenues as compared to pre-pandemic levels, and negatively impacted the Company's financial condition and operating results.

During 2022, Sun Country continued to see recovery in demand from the COVID-19 pandemic relative to demand in 2021 and 2020, which may impact the comparability of results to prior periods. The ongoing impact of the COVID-19 pandemic virus and its variants on overall demand for future air travel remains uncertain and cannot be predicted at this time.

**CARES Act**

On March 27, 2020, the CARES Act was passed by the U.S. Government. The provisions in the CARES Act provided 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 was eligible for and received certain benefits in 2021 and 2020, as outlined in the CARES Act including, but not limited to payroll tax breaks, government grants and government loans.

The grant amounts recognized under the CARES Act Payroll Support Program for the years ended December 31, 2021 and 2020 were $71,587 and $62,312, respectively, and were recorded in Special Items, net in the Company's Consolidated Statements of Operations.

The CARES Act also provided an employee retention credit ("CARES Employee Retention Credit") which was a refundable tax credit against certain employment taxes. During the years ended December 31, 2021 and 2020, the Company recorded a benefit of $848 and $2,328, respectively, related to the CARES Employee Retention Credit within Special Items, net in the Company's Consolidated Statements of Operations.

(Dollars in thousands, except per share and share amounts)

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 through March 1, 2022, if ordered by the DOT; the prohibitions on share repurchases of listed securities and the payment of common stock (or equivalent) dividends ended on September 30, 2022; and restrictions on the payment of certain executive compensation effective through April 1, 2023. During the twelve months ended June 30, 2022, the compensation payable to an executive officer temporarily exceeded the limit under the CARES Act by $319. Once the issue was identified, the executive officer voluntarily rescinded the unvested portion of the equity grant that caused the executive’s compensation to exceed the CARES Act limit. At no point did the executive's cash compensation and equity awards that could be monetized exceed the CARES Act limit. The correction occurred subsequent to December 31, 2022. The Company did not accrue any amounts related to this matter as of December 31, 2022. To the extent we are deemed to have failed to remain in full compliance with the CARES Act and the applicable rules and regulations thereunder, we may become subject to fines or other enforcement actions.

## 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 sold primarily to Scheduled service passengers, such as baggage fees, seat selection and upgrade fees, priority check-in and boarding fees, itinerary service fees and on-board sales. Cargo revenue is earned from flying cargo aircraft under the ATSA. Other revenue consists primarily of revenue from services in connection with Sun Country Vacations products and brand and marketing revenue from the Company's co-branded credit card program.

The significant categories comprising Operating Revenues are as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Scheduled service | $ 438,308 | $ 279,377 | $ 193,047 |
| Charter service | 161,619 | 127,331 | 98,130 |
| Ancillary | 192,506 | 117,237 | 68,055 |
| Passenger | 792,433 | 523,945 | 359,232 |
| Cargo | 90,350 | 91,428 | 36,809 |
| Other | 11,661 | 7,642 | 5,445 |
| Total Operating Revenue | $ 894,444 | $ 623,015 | $ 401,486 |

The Company attributes and measures its Operating Revenue by geographic region as defined by the DOT 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.

(Dollars in thousands, except per share and share amounts)

Total Operating Revenues by geographic region are as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Domestic | $ 857,764 | $ 597,005 | $ 382,463 |
| Latin America | 36,537 | 24,646 | 18,515 |
| Other | 143 | 1,364 | 508 |
| Total Operating Revenue | $ 894,444 | $ 623,015 | $ 401,486 |

**Contract Balances**

The Company's contract assets primarily relate to costs incurred in 2020 to get Amazon cargo aircraft ready for service. The balances are included in Other Current Assets and Other Assets on the Consolidated Balance Sheets. These deferred up-front costs are being amortized into expense on a pro-rata basis over the initial six years of the ATSA and are immaterial on an annual basis.

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 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 Consolidated Balance Sheets) and 3) the Amazon deferred up-front payment received (reported within Other Current Liabilities and Other Long-term Liabilities on the Consolidated Balance Sheets).

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 Consolidated Balance Sheets. This deferred up-front payment is being amortized into revenue on a pro-rata basis over the initial six years of the ATSA and is immaterial on an annual basis.

Contract Assets and Liabilities are as follows:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| **Contract Assets** | | |
| Costs to fulfill contract with Amazon | $ 2,195 | $ 2,819 |
| Total Contract Assets | $ 2,195 | $ 2,819 |
| | | |
| **Contract Liabilities** | | |
| Air Traffic Liabilities | $ 157,995 | $ 118,562 |
| Loyalty Program Liabilities | 15,437 | 19,718 |
| Amazon Deferred Up-front Payment | 3,271 | 4,200 |
| Total Contract Liabilities | $ 176,703 | $ 142,480 |

The balance in the Air Traffic Liabilities fluctuates with seasonal travel patterns. Most tickets can be purchased no more than 12 months in advance, therefore any revenue associated with tickets sold for future travel will be recognized within that timeframe. For the year ended December 31, 2022, $112,347 of revenue was recognized in Passenger revenue that was included in the Air Traffic Liabilities as of December 31, 2021.

(Dollars in thousands, except per share and share amounts)

### Loyalty Program

The Sun Country Rewards program provides loyalty awards to program members based on accumulated loyalty points. The Company records a liability for loyalty points earned by passengers under the Sun Country Rewards program using two methods: 1) a liability for points that are earned by passengers on purchases of the Company's services is established by deferring revenue based on the redemption value, net of estimated loyalty points that will expire unused, or breakage, and 2) a liability for points attributed to loyalty points issued to the Company's co-branded credit card holders is established by deferring a portion of payments received from the Company's co-branded agreement. The balance of the Loyalty Program Liabilities fluctuates based on seasonal patterns, which impacts 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). Due to these reasons, the timing of loyalty point redemptions can vary significantly.

Changes in the Loyalty Program Liabilities are as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance - January 1 | $ 19,718 | $ 22,069 |
| Loyalty Points Earned | 7,052 | 4,562 |
| Loyalty Points Redeemed [(1)] | (11,333) | (6,913) |
| Balance - December 31 | $ 15,437 | $ 19,718 |

(1) Loyalty points are combined in one homogenous pool, that includes both air and non-air travel awards, 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.

## 5. EARNINGS PER SHARE

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Net Income (Loss) | $ 17,676 | $ 81,248 | $ (3,904) |
| | | | |
| **Denominator:** | | | |
| Weighted Average Common Shares Outstanding - Basic | 57,951,955 | 55,182,811 | 46,806,042 |
| Dilutive effect of Stock Options, RSUs and Warrants [(1)] | 3,094,640 | 4,141,229 | — |
| Weighted Average Common Shares Outstanding - Diluted | 61,046,595 | 59,324,040 | 46,806,042 |
| | | | |
| Basic earnings (loss) per share | $ 0.31 | $ 1.47 | $ (0.08) |
| Diluted earnings (loss) per share | $ 0.29 | $ 1.37 | $ (0.08) |

(1) There were 3,178,533, 3,636,771 and 3,577,252 performance-based stock options outstanding at December 31, 2022, 2021, and 2020, respectively. As of December 31, 2022 and 2021, the Company expected approximately 59% and 75% of these options to vest, respectively. As of December 31, 2022 32.5% of the eligible outstanding performance-based stock options vested and were considered exercisable. No amounts had vested as of December 31, 2021. These amounts are included in the measure above to the extent they are dilutive.

(Dollars in thousands, except per share and share amounts)

The Company's anti-dilutive shares for the periods presented were immaterial to the Consolidated Financial Statements for the years ended December 31, 2022 and 2021. Due to the Company's Net Loss position for the year ended December 31, 2020, all of its outstanding stock options, restricted stock units, and vested warrants were considered anti-dilutive and excluded from the calculation of diluted loss per share.

## 6. AIRCRAFT

As of December 31, 2022, Sun Country operated a fleet of 54 Boeing 737-NG aircraft, consisting of 53 Boeing 737-800s and one Boeing 737-700.

The following tables summarize the Company's aircraft fleet activity for the years ended 2022 and 2021, respectively:

| | December 31, 2021 | Additions | Reclassifications | Removals | December 31, 2022 |
|---|---|---|---|---|---|
| Passenger: | | | | | |
| Owned | 21 | 5 | 4 | (1) | 29 |
| Finance leases [(1)] | 9 | 2 | — | — | 11 |
| Operating leases | 6 | — | (4) | — | 2 |
| Sun Country Airlines' Fleet | 36 | 7 | — | (1) | 42 |
| Cargo: | | | | | |
| Aircraft Operated for Amazon | 12 | — | — | — | 12 |
| Total Aircraft Operated | 48 | 7 | — | (1) | 54 |

| | December 31, 2020 | Additions | Reclassifications | Removals | December 31, 2021 |
|---|---|---|---|---|---|
| Passenger: | | | | | |
| Owned | 14 | 1 | 6 | — | 21 |
| Finance leases | 5 | 4 | — | — | 9 |
| Operating leases | 12 | — | (6) | — | 6 |
| Sun Country Airlines' Fleet | 31 | 5 | — | — | 36 |
| Cargo: | | | | | |
| Aircraft Operated for Amazon | 12 | — | — | — | 12 |
| Total Aircraft Operated | 43 | 5 | — | — | 48 |

(1) Two aircraft operating leases were reclassified into finance leases and two separate aircraft finance lease purchase options were exercised, resulting in a net change of zero finance lease reclassifications.

During the year ended December 31, 2022, the Company acquired seven incremental aircraft, five of which were financed using proceeds from the issuance of Class A and Class B pass-through trust certificates (the "2022-1 EETC"), and two through finance lease arrangements. As of December 31, 2022, 26 of the owned aircraft were financed and three aircraft were unencumbered. For more information on the Company's financing arrangements, see Note 8 of these Consolidated Financial Statements.

During the year ended December 31, 2022, the Company completed transactions that adjusted the composition of its fleet. The Company executed lease amendments to purchase two aircraft at the end of the lease term, which modified the classification from operating leases to finance leases with expiration dates in fiscal year 2026. The Company purchased two aircraft previously classified as finance leases, using proceeds from the

(Dollars in thousands, except per share and share amounts)

2022-1 EETC. Additionally, the Company purchased two aircraft previously classified as operating leases, both of which are now unencumbered.

During the year ended December 31, 2022, an owned aircraft was retired due to the aircraft sustaining damage beyond economic repair. The impact of the retirement was not material to the Company's Consolidated Results of Operations. See Note 18 for more information.

Six of the aircraft purchased during the year ended December 31, 2021 were financed through the Delayed Draw Term Loan Facility. All six aircraft were previously accounted for as operating leases. The Company also acquired five incremental aircraft, one of which was purchased, and four through finance lease arrangements.

Depreciation, amortization, and rent expense on aircraft is as follows:

| | | Year Ended December 31, | | |
|---|---|---|---|---|
| **Aircraft Status** | **Expense Type** | **2022** | **2021** | **2020** |
| Owned | Depreciation | $ 40,311 | $ 35,855 | $ 25,294 |
| Finance Leased | Amortization | 16,871 | 11,507 | 13,253 |
| Operating Leased | Aircraft Rent [(1)] | 8,768 | 17,653 | 30,989 |
| | | $ 65,950 | $ 65,015 | $ 69,536 |

(1) Aircraft Rent expense includes credits for the amortization of over-market liabilities established at the Acquisition Date.

Depreciation expense on owned aircraft and amortization expense on finance leased aircraft are both classified in Depreciation and Amortization on the Consolidated Statements of Operations.

**Aircraft Maintenance Deposits Contra-Assets**

As of the Acquisition Date, the Company established a maintenance deposit contra-asset to offset the acquired maintenance deposit assets included in Short-term Lessor Maintenance Deposits on the Consolidated Balance Sheets. The assets represent deposits remitted by the previous owners of the Company to the lessor for maintenance events. The contra-asset represent the Company’s obligation to perform planned maintenance events on leased aircraft held as of the Acquisition date. As reimbursable maintenance events are performed and Maintenance expense is incurred, a portion of the contra-asset is recognized as a reduction to Maintenance expense on the Consolidated Statements of Operations due to the fact that the previously acquired maintenance deposit is partially funding the maintenance event. As of December 31, 2022 and 2021, the remaining balance of the contra-asset was $13,211 and $22,348, respectively. Of the $9,137 reduction in the contra-asset during the year ended December 31, 2022, $8,362 is related to the purchase of two aircraft previously under operating leases. The contra-assets reduce future depreciation expense recognized on these aircraft. The remaining balance as of December 31, 2022 includes $8,021 that is available to be applied towards the purchase price of the two aircraft that were reclassified to finance leases during the current year.

**Over-market Liabilities**

As of the Acquisition Date, the Company recognized a liability representing lease terms which are unfavorable compared with market terms of similar leases. The over-market lease liability is recorded as a contra-asset offsetting the corresponding lease asset. The remaining unamortized balance of this contra-asset as of December 31, 2022 and 2021 was $113 and $10,363, respectively and is recorded within Operating Lease Right-of-Use Assets. During fiscal year 2022, the Company executed lease amendments which modified two aircraft from operating leases to finance leases. As a result of the modifications, the Company reclassified $9,687 of the over-market lease liability from Operating Lease Right-of-Use Assets to Finance Lease Assets. The resulting reclassification reduced the go-forward Depreciation and Amortization for the related Finance Lease Assets. Additionally, $173 of the reduction is related to the purchase of two aircraft previously under operating leases. The contra-assets were applied against the purchase price of the two aircraft previously under operating leases, which reduced the net cash outflows on the purchase date, and results in a reduction of future Depreciation and Amortization for the related aircrafts.

(Dollars in thousands, except per share and share amounts)

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 December 31, 2022 and 2021 was $2,574 and $14,737, respectively. Of the $12,163 reduction in the over-market maintenance reserve liabilities during fiscal year 2022, $6,023 was incorporated into the Finance Lease Assets in accordance with the terms of the two executed lease amendments, as described above. Additionally, $3,303 of the reduction is related to the purchase of two aircraft previously under operating leases. The maintenance reserves were applied against the purchase price of the two aircraft previously under operating leases, which reduced the net cash outflows on the purchase date, and results in a reduction of future Depreciation and Amortization for the related aircrafts.

## 7. GOODWILL AND OTHER INTANGIBLE ASSETS

Components of Goodwill and Other Intangible Assets were as follows:

| | December 31, 2022 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Goodwill | $ 222,223 | $ — | $ 222,223 |
| Intangible Assets with Finite Lives: | | | |
| Customer Relationships | 48,000 | (18,890) | 29,110 |
| Intangible Assets with Indefinite Lives: | | | |
| Tradename | 56,000 | — | 56,000 |
| Total Other Intangible Assets | 104,000 | (18,890) | 85,110 |
| Total Goodwill and Other Intangible Assets | $ 326,223 | $ (18,890) | $ 307,333 |

| | December 31, 2021 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Goodwill | $ 222,223 | $ — | $ 222,223 |
| Intangible Assets with Finite Lives: | | | |
| Customer Relationships | 48,000 | (14,890) | 33,110 |
| Intangible Assets with Indefinite Lives: | | | |
| Tradename | 56,000 | — | 56,000 |
| Total Other Intangible Assets | 104,000 | (14,890) | 89,110 |
| Total Goodwill and Other Intangible Assets | $ 326,223 | $ (14,890) | $ 311,333 |

The Company recognized $4,000 of amortization expense on intangible assets with finite-lives during each of the years ended December 31, 2022, 2021 and 2020. As of December 31, 2022, estimated annual amortization expense for each of the next five fiscal years is $4,000 and $9,110 thereafter.

## 8. DEBT

**Credit Facilities** — On February 10, 2021, the Company executed a five-year credit agreement (the "Credit Agreement") with a group of lenders that replaced the Company's prior $25,000 asset-based revolving credit facility. The Credit Agreement included a $25,000 Revolving Credit Facility and a $90,000 Delayed Draw Term Loan Facility ("DDTL"), 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%. 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, whereas proceeds from the Delayed Draw Term Loan Facility were to be used solely to finance the acquisition of aircraft or engines to be registered in the United States. The Credit Agreement includes financial covenants that require a minimum trailing 12-month EBITDAR ($87,700 as of March 31, 2022 and beyond) and a minimum liquidity of $30,000 at the close of any business day. The Company was in compliance with these covenants as of December 31, 2022.

During 2021, the Company drew $80,500 on the DDTL to purchase six aircraft, which were previously under operating leases. During the first quarter of 2022, the Company repaid the outstanding balance of the DDTL in full using proceeds it received from the 2022-1 EETC, which terminated the DDTL. As a result, no amounts under the DDTL were available to the Company as of December 31, 2022. The Company recorded a $1,557 loss on extinguishment of debt related to the repayment of the DDTL, which represented the write-off of the unamortized deferred financing costs. As of December 31, 2022, the Company had $24,650 of financing available through the Revolving Credit Facility.

**Long-term Debt** — In March 2022, the Company arranged for the issuance of the 2022-1 EETC in an aggregate face amount of $188,277 for the purpose of financing or refinancing 13 aircraft. The Company recorded $2,570 in debt issuance costs associated with the 2022-1 EETC. Of the 13 aircraft financed by the 2022-1 EETC during the year ended December 31, 2022, five were existing owned aircraft previously financed by the DDTL, two of the aircraft were owned outright, four of the aircraft were acquired incrementally, and two aircraft were bought-out from existing finance leases. The Company is required to make semi-annual principal and interest payments each March and September, the first payment occurred on September 15, 2022. The 2022-1 EETC is secured by a lien on the financed or refinanced aircraft and will be cross-collateralized by the other aircraft financed through the issuance.

During the year ended December 31, 2022, the Company capitalized $3,074 of Interest Expense related to aircraft financed with the proceeds of the 2022-1 EETC while undergoing induction.

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 $248,587 for the purpose of financing or refinancing 13 used aircraft, which was executed in 2020. The Company is required to make semi-annual principal and interest payments each June and December. These payments include interest through approximately the 15$^{th}$ of the payment month.

(Dollars in thousands, except per share and share amounts)

Long-term Debt includes the following:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Notes payable under the Company's 2019-1 EETC agreement dated December 2019, with original loan amounts of $248,587 payable in semi-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 4.73% as of December 31, 2022. | $ 176,697 | $ 202,984 |
| Notes payable under the Company's 2022-1 EETC agreement dated March 2022, with a face amount of $188,277 payable in semi-annual installments, in March and September, through March 2031. These notes bear interest at an annual rate between 4.84% and 5.75% and the weighted average interest rate is 5.06% as of December 31, 2022. | 179,019 | — |
| Delayed Draw Term Loan Facility | — | 77,481 |
| Other Notes payable | — | 466 |
| Total Debt | 355,716 | 280,931 |
| Less: Unamortized debt issuance costs | (3,481) | (3,505) |
| Less: Current Maturities of Long-term Debt | (57,548) | (29,412) |
| Total Long-term Debt | $ 294,687 | $ 248,014 |

Future maturities of the outstanding Debt are as follows:

| December 31 | Debt Principal Payments | Amortization of Debt Issuance Costs | Net Debt |
|---|---|---|---|
| 2023 | $ 58,518 | $ (970) | $ 57,548 |
| 2024 | 60,157 | (785) | 59,372 |
| 2025 | 65,241 | (608) | 64,633 |
| 2026 | 45,668 | (420) | 45,248 |
| 2027 | 47,999 | (302) | 47,697 |
| Thereafter | 78,133 | (396) | 77,737 |
| Total | $ 355,716 | $ (3,481) | $ 352,235 |

The fair value of Debt was $324,059 as of December 31, 2022 and $272,004 as of December 31, 2021. 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 estimated incremental borrowing rate for similar obligations. The estimates were primarily based on Level 3 inputs.

## 9. LEASES

The Company classifies its Leases into three categories: Aircraft, Real Estate, and Other. Aircraft leases consist of aircrafts, engines, and aircraft equipment under lease agreements. As of December 31, 2022, the Company had 13 leases for aircraft, of which 11 were under finance leases and two were right-of-use operating leases. Real estate leases consist of leased hangar and administration facilities, a simulator housing facility, and other leases consist of non-aircraft equipment under operating lease agreements. Real estate and other leases have initial terms of up to ten years.

The Company's Cargo fleet of 12 aircraft is subleased directly from Amazon and the Company operates them pursuant to the ATSA. Based upon review of the ATSA, the sublease arrangement does not qualify as a lease, because the Company does not control the use of the aircraft. As such, no right-of-use asset and lease liability is recognized in these financial statements for the Amazon arrangement.

(Dollars in thousands, except per share and share amounts)

The Company also has various airport terminal agreements which include provisions for variable lease payments which are based on several factors, including, but not limited to, number of carriers, enplaned passengers, and airports' annual operating budgets. Due to the variable nature of the rates, these leases are not recorded on the Company's Consolidated Balance Sheets as a right-of-use asset and lease liability.

Certain aircraft lease agreements include an option to extend the lease term beyond the original expiration date. As of December 31, 2022, the Company remains uncertain as to whether it will exercise any of the available extension options. As such, the Company's operating and finance lease obligations do not reflect lease payments associated with extension periods that remain unexercised. Also, none of the Company's aircraft leases contain an early termination provision.

Certain aircraft lease agreements grant the Company the option to purchase the aircraft at the end of the lease term. To the extent the Company is reasonably certain to exercise the purchase option, the lease arrangement has been accounted for as a finance lease with the purchase option price recognized as part of the lease obligation.

The following table summarizes the lease-related assets and liabilities recorded on the Company's Consolidated Balance Sheets:

| | Classification | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **Assets** | | | |
| Finance lease assets, net | Property and Equipment, net | $ 221,727 | $ 181,097 |
| Operating lease assets | Operating Lease Right-of-use Assets | 22,182 | 61,658 |
| Total lease assets | | $ 243,909 | $ 242,755 |
| **Liabilities** | | | |
| Current: | | | |
| Finance lease liabilities | Short-term Finance Lease Obligations | $ 17,990 | $ 11,705 |
| Operating lease liabilities | Short-term Operating Lease Obligations | 6,296 | 17,231 |
| Long-term: | | | |
| Finance lease liabilities | Long-term Finance Lease Obligations | 233,306 | 180,450 |
| Operating lease liabilities | Long-term Operating Lease Obligations | 19,836 | 58,810 |
| Total lease liabilities | | $ 277,428 | $ 268,196 |

(Dollars in thousands, except per share and share amounts)

The following table provides details of the Company's obligations under Finance and Operating Leases as of December 31, 2022:

| | Finance Leases | | | Operating Leases | | |
|---|---|---|---|---|---|---|
| Year Ending December 31 | Aircraft | Real Estate | Total | Aircraft | Real Estate and Other | Total |
| 2023 | $ 31,600 | $ 1,492 | $ 33,092 | $ 4,382 | $ 3,366 | $ 7,748 |
| 2024 | 32,080 | 1,551 | 33,631 | 2,392 | 3,282 | 5,674 |
| 2025 | 32,080 | 1,773 | 33,853 | — | 3,273 | 3,273 |
| 2026 | 70,877 | 1,773 | 72,650 | — | 3,296 | 3,296 |
| 2027 | 20,604 | 1,773 | 22,377 | — | 3,306 | 3,306 |
| Thereafter | 122,527 | 3,179 | 125,706 | — | 8,722 | 8,722 |
| Total Minimum Lease Payments | 309,768 | 11,541 | 321,309 | 6,774 | 25,245 | 32,019 |
| Less: Amount Representing Interest | (66,652) | (3,361) | (70,013) | (316) | (5,571) | (5,887) |
| Present Value of Minimum Lease Payments | 243,116 | 8,180 | 251,296 | 6,458 | 19,674 | 26,132 |
| Less: Short-term Obligations | (17,309) | (681) | (17,990) | (4,111) | (2,185) | (6,296) |
| Long-term Lease Obligations | $ 225,807 | $ 7,499 | $ 233,306 | $ 2,347 | $ 17,489 | $ 19,836 |

The following table presents lease costs related to the Company's Finance and Operating Leases:

| | | Year Ended December 31, | | |
|---|---|---|---|---|
| | Classification | 2022 | 2021 | 2020 |
| **Finance lease cost** | | | | |
| Amortization of leased assets | Depreciation and Amortization | $ 17,900 | $ 12,536 | $ 11,948 |
| Interest on lease liabilities | Interest Expense | 13,782 | 8,021 | 8,659 |
| **Operating lease cost** | | | | |
| Included in ROU asset - Aircraft | Aircraft Rent [1] | 8,465 | 18,608 | 30,717 |
| Included in ROU asset - Real Estate & Other | Ground Handling, Landing Fees and Airport Rent & Other Operating | 3,692 | 3,976 | 4,872 |
| Short-term | Aircraft Rent | 691 | 277 | 1,813 |
| Variable - Aircraft | Aircraft Rent [1] | (388) | (1,232) | (1,541) |
| Variable - Other | Landing Fees & Airport Rentals | 1,838 | 1,210 | 1,049 |
| Total Lease cost | | $ 45,980 | $ 43,396 | $ 57,517 |

(1) The years ended December 31, 2022, 2021 and 2020, include credits of $3,228, $7,609 and $14,110, respectively, for the amortization of Over-market Liabilities established at the Acquisition Date related to lease rates and maintenance reserves.

The following table presents Supplemental cash flow information related to leases, included in the Consolidated Statements of Cash Flows:

(Dollars in thousands, except per share and share amounts)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Cash paid for amounts included in the measurement of lease liabilities: | | | |
| Operating Cash Flows for Operating Leases | $ 12,378 | $ 29,360 | $ 34,576 |
| Operating Cash Flows for Finance Leases | $ 13,782 | $ 8,021 | $ 8,659 |
| Financing Cash Flows for Finance Leases | $ 42,062 | $ 11,931 | $ 89,697 |

The table below presents lease-related terms and discount rates related to the Company's Finance and Operating Leases:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Weighted-average remaining lease term | | | |
| Operating Leases | 5.9 years | 4.6 years | 4.8 years |
| Finance Leases | 6.1 years | 7.2 years | 8.6 years |
| | | | |
| Weighted-average discount rates | | | |
| Operating Leases | 6.3% | 6.0% | 6.0% |
| Finance Leases | 6.2% | 6.1% | 6.1% |

During the years ended December 31, 2022, 2021, and 2020 the Company expensed $2,191, $4,004 and $8,691 of maintenance reserve payments, respectively. These expenses are reflected in Aircraft Rent on the accompanying Consolidated Statements of Operations.

## 10. STOCK-BASED COMPENSATION

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, RSU, Other Stock-Based Award, or Other Cash-Based Award granted under the Plan. As of December 31, 2022, there were 3,276,169 shares available for future grants.

Upon implementation of this new Plan, grants under the October 2018 equity incentive plan ceased. Awards already issued under the 2018 plan are not impacted by the new Plan.

Stock compensation expense was $2,774, $5,562, and $2,110 during the years ended December 31, 2022, 2021 and 2020, respectively. During the years ended December 31, 2022 and 2021 there was a $1,032 and $3,619 tax benefit recognized in income related to stock compensation expense. The 2021 expense includes $3,804 for performance-based options, which were expensed for the first time in 2021 due to the achievement of a performance condition. As of December 31, 2022, there was $4,583 of total unrecognized compensation expense related to stock options and RSUs. This unrecognized compensation is expected to be fully recognized over a weighted average period of approximately 2.2 years.

**Time-Based Stock Options**

The following table is a summary of the Company's time-based stock option activity:

| | Time-Based Stock Options | | | | |
|---|---|---|---|---|---|
| | Number of shares | Weighted average exercise price per share | Weighted average grant date fair value | Weighted average remaining contractual term (years) | Aggregate Intrinsic Value (in thousands) |
| Outstanding as of December 31, 2019 | 2,281,308 | $ 5.84 | $ 2.54 | 9.0 | |
| Granted | 221,941 | 17.99 | 7.02 | | |
| Forfeited | (173,788) | 14.65 | 5.70 | | |
| Outstanding as of December 31, 2020 | 2,329,461 | $ 6.36 | $ 2.74 | 7.6 | |
| Granted | 62,080 | 33.10 | 13.47 | | |
| Forfeited | (18,613) | 11.75 | 5.15 | | |
| Exercised | (718,985) | 5.89 | 2.56 | | |
| Outstanding as of December 31, 2021 | 1,653,943 | $ 7.57 | $ 3.22 | 7.2 | |
| Granted | — | — | — | | |
| Forfeited | (119,605) | 20.09 | 8.03 | | |
| Exercised | (177,816) | 5.63 | 2.49 | | |
| Outstanding as of December 31, 2022 | 1,356,522 | $ 6.72 | $ 2.89 | 6.1 | $ 12,950 |
| Exercisable as of December 31, 2022 | 1,214,803 | $ 6.12 | $ 2.65 | | $ 12,084 |
| Vested or expected to vest, December 31, 2022 | 1,356,522 | $ 6.72 | $ 2.89 | | $ 12,950 |

The Company recognizes expense associated with the Time-Based Stock Options in an amount equal to the fair value on the date of the grant and on a straight-line basis over the requisite service period of the award (generally the vesting period). Time-based stock option awards vest at 25% per year over the first four years following the grant. All time-based stock options expire ten years after the grant date. The intrinsic value of stock options exercised in 2022 and 2021 was $3,468 and $18,621, respectively.

The fair value of the time-based stock options granted was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants. A third-party valuation advisor was utilized to assist management in determining the fair value of options granted using the Black-Scholes option-pricing model based on the grant price and assumptions regarding the expected term, expected volatility, dividends, and risk-free interest rates. The grant price was determined based on the fair value of the Company's stock on the date the Compensation Committee of the Board approves the grant. During the year ended December 31, 2022, the Company did not grant any time-based stock options.

The assumptions used for the Black-Scholes option pricing model were as follows:

| | 2021 | 2020 |
|---|---|---|
| Expected Term | 5.1 years | 5.6 years |
| Expected Volatility | 34.0 % | 38.8 % |
| Risk-free Interest Rate | 1.2 % | 1.7 % |
| Expected Dividend Yield | — | — |

The expected term was based on vesting criteria and time to expiration. The expected volatility was based on historical volatility of stock prices and assets of a public company peer group. The risk-free interest rate was based on the implied risk-free rate using the expected term and yields of U.S Treasury stock and S&P bond yields.

**Performance-Based Stock Options**

The following table is a summary of the Company's performance-based stock option activity:

| | Performance-Based Stock Options | | | | |
|---|---|---|---|---|---|
| | Number of shares | Weighted average exercise price per share | Weighted average grant date fair value | Weighted average remaining contractual term (years) | Aggregate Intrinsic Value (in thousands) |
| Outstanding as of December 31, 2019 | 3,502,947 | $ 5.86 | $ 1.61 | 9.0 | |
| Granted | 346,984 | 17.99 | 4.36 | | |
| Forfeited | (272,679) | 14.65 | 3.59 | | |
| Outstanding as of December 31, 2020 | 3,577,252 | $ 6.38 | $ 1.72 | 7.6 | |
| Granted | 99,167 | 33.10 | 10.08 | | |
| Forfeited | (39,648) | 6.89 | 1.67 | | |
| Outstanding as of December 31, 2021 | 3,636,771 | $ 7.10 | $ 1.53 | 7.2 | |
| Granted | — | — | — | | |
| Forfeited | (307,894) | 14.13 | 4.43 | | |
| Exercised | (150,344) | 6.55 | 1.74 | | |
| Outstanding as of December 31, 2022 | 3,178,533 | $ 6.45 | $ 1.83 | 6.1 | $ 30,793 |
| Exercisable as of December 31, 2022 | 964,635 | $ 6.64 | $ 1.93 | | $ 9,322 |
| Vested or expected to vest, December 31, 2022 (1) | 1,888,049 | $ 6.45 | $ 1.83 | | $ 18,291 |

(1) As of December 31, 2022, the Company expected approximately 59% of these options to vest.

The vesting for the Company's performance-based stock options was based on the Company's IPO and other ongoing factors. The Company recognized a cumulative catch-up of stock-based compensation expense upon the Company's IPO. The Company continues to measure the ongoing factors and the impact on vesting. Compensation expense for the performance-based stock options is recognized ratably for each vesting tranche. The service period for these awards is from the original grant date through each of the future vesting dates. The intrinsic value of performance-based stock options exercised in 2022 was $2,511. There were no exercises of performance-based stock options during 2021 or 2020. All performance-based stock options expire ten years after the grant date.

(Dollars in thousands, except per share and share amounts)

The fair value of performance-based stock options granted was estimated by simulating the future stock price using geometric Brownian motion and risk-free rate of return at intervals specified in the grant agreement. The number of shares vested and future price at each interval were recorded for each simulation and then multiplied together and discounted to present value at the risk-free rate of return. During the year ended December 31, 2022, the Company did not grant any performance-based stock options.

**Time-Based RSUs**

| | Restricted Stock Units | |
|---|---|---|
| | Number of shares | Weighted average grant date fair value |
| Outstanding as of December 31, 2020 | — | $ — |
| Granted | 7,634 | 40.60 |
| Forfeited | (2,955) | 40.60 |
| Outstanding as of December 31, 2021 | 4,679 | 40.60 |
| Granted | 248,025 | 20.44 |
| Forfeited | (5,478) | 23.04 |
| Vested | (17,035) | 25.87 |
| Outstanding as of December 31, 2022 | 230,191 | $ 20.39 |

The Company measures compensation expense for grants of time-based RSUs using the Company's share price on the date of grant. The Company recognizes expense associated with the RSUs in an amount equal to the fair value on the date of the grant and on a straight-line basis over the requisite service period of the award. RSUs vest ratably over the term of the award, which is typically three years. The total fair value of restricted stock units vested was $441 during the year ended December 31, 2022.

**11. DEFINED CONTRIBUTION 401(k) PLAN**

The Company has a 401(k) profit-sharing retirement plan covering substantially all employees. The plan allows employee contributions up to 50% of a participant's eligible compensation, subject to limits established under the 401(k) plan and annual IRS elective deferral limits. The Company currently matches 100% of participants contribution up to a maximum of 4% for non-pilot participants' and 6% for pilot participants' eligible compensation. Pursuant to the current pilot collective bargaining agreement, the Company was also required to make a non-discretionary 13% Company contribution for pilots based on gross earnings. This non-discretionary Company contribution for pilots will increase to 14% in 2023, and 15% for 2024 and thereafter. Contributions are classified in Salaries, Wages, and Benefits on the Consolidated Statements of Operations.

The Company made 401(k) contributions as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Non-Discretionary | $ 13,692 | $ 1,187 | $ 1,040 |
| Discretionary | 2,730 | 5,220 | 4,263 |
| Total 401(k) Contributions | $ 16,422 | $ 6,407 | $ 5,303 |

(Dollars in thousands, except per share and share amounts)

## 12. 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. As of December 31, 2022 and 2021, the Company had no outstanding fuel derivative contracts.

Fuel derivative contracts are recognized at fair value on the 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. Derivatives where the payment due date is greater than one year from the Balance Sheet date are classified as long-term. Fuel derivative gains and losses are classified in Aircraft Fuel on the Consolidated Statements of Operations.

Changes in Derivative Assets (Liabilities) are as follows:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Balance - January 1 | $ — | $ (1,174) |
| Non-cash Gains | — | 3,527 |
| Contract Settlements | — | (2,353) |
| Balance - December 31 | $ — | $ — |

Fuel Derivative Gains (Losses) consist of the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Non-cash Gains (Losses) | $ — | $ 3,527 | $ (12,206) |
| Cash Premiums Paid | — | — | (2,053) |
| Total Fuel Derivative Gains (Losses) | $ — | $ 3,527 | $ (14,259) |

## 13. INVESTMENTS

A summary of the Company's Available-for-Sale debt securities by major security type is as follows:

| | December 31, 2022 [(1)] | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available-for-Sale Securities [(2)]: | | | | |
| Municipal Debt Securities | $ 47,897 | $ 16 | $ (258) | $ 47,655 |
| Corporate Debt Securities | 93,460 | 1 | (683) | 92,778 |
| U.S. Government Agency Securities | 32,326 | 2 | (126) | 32,202 |
| Total | $ 173,683 | $ 19 | $ (1,067) | $ 172,635 |

(1) As the Company purchased these investments during 2022; therefore, there is no comparable presentation for prior periods.

(2) The Company also holds Certificates of Deposit that are included in Investments on the Consolidated Balance Sheets totaling $6,301 and $6,283 as of December 31, 2022 and December 31, 2021, respectively.

As of December 31, 2022, the Company's investments that have unrealized losses have been in a continuous unrealized loss position for less than 12 months. The unrealized losses were the result of increases in market interest rates and were not the result of a deterioration in the credit quality of the securities. As of December 31, 2022, the Company believes that any unrealized losses will recover prior to the investment's conversion to cash. Therefore, the Company believes these losses to be temporary.

## 14. 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.

**Financial Instruments** – Financial instruments including Restricted Cash, Certificates of Deposit, Accounts Receivable, Accounts Payable and all other Current Liabilities have carrying values that approximate fair value.

**Cash & Cash Equivalents** – The carrying value of cash and cash equivalents approximates fair value. Fair values of cash equivalent instruments that do not trade on a regular basis in active markets are classified as Level 2.

**Available-for-Sale Securities** – Available-for-Sale investment securities include debt securities, such as municipal, corporate, and U.S. government agency notes. All of these investments are classified as Level 2 because they do not trade in active markets on a regular basis. The Company obtains its pricing per security from a third-party, which uses quoted market prices, when available, or other observable inputs for determination of fair value.

**Non-Financial Assets** – Certain assets are measured at fair value on a nonrecurring basis. The Company’s non-financial assets, which primarily consist of Property & 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.

**Debt** – See Note 8 for more information on the Company's debt financings and related fair values.

(Dollars in thousands, except per share and share amounts)

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

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash & Cash Equivalents | $ 73,727 | $ 18,359 | $ — | $ 92,086 |
| Available-for-Sale Securities: | | | | |
| Municipal Debt Securities | — | 47,655 | — | 47,655 |
| Corporate Debt Securities | — | 92,778 | — | 92,778 |
| U.S. Government Agency Securities | — | 32,202 | — | 32,202 |
| Total Available-for-Sale Securities | — | 172,635 | — | 172,635 |
| Total Assets Measured at Fair Value on a Recurring Basis | $ 73,727 | $ 190,994 | $ — | $ 264,721 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash & Cash Equivalents | $ 309,338 | $ — | $ — | $ 309,338 |
| Total Assets Measured at Fair Value on a Recurring Basis | $ 309,338 | $ — | $ — | $ 309,338 |

## 15. INCOME TAXES

The following table summarizes the significant components of the provision for income taxes from continuing operations:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Current: | | | |
| Federal | $ 1,329 | $ — | $ — |
| State and Local | 84 | 135 | 10 |
| Total Current Tax Expense | 1,413 | 135 | 10 |
| | | | |
| Deferred: | | | |
| Federal | 4,393 | 16,824 | (597) |
| State and Local | 500 | 2,123 | (191) |
| Total Deferred Tax Expense (Benefit) | 4,893 | 18,947 | (788) |
| Total Income Tax Expense (Benefit) | $ 6,306 | $ 19,082 | $ (778) |

(Dollars in thousands, except per share and share amounts)

The income tax provision differs from that computed at the federal statutory corporate tax rate as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Expected Provision at Federal Statutory Tax Rate | 21.0 % | 21.0 % | 21.0 % |
| State Tax, net of Federal Impact | 1.9 % | 1.8 % | 3.1 % |
| Stock Compensation Benefit | (4.3)% | (3.6)% | — % |
| Tax Receivable Agreement | 4.4 % | (3.4)% | — % |
| Executive Compensation Limitation | 2.0 % | 3.0 % | — % |
| Employee Parking | 0.9 % | 0.2 % | (3.3)% |
| Meals and Entertainment | — % | — % | (2.2)% |
| Other Permanent Adjustments | 0.4 % | — % | (2.0)% |
| Effective Tax Rate | 26.3 % | 19.0 % | 16.6 % |

The following table summarizes the significant components of the Company's deferred taxes:

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Deferred Tax Assets: | | |
| Net Operating Loss | $ 73,252 | $ 77,920 |
| Operating Lease Obligations | 5,179 | 16,544 |
| Finance Lease Obligations | 34,458 | 40,178 |
| Goodwill and Other Intangible Assets | 6,812 | 9,699 |
| Loyalty Program Liabilities | 3,459 | 4,407 |
| Accrued Maintenance | — | 718 |
| Other | 7,028 | 5,095 |
| Total Deferred Tax Assets | 130,188 | 154,561 |
| Deferred Tax Liabilities: | | |
| Accelerated Depreciation | (78,749) | (81,120) |
| Operating Lease Right-of-use Assets | (5,102) | (14,181) |
| Finance Lease Assets | (30,492) | (41,652) |
| Prepaid Maintenance | (1,986) | — |
| Other | (903) | — |
| Total Deferred Tax Liabilities | (117,232) | (136,953) |
| Total Net Deferred Tax Assets | $ 12,956 | $ 17,608 |

As of December 31, 2022, the Company has $70,551 of federal net operating losses ("NOLs") and $2,701 of state NOLs, net of tax effect, available that may be applied against future tax liabilities. As a result of ownership changes that occurred in 2021, the existing federal and state NOLs may be subject to certain limitations under Section 382 of the Internal Revenue Code. However, the Company does not believe these limitations will adversely impact its ability to use these losses to offset taxable income in future periods. There is no expiration of federal net operating losses. The state net operating losses begin to expire in 2025.

In assessing the realizability of Deferred Tax Assets, management considers whether it is more likely than not that some portion or all the Deferred Tax Assets will not be realized. The ultimate realization of the Deferred Tax

Assets is dependent upon the generation of future taxable income during periods in which the temporary differences become deductible. Management considers the scheduled reversal of the liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. As of December 31, 2022, management believes that it is more likely than not that the future results of the operations will generate sufficient taxable income to realize the tax benefits related to its Deferred Tax Assets.

The Company recognizes the consolidated financial statement effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. If applicable, the Company reports both accrued interest and penalties related to unrecognized tax benefits as a component of Income Tax Expense in the Consolidated Statements of Operations.

As of December 31, 2022 and 2021, the Company had no liability for unrecognized tax benefits recorded in its Consolidated Balance Sheets.

The Company files income tax returns in the United States and various states. In the normal course of business, the Company is subject to potential income tax examination by the federal and state tax authorities in these jurisdictions for tax years that are open under local statute. For U.S. federal income tax purposes, the Company's 2021, 2020, and 2019 tax returns remain open to examination. For U.S. state income tax purposes, the Company's 2021, 2020, 2019, and 2018 tax returns remain open to examination.

**Tax Receivable Agreement**

In connection with the Company’s IPO, the Company entered into a TRA with pre-IPO stockholders (the “TRA holders”). The TRA 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 is 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.

Upon the closing of the IPO, the Company recognized a non-current liability of $115,200, which represented undiscounted aggregate payments that were expected to be paid to the TRA holders, with an offset to Stockholders’ Equity. Adjustments to the TRA are recorded in Other, net Non-Operating Income (Expense) on the Company's Consolidated Statements of Operations. If the Company does not generate sufficient taxable income in the aggregate over the term of the TRA to utilize the tax benefits, then it would not be required to make the related TRA payments. During fiscal year 2022, the TRA liability balance increased $5,000 from $98,800 to $103,800. The increase in the TRA liability was recorded as an expense within the Consolidated Statement of Operations. The 2022 increase in the TRA liability was mainly due to the reduction in the 2022 actual pre-tax income compared to the forecasted pre-tax income. During the year ended December 31, 2021, the TRA Liability decreased by $16,400, which was recorded as a benefit within the Consolidated Statement of Operations. The decrease in the TRA liability was mainly due to the receipt of an additional CARES Act grant in 2021, which extended the time period in which distributions made to shareholders are restricted from March 31, 2022 to September 30, 2022, and also resulted from an increase in 2021 pre-tax income.

## 16. STOCKHOLDERS’ EQUITY

On October 31, 2022, the Company’s Board of Directors authorized a stock repurchase program pursuant to which the Company may purchase up to $50,000 of its Common Stock, $0.01 par value per share (“Common Stock”). The Company may purchase shares of its Common Stock on a discretionary basis from time-to-time through open market repurchases, privately negotiated transactions, accelerated share repurchase, or other means, including through Rule 10b5-1 trading plans. During the fourth quarter of 2022, the Company entered into a $25,000 Accelerated Share Repurchase Program. The Company received an initial delivery of 890,586 shares at an average price of $19.65 per share during the fourth quarter of 2022. The settlement of the program occurred during January 2023, upon which the Company received an additional 480,932 shares. In total, the Company repurchased 1,371,518 shares at an average price of $18.23 per share.

(Dollars in thousands, except per share and share amounts)

As of December 31, 2022, the Company had $25,000 of Board authorization remaining to repurchase additional shares of its Common Stock. The stock repurchase program has no expiration date and may be modified, suspended, or terminated at any time.

## 17. SPECIAL ITEMS, NET

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

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| CARES Act grant recognition (see Note 3) | $ — | $ (71,587) | $ (62,312) |
| CARES Act employee retention credit (see Note 3) | — | (848) | (2,328) |
| Other [(1)] | — | 16 | 77 |
| Total Special Items, net | $ — | $ (72,419) | $ (64,563) |

(1) The 2021 and 2020 costs were related to relocation of flight attendant bases due to the closure of the Portland and Las Vegas bases.

## 18. COMMITMENTS AND CONTINGENCIES

The Company has contractual obligations and commitments primarily with regard to lease arrangements (see Note 9), repayment of debt (see Note 8), payments under the TRA (see Note 15), and probable future purchases of aircraft.

During the second quarter of 2022, an owned aircraft was retired due to the aircraft sustaining damage beyond economic repair. The best estimate of this event was recorded as of the second quarter, the estimate has since been revised. The impact of the retirement was not material to the Company's Consolidated Results of Operations. The estimate will continue to be revised when additional information becomes available or when the contingency is finalized. The Company does not believe the finalization of the contingency will have a material effect on the Company's Consolidated Results of Operations.

As of December 31, 2022 the Company had a commitment to lease three aircraft with deliveries spanning the fourth quarter of 2023 and the first quarter of 2024. The leases will each have annual lease payments of approximately $2,000 for six years.

As of December 31, 2022 the Company had a commitment to purchase an engine for approximately $4,500. The engine was purchased and delivered in January 2023.

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

## 19. OPERATING SEGMENTS

Operating segments are defined as components of an enterprise about which separate financial information is both available and evaluated regularly by the Chief Operating Decision Maker ("CODM") and is used in resource allocation and performance assessments. The Company's CODM is considered to be the Company's Chief Executive Officer. The CODM makes resource allocation decisions to maximize the Company's consolidated financial results, primarily through the scheduling of aircraft on the most profitable routes. 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 and reportable segments: Passenger and Cargo.

(Dollars in thousands, except per share and share amounts)

The Company's Passenger segment is comprised of two businesses: Scheduled Service and Charter. These businesses both utilize the Company's Passenger fleet. The CODM maximizes the return on these aircraft through the combination of both the Scheduled Service and Charter flights. The Company routinely schedules its Passenger fleet using what is referred to as "*Power Patterns*," which involves scheduling aircraft and crew on trips that combine scheduled service and charter legs, dynamically replacing what would be lower margin scheduled service flights with charter opportunities. Because of the complimentary nature of these businesses and the fact that the CODM routinely looks at the combined results of these businesses to ensure the highest level of returns on the Passenger fleet, the Company determined that it was appropriate that these businesses be viewed as a singular 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 Consolidated Statements of Operations. Fuel consumed in Cargo maintenance activities is included within Aircraft Fuel expense in the Cargo segment. Certain operating expenses are directly attributable to the Cargo 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.

The following tables present financial information for the Company's two segments. Assets by segment are not reviewed by the CODM and have not been presented herein. The Company does not consider Interest Income, Interest Expense, and Other Income, net, in assessing the financial performance of its operating segments. Collectively, these items are included in reconciliations of reporting segment financial amounts to consolidated financial amounts.

| | Year Ended December 31, 2022 | | |
|---|---|---|---|
| | Passenger | Cargo | Consolidated |
| Operating Revenues | $ 804,094 | $ 90,350 | $ 894,444 |
| Non-Fuel Operating Expenses | 479,968 | 90,405 | 570,373 |
| Aircraft Fuel | 268,279 | 84 | 268,363 |
| Total Operating Expenses | 748,247 | 90,489 | 838,736 |
| Operating Income (Loss) | $ 55,847 | $ (139) | 55,708 |
| Interest Income | | | 4,527 |
| Interest Expense | | | (31,018) |
| Other, net | | | (5,235) |
| Income before Income Tax | | | $ 23,982 |

(Dollars in thousands, except per share and share amounts)

| | Year Ended December 31, 2021 | | |
|---|---|---|---|
| | Passenger | Cargo | Consolidated |
| Operating Revenues | $ 531,587 | $ 91,428 | $ 623,015 |
| Non-Fuel Operating Expenses | 385,580 | 68,797 | 454,377 |
| Aircraft Fuel | 128,863 | 247 | 129,110 |
| Special Items, net | (54,019) | (18,400) | (72,419) |
| Total Operating Expenses | 460,424 | 50,644 | 511,068 |
| Operating Income | $ 71,163 | $ 40,784 | $ 111,947 |
| Interest Income | | | 85 |
| Interest Expense | | | (26,326) |
| Other, net | | | 14,624 |
| Income before Income Tax | | | $ 100,330 |

| | Year Ended December 31, 2020 [(1)] | | |
|---|---|---|---|
| | Passenger | Cargo | Consolidated |
| Operating Revenues | $ 364,677 | $ 36,809 | $ 401,486 |
| Non-Fuel Operating Expenses | 332,742 | 32,530 | 365,272 |
| Aircraft Fuel | 83,392 | — | 83,392 |
| Special Items, net | (53,842) | (10,721) | (64,563) |
| Total Operating Expenses | 362,292 | 21,809 | 384,101 |
| Operating Income | $ 2,385 | $ 15,000 | $ 17,385 |
| Interest Income | | | 377 |
| Interest Expense | | | (22,073) |
| Other, net | | | (371) |
| Loss before Income Tax | | | $ (4,682) |

(1) As air cargo operations commenced in May 2020, there are limited Cargo amounts included in the year ended December 31, 2020.

## 20. PARENT COMPANY FINANCIAL STATEMENTS

### Basis of Presentation

These Condensed Parent Company-only Financial Statements are not general-purpose financial statements and should be read in conjunction with the Consolidated Financial Statements. The Parent's significant accounting policies are consistent with those described in the Consolidated Financial Statements, except that all subsidiaries are accounted for as equity method investments.

### Revision of Previously Issued Parent Company Financial Information

During the second quarter of 2022, the Company identified an immaterial misstatement in its Consolidated Financial Statements for the year ended December 31, 2021 (the "previously issued financial statements").

The Company assessed the materiality of the errors on the prior period financial statements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 99, *Materiality*, codified in ASC 250, *Presentation of Financial Statements*. Management concluded it was immaterial to the Company's previously issued annual or interim financial statements. The Company has revised the previously issued financial statements as presented in these Condensed Parent Company-only Financial Statements and notes included in this Annual Report on Form 10-K. For further information regarding the revision, refer to Note 2 of these Consolidated Financial Statements.

(Dollars in thousands, except per share and share amounts)

The impact of the revision on the Company's previously issued Condensed Parent Company-only Balance Sheets as of December 31, 2021 are as follows:

| | December 31, 2021 | | |
|---|---|---|---|
| | As Previously Issued | Correction | As Revised |
| **Assets** | | | |
| Investment in Subsidiary | $ 602,561 | $ 3,778 | $ 606,339 |
| Total Other Assets | 602,561 | 3,778 | 606,339 |
| Total Assets | 602,561 | 3,778 | 606,339 |
| **Stockholders' Equity** | | | |
| Retained Earnings | 115,794 | 3,778 | 119,572 |
| Total Stockholders' Equity | 602,011 | 3,778 | 605,789 |
| Total Liabilities and Stockholders' Equity | $ 602,561 | $ 3,778 | $ 606,339 |

The impact of the revision on the Company's previously issued Condensed Parent Company-only Statements of Operations for the year ended December 31, 2021 are as follows:

| | Year Ended December 31, 2021 | | |
|---|---|---|---|
| | As Previously Issued | Correction | As Revised |
| **Operating Expenses** | | | |
| Equity in Income of Subsidiaries | $ 77,534 | $ 3,778 | $ 81,312 |
| Total Non-operating Income, net | 77,534 | 3,778 | 81,312 |
| Income Before Income Tax | 77,470 | 3,778 | 81,248 |
| Net Income | $ 77,470 | $ 3,778 | $ 81,248 |

(Dollars in thousands, except per share and share amounts)

The following Condensed Parent Company-only Financial Statements are presented to show only the parent company, Sun Country Airlines Holdings, Inc.

**Balance Sheets**

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and Cash Equivalents | $ — | $ — |
| Total Current Assets | — | — |
| **Other Assets:** | | |
| Investment in Subsidiary | 609,396 | 606,339 |
| Total Other Assets | 609,396 | 606,339 |
| Total Assets | $ 609,396 | $ 606,339 |

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts Payable | $ — | $ (1) |
| Other Current Liabilities | 16 | 57 |
| Total Current Liabilities | 16 | 56 |
| | | |
| Other Long-term Liabilities | 1,468 | 494 |
| Total Liabilities | 1,484 | 550 |
| **Stockholders' Equity:** | | |
| Common Stock | 582 | 579 |
| Treasury Stock | (17,605) | — |
| Additional Paid In Capital | 488,494 | 485,638 |
| Accumulated Other Comprehensive Income | (807) | — |
| Retained Earnings | 137,248 | 119,572 |
| Total Stockholders' Equity | 607,912 | 605,789 |
| Total Liabilities and Stockholders' Equity | $ 609,396 | $ 606,339 |

(Dollars in thousands, except per share and share amounts)

**Statements of Operations**

| | Year Ended December 31, 2022 | 2021 | 2020 |
|---|---|---|---|
| **Operating Expenses:** | | | |
| Other Operating, net | $ 465 | $ 64 | $ 179 |
| Total Operating Expenses | 465 | 64 | 179 |
| Operating Loss | (465) | (64) | (179) |
| | | | |
| **Non-operating Income (Expense):** | | | |
| Equity in Income (Loss) of Subsidiaries | 18,141 | 81,312 | (3,725) |
| Other, net | — | — | — |
| Total Non-operating Income (Expense), net | 18,141 | 81,312 | (3,725) |
| | | | |
| Income (Loss) before Income Tax | 17,676 | 81,248 | (3,904) |
| Income Tax Expense (Benefit) | — | — | — |
| Net Income (Loss) | 17,676 | 81,248 | (3,904) |
| Other Comprehensive Loss | (807) | — | — |
| Comprehensive Income (Loss) | $ 16,869 | $ 81,248 | $ (3,904) |

A Statement of Cash Flows has not been presented as Sun Country Airlines Holdings, Inc. did not have material cash transactions for the years ended December 31, 2022, 2021, and 2020. Further, Sun Country Airlines Holdings, Inc. did not have material cash balances as of December 31, 2022 and 2021. All cash transactions involving Sun Country Airlines Holdings, Inc. are performed at the subsidiary level.

## 21. SUBSEQUENT EVENTS

The Company evaluated subsequent events for the period from the Balance Sheet date through February 15, 2023, the date that the Consolidated Financial Statements were available to be issued. For more information on the Company's subsequent events, see Note 2, Note 3, Note 16, and Note 18 within these Consolidated Financial Statements.

## ITEM 9: CHANGES IN THE DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

*Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our Management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report.

Based on the evaluation of our disclosure controls and procedures as of December 31, 2022, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this Annual Report due to the identification of a material weakness in internal control over financial reporting.

*Management's Annual Report on Internal Controls Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles (GAAP). Internal control over financial reporting includes policies and procedures that, (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and disposition of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with the authorization of its management and directors; and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. Management based its assessment on criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control - Integrated Framework (2013). Management’s assessment included evaluation of criteria in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. Management’s assessment included extensive documentation, evaluating and testing the design and operating effectiveness of its internal controls over financial reporting. Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2022 and has concluded that such internal control over financial reporting was not effective, based on the material weakness described below.

*Material Weakness in Internal Control over Financial Reporting*

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

For fiscal year 2022, Management identified a material weakness in internal control over financial reporting. Specifically, Management's controls over the accounting for complex, non-routine transactions were not designed or implemented to operate with a sufficient level of precision. This included controls addressing the application of ASC Topic 842, *Leases,* to the purchase of aircraft subject to an existing operating lease.

This control deficiency did not result in a material misstatement in the Consolidated Financial Statements included in this Annual Report or our prior period consolidated annual or interim financial statements. However, the control deficiency created a reasonable possibility that a material misstatement in the annual or interim Consolidated Financial Statements would not have been prevented or detected on a timely basis. Accordingly, Management concluded that this control deficiency constituted a material weakness.

*Remediation Plan*

Management is continuing to supplement the system of internal control over financial reporting with the following actions:

- Hired a technical accounting specialist after the material weakness occurred;
- Provided additional training on how to utilize external technical accounting research resources;
- Engaging third-party specialists, as necessary, to review Management’s conclusions on the accounting for non-routine transactions involving the application of complex accounting standards; and
- Continuing to review and make necessary changes to the overall design of our risk assessment and review controls over accounting for complex, non-routine transactions, including lease-related transactions.

We have made significant progress in accordance with our remediation plan since the filing of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 as follows:

- Reviewed all existing internal accounting policies and accounting guidance memos for completeness and the appropriate accounting guidance, including those surrounding leases;
- Established a policy to provide additional guidance surrounding the use of third-party specialists and continued to engage third-party specialists to review Management’s conclusions on the accounting for non-routine transactions occurring in the fourth quarter of 2022; and
- Enhanced the design of financial reporting controls, specifically sub-certifications and review of non-routine transactions.

The material weakness will not be considered remediated until a sustained period of time has passed to allow management to test the design and operational effectiveness of the corrective actions. We believe that our remediation plan will be sufficient to remediate the identified material weakness and strengthen our internal control over financial reporting. However, as we continue to evaluate and work to improve our internal control over financial reporting, Management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary. Therefore, we cannot assure you when the Company will remediate the material weakness identified above, nor can we be certain that additional actions will not be required and what the costs of any such additional actions may be. Moreover, we cannot assure you that additional material weaknesses will not arise in the future.

Despite the existence of this material weakness, our management believes that the Consolidated Financial Statements included in this Annual Report fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

*Exemption from Auditor Attestation Report*

This Annual Report does not include an attestation report of our independent registered public accounting firm because, as an “Emerging Growth Company”, our independent registered public accounting firm is not required to issue such an attestation report under SEC rules.

*Changes in Internal Control Over Financial Reporting*

Other than the changes made as part of the remediation plan described above, there has been no change in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the year ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B: OTHER INFORMATION**

None.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.

**PART III**

**ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item is incorporated herein by reference to the data under the headings “Proposal 1 – Election of Directors,” “Executive Officers,” “Corporate Governance” and “Delinquent Section 16(a) Reports” in the Proxy Statement.

**ITEM 11: EXECUTIVE COMPENSATION**

The information required by this Item is incorporated herein by reference to the data under the headings “Executive Compensation” and “Corporate Governance” in the Proxy Statement.

**ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item is incorporated herein by reference to the data under the heading “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement. The information required by this item with respect to securities authorized for issuance under our equity compensation plans is included in Part II, Item 5 of this Annual Report.

**ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

Swissport International Ltd. (“Swissport”) is an aviation services company providing airport ground and cargo handling services owned by an international group of investors. It is headquartered in Opfikon, Switzerland and the Company utilizes Swissport for certain ground services. The Company’s Chairman also serves on Swissport’s Board of Directors. The Company expensed approximately $4,500 for ground handling services with Swissport in 2022. The services were provided on an arms’ length basis.

Anuvu Corporation ("Anuvu") is a provider of media, content, connectivity and data analytics to markets across air, sea and land. Anuvu is partially owned by investment funds managed by affiliates of Apollo Global Management, who owned 43% of the Company's outstanding Common Stock as of December 31, 2022. The Company utilizes Anuvu as an in-flight Wi-Fi provider for a select few of our aircraft. The Company expensed approximately $550 for services with Anuvu in 2022, the services were provided on an arms' length basis.

Rackspace Technology, Inc. ("Rackspace") is an end-to-end multicloud technology services company that designs, builds and operates cloud environments across all major technology platforms for their customers.

Rackspace is partially owned by investment funds managed by affiliates of Apollo Global Management, who owned 43% of the Company's outstanding Common Stock as of December 31, 2022. The Company utilizes Rackspace for its cloud-based services related to the external website and internal workflows. The Company expensed approximately $150 for services with Rackspace in 2022. The services were provided on an arms' length basis.

Any additional information required by this Item is incorporated herein by reference to the data under the heading “Certain Relationships and Related Party Transactions” and “Corporate Governance” in the Proxy Statement.

**ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated herein by reference to the data under the heading “Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees” in the Proxy Statement.

## PART IV

## ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

| Exhibit Number | Exhibit Description |
| --- | --- |
| 3.1 | Second Amended and Restated Certificate of Incorporation of Sun Country Airlines Holdings, Inc. (incorporated by reference to Exhibit 3.1 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-8 (File No. 333-254371)) |
| 3.2 | Second Amended and Restated Bylaws of Sun Country Airlines Holdings, Inc. (incorporated by reference to Exhibit 3.2 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-8 (File No. 333-254371)) |
| 4.1 | Pass Through Trust Agreement, dated as of December 9, 2019, between Sun Country Inc. and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 4.2 | Form of Pass Through Trust Certificate, Series 2019-1A (incorporated by reference to Exhibit 4.2 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 4.3 | Form of Pass Through Trust Certificate, Series 2019-1B (incorporated by reference to Exhibit 4.3 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 4.4 | Form of Pass Through Trust Certificate, Series 2019-1C (incorporated by reference to Exhibit 4.4 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 4.5 | Intercreditor Agreement, dated as of December 9, 2019, among Wilmington Trust, National Association, as trustee of the Sun Country Pass Through Trusts, Series 2019-1, and as subordination agent (incorporated by reference to Exhibit 4.5 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 4.6 | Trust Supplement No. 2022-1A, dated as of March 29, 2022, between Wilmington Trust, National Association, as trustee, and Sun Country, Inc., to Pass Through Trust Agreement, dated as of December 9, 2019 (incorporated by reference to Exhibit 4.1 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2022) |
| 4.7 | Trust Supplement No. 2022-1B, dated as of March 29, 2022, between Wilmington Trust, National Association, as trustee, and Sun Country, Inc., to Pass Through Trust Agreement, dated as of December 9, 2019 (incorporated by reference to Exhibit 4.2 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2022) |
| 4.8 | Intercreditor Agreement, dated as of March 29, 2022, among Wilmington Trust, National Association, as pass through trustee under the pass through trusts, and Wilmington Trust, National Association, as subordination agent (incorporated by reference to Exhibit 4.3 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2022) |
| 4.9 | Note Purchase Agreement, dated as of March 29, 2022, among Sun Country, Inc., Wilmington Trust, National Association, as pass through trustee under the pass through trusts, and Wilmington Trust, National Association, as subordination agent (incorporated by reference to Exhibit 4.4 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2022) |
| 4.10 | Form of Participation Agreement (Participation Agreement between Sun Country, Inc. and Wilmington Trust, National Association, not in its individual capacity but solely as mortgagee, subordination agent under the Intercreditor Agreement and pass through trustee under the pass through trusts) (Exhibit B to Note Purchase Agreement) (incorporated by reference to Exhibit 4.5 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2022) |

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| 4.11 | Form of Indenture (Trust Indenture and Mortgage between Sun Country, Inc. and Wilmington Trust, National Association, not in its individual capacity, except as expressly stated therein, but solely as mortgagee) (Exhibit C to Note Purchase Agreement) (incorporated by reference to Exhibit 4.6 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2022) |
| 4.12 | Form of Sun Country, Inc. Pass Through Certificate, Series 2022-1A (incorporated by reference to Exhibit 4.7 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2022) |
| 4.13 | Form of Sun Country, Inc. Pass Through Certificate, Series 2022-1B (incorporated by reference to Exhibit 4.8 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2022) |
| 4.14* | Description of Registrant's Securities |
| 10.1 | Loan and Guarantee Agreement, dated as of October 26, 2020, among Sun Country, Inc., as Borrower, the Guarantors party thereto from time to time, the United States Department of the Treasury, and The Bank of New York Mellon, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.5 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.2 | Pledge and Security Agreement, dated as of October 26, 2020, between each of the Grantors party thereto and The Bank of New York Mellon, as Collateral Agent (incorporated by reference to Exhibit 10.6 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.3 | Payroll Support Program Agreement, dated as of April 16, 2020, by and between Sun Country, Inc. and the Department of the Treasury (incorporated by reference to Exhibit 10.7 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.4 | Payroll Support Program Extension Agreement, dated as of January 29, 2021, by and between Sun Country, Inc. and the Department of the Treasury (incorporated by reference to Exhibit 10.8 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.5 | Amended and Restated Airline Operating Agreement and Terminal Building Lease, Minneapolis-St. Paul International Airport, between Metropolitan Airports Commission and MN Airlines, LLC d/b/a Sun Country Airlines, effective January 1, 2019 (incorporated by reference to Exhibit 10.9 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.6# | Air Transportation Services Agreement, dated as of December 13, 2019, by and between Sun Country, Inc. and Amazon.com Services, Inc. (incorporated by reference to Exhibit 10.10 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.7# | Amendment No. 1 to Air Transportation Services Agreement, dated as of June 30, 2020, by and between Sun Country, Inc. and Amazon.com Services, Inc. (incorporated by reference to Exhibit 10.11 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.8# | Warrant, dated as of December 13, 2019, issued by SCA Acquisition Holdings, LLC to Amazon.com NV Investment Holdings LLC (incorporated by reference to Exhibit 10.12 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.9 | Headquarters Facility Lease Agreement, dated as of February 19, 2019, by and between the Metropolitan Airports Commission and MN Airlines, LLC dba Sun Country Airlines (incorporated by reference to Exhibit 10.13 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |

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| 10.10 | Amended and Restated Co-Brand Marketing Agreement, dated as of October 17, 2018, between First National Bank of Omaha and MN Airlines, LLC dba Sun Country Airlines (incorporated by reference to Exhibit 10.14 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.11 | Amendment No. 1 to Amended and Restated Co-Brand Marketing Agreement, dated as of November 1, 2018, by and between First National Bank of Omaha and MN Airlines, LLC dba Sun Country Airlines (incorporated by reference to Exhibit 10.15 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.12 | Inventory Support and Services Agreement, dated as of October 27, 2003, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.16 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.13 | Amendment No. 1 to Inventory Support and Services Agreement, dated as of November 8, 2004, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.17 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.14 | Amendment No. 2 to Inventory Support and Services Agreement, dated as of March 18, 2005, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.18 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.15 | Amendment No. 3 to Inventory Support and Services Agreement, dated as of July 15, 2007, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.19 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.16 | Amendment No. 4 to Inventory Support and Services Agreement, dated as of May 23, 2008, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.20 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.17 | Amendment No. 5 to Inventory Support and Services Agreement, dated as of June 4, 2008, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.21 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.18 | Amendment No. 6 to Inventory Support and Services Agreement, dated as of April 1, 2009, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.22 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.19 | Amendment No. 7 to Inventory Support and Services Agreement, dated as of April 7, 2009, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.23 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.20 | Amendment No. 8 to Inventory Support and Services Agreement, dated as of May 1, 2009, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.24 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.21 | Amendment No. 9 to Inventory Support and Services Agreement, dated as of August 1, 2009, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.25 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.22 | Amendment No. 10 to Inventory Support and Services Agreement, dated as of January 1, 2010, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.26 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |

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| 10.23 | Amendment No. 11 to Inventory Support and Services Agreement, dated as of May 1, 2010, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.27 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.24 | Amendment No. 13 to Inventory Support and Services Agreement, dated as of November 1, 2011, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.28 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.25 | Amendment No. 14 to Inventory Support and Services Agreement, dated as of May 28, 2013, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.29 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.26 | Amendment No. 15 to Inventory Support and Services Agreement, dated as of July 23, 2014, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.30 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.27 | Amendment No. 16 to Inventory Support and Services Agreement, dated as of March 20, 2015, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.31 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.28 | Amendment No. 17 to Inventory Support and Services Agreement, dated as of April 1, 2018, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.32 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.29 | Amendment No. 18 to Inventory Support and Services Agreement, dated as of May 15, 2019, by and between Delta Airlines, Inc. and MN Airlines, LLC (incorporated by reference to Exhibit 10.33 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.30 | 2002 Master Agreement, dated as of May 1, 2019 between J. Aron & Company LLC and MN Airlines, LLC (incorporated by reference to Exhibit 10.34 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.31 | 2002 Master Agreement, dated as of April 12, 2018 between Morgan Stanley Capital Services LLC and MN Airlines, LLC (incorporated by reference to Exhibit 10.35 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.32 | Trust Agreement of SCA-1 Intermediate Aircraft Holding Trust, dated as of September 25, 2018, by and among SCA-1 Intermediate Charitable Trust and Wilmington Trust Company (incorporated by reference to Exhibit 10.36 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.33 | Third Amended and Restated Stockholders' Agreement by and among Sun Country Airlines Holdings, Inc. and the stockholders party thereto (incorporated by reference to Exhibit 10.2 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2021) |
| 10.34 | Registration Rights Agreement by and between Sun Country Airlines Holdings, Inc. and the Holders party thereto (incorporated by reference to Exhibit 10.1 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2021) |
| 10.35† | Form of Indemnification Agreement by and between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.39 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |

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| 10.36† | SCA Acquisition Holdings, LLC Amended and Restated Equity Incentive Plan, dated as of July 1, 2019 (incorporated by reference to Exhibit 10.40 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.37† | Sun Country Airlines Holdings, Inc. 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.2 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-8 (File No. 333-254371)) |
| 10.38† | Form of Option Award Agreement (incorporated by reference to Exhibit 10.42 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.39† | Second Amended and Restated Employment Agreement, dated as of November 7, 2018, by and between Jude Bricker and SCA Acquisition Holdings, LLC (incorporated by reference to Exhibit 10.43 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.40† | Employment Agreement, dated as of April 17, 2019, by and between David Davis and MN Airlines, LLC (incorporated by reference to Exhibit 10.44 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.41† | Employment Agreement, dated as of July 1, 2019, by and between Gregory A. Mays and Sun Country, Inc. (incorporated by reference to Exhibit 10.45 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.42 | Income Tax Receivable Agreement, by and among Sun Country Airlines, Inc., Sun Country Airlines Holdings, Inc. and the other parties thereto (incorporated by reference to Exhibit 10.3 to Sun Country Airlines Holdings, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2021) |
| 10.43 | Credit Agreement, dated as of February 10, 2021, among SCA Acquisition, LLC, Sun Country, Inc., the lenders and issuing banks party thereto and Barclays Bank PLC, as administrative agent (incorporated by reference to Exhibit 10.47 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 10.44 | Payroll Support Program 3 Agreement, dated as of April 27, 2021, by and between Sun Country, Inc. and the Department of the Treasury (incorporated by reference to Exhibit 10.1 to Sun Country Airlines Holdings, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 28, 2021) |
| 10.45*† | Form of Restricted Stock Unit Award Agreement under the Sun Country Airlines Holdings, Inc. 2021 Omnibus Incentive Plan |
| 21.1 | Subsidiaries of the registrant (incorporated by reference to Exhibit 21.1 to Sun Country Airlines Holdings, Inc.'s Registration Statement on Form S-1 (File No. 333-252858)) |
| 23.1* | Consent of KPMG LLP, independent registered public accounting firm |
| 31.1* | Certification by Sun Country's Chief Executive Officer with respect to Sun Country's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 |
| 31.2* | Certification by Sun Country's President and Chief Financial Officer with respect to Sun Country's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 |
| 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2022 |
| 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 |

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| 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) |

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* Filed herewith

† Indicates management contract or compensatory plan.

\# Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

**ITEM 16: FORM 10-K SUMMARY**

None.

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)

February 15, 2023

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated

| Signature | Title | Date |
|---|---|---|
| /s/ Jude Bricker<br>Jude Bricker | Chief Executive Officer; Director<br>(Principal Executive Officer) | February 15, 2023 |
| /s/ Dave Davis<br>Dave Davis | President and Chief Financial Officer;<br>Director (Principal Financial and Accounting Officer) | February 15, 2023 |
| /s/ Marion Blakey<br>Marion Blakey | Director | February 15, 2023 |
| /s/ Patrick O'Keeffe<br>Patrick O'Keeffe | Director | February 15, 2023 |
| /s/ Thomas C. Kennedy<br>Thomas C. Kennedy | Director | February 15, 2023 |
| /s/ Jennifer Vogel<br>Jennifer Vogel | Director | February 15, 2023 |
| /s/ Kerry Philipovitch<br>Kerry Philipovitch | Director | February 15, 2023 |
| /s/ David Siegel<br>David Siegel | Director | February 15, 2023 |
| /s/ Gail Peterson<br>Gail Peterson | Director | February 15, 2023 |

**Exhibit 4.14**

## Description of Registrant’s Securities

As of December 31, 2022, Sun Country Airlines Holdings, Inc. (“Sun Country”, the “Company,” “we,” “us” and “our”) had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): common stock, par value $0.01 per share. The following description of Sun Country’s capital stock summarizes certain material terms of our amended and restated certificate of incorporation (the “certificate of incorporation”) and amended and restated bylaws (the “bylaws”) and of specific provisions of Delaware law. The following description is intended as a summary only and is qualified in its entirety by reference to our certificate of incorporation and our bylaws, copies of which have been filed as exhibits to this Annual Report on Form 10-K, and the Delaware General Corporation Law, or the DGCL. Defined terms used herein, but otherwise not defined shall have the meaning ascribed to them in this Annual Report on Form 10-K.

### General

Our capital stock consists of 1,000,000,000 authorized shares, of which 995,000,000 shares, par value $0.01 per share, are designated as “common stock” and 5,000,000 shares, par value $0.01 per share, are designated as “preferred stock.” As of December 31, 2022, there were 57,325,238 shares of common stock outstanding and no shares of preferred stock outstanding.

### Common Stock

*Voting Rights.* The holders of our common stock are entitled to one vote per share on all matters submitted for action by the stockholders generally.

*Dividend Rights.* Subject to any preferential rights of any then outstanding preferred stock, all shares of our common stock are entitled to share equally in any dividends our board of directors may declare from legally available sources.

*Liquidation Rights.* Upon our liquidation, dissolution or winding up, whether voluntary or involuntary, after payment in full of the amounts required to be paid to holders of any the outstanding preferred stock, all shares of our common stock are entitled to share equally in the assets available for distribution to stockholders after payment of all of our prior obligations.

*Other Matters.* Holders of our common stock have no preemptive or conversion rights, and our common stock is not subject to further calls or assessments by us. There are no redemption or sinking fund provisions applicable to our common stock. The rights, powers, preferences and privileges of holders of our common stock will be subject to those of the holders of any shares of our preferred stock that we may designate and issue in the future.

### Preferred Stock

Pursuant to our certificate of incorporation, shares of preferred stock are issuable from time to time, in one or more series, with the designations, voting rights (full, limited or no voting rights), powers, preferences, participating, optional or other special rights (if any), and any qualifications, limitations or restrictions thereof, of each series as our board of directors from time to time may adopt by resolution (and without further stockholder approval). Each series of preferred stock will consist of an authorized number of shares as will be stated and expressed in the certificate of designations providing for the creation of the series.

### Warrants

In connection with the ATSA, we issued warrants (the “2019 Warrants”) to purchase an aggregate of 9,482,606 shares of SCA common stock at an exercise price of approximately $15.17 per share to Amazon. In connection with the Reorganization Transactions, the 2019 Warrants were converted into warrants to purchase an aggregate of 9,482,606 shares of our common stock and the exercise price remained unchanged. 1.0% of the 2019 Warrants vested upon issuance of the warrants and incremental tranches vest upon certain milestones of aggregate global payments by Amazon to the Company or its affiliates pursuant to the ATSA up to a total of $1.12 billion of aggregate payments. As of December 31, 2022, approximately 25.3% of the 2019 Warrants were vested. Any unvested 2019 Warrants will become vested upon a change of control (as defined in the 2019 Warrant) or certain transfers of 30% or more of the voting power in the Company to a new person or group (other than any equity offering by the Company or the Apollo Stockholder pursuant to an effective registration statement so long as no person or group (within the meaning of the Exchange Act) acquires more than 50% of the voting power of the Company in such offering). Vested 2019 Warrants may be exercised until the eighth anniversary of the issue date.

In the event we or our equityholders propose to initiate a process to explore, enter into negotiations or accept any offer with respect to a change of control of the Company, we are required to provide Amazon at least 30 days' written notice prior to entering into any definitive agreement or binding letter of intent. In addition, Amazon will have the right to enter into non-exclusive, good faith negotiations with us and our equityholders with respect to such proposed change of control and we will not be permitted to enter into any definitive or binding agreement before the expiration of the 30-day period, which period may be extended under certain circumstances.

**Composition of Board of Directors; Election and Removal**

In accordance with our certificate of incorporation and our bylaws, the number of directors comprising our board of directors is determined from time to time exclusively by our board of directors; provided that the number of directors shall not be less than three and shall not exceed 15. Our certificate of incorporation provides for a board of directors divided into three classes (each as nearly as equal as possible and with directors in each class serving staggered three-year terms), currently consisting of three directors in Class I, three directors in Class II and three directors in Class III. See "—Certain Corporate Anti-takeover Provisions—Classified Board of Directors."

Under our Stockholders Agreement, the Apollo Stockholder has the right, but not the obligation, at any time until Apollo and its affiliates, including the Apollo Stockholder, no longer beneficially own at least 5% of our issued and outstanding common stock, to nominate a number of directors comprising a percentage of our board of directors in accordance with their beneficial ownership of our outstanding common stock (rounded up to the nearest whole number), except that if Apollo and its affiliates, including the Apollo Stockholder, beneficially own more than 50% of the voting power of our outstanding common stock, the Apollo Stockholder will have the right to nominate a majority of the directors. We refer to the directors nominated by the Apollo Stockholder based on such percentage ownership as the "Apollo Directors."

For so long as Amazon holds the 2019 Warrants or any shares of common stock issued upon exercise of the 2019 Warrants and the ATSA remains in effect, Amazon will have the right to nominate a member or an observer to our board of directors. We refer to the director nominated by Amazon, if any, as the "Amazon Director." As of the date of this prospectus, Amazon has not exercised its right to nominate a member or an observer to our board of directors.

Each director is to hold office for a three year term and until the annual meeting of stockholders for the election of the class of directors to which such director has been elected and until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. Any vacancy on our board of directors (other than in respect of an Apollo Director or an Amazon Director) will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum. Any vacancy on our board of directors in respect of an Apollo Director will be filled only by individuals designated by the Apollo Stockholder, for so long as Apollo and its affiliates, including the Apollo Stockholder, beneficially own at least 5% of our issued and outstanding common stock, and any vacancy in respect of an Amazon Director shall only be filled by Amazon.

At any meeting of our board of directors, except as otherwise required by law, a majority of the total number of directors then in office will constitute a quorum for all purposes, except that if Apollo and its affiliates, including the Apollo Stockholder, beneficially own at least 5% of our issued and outstanding common stock and there is at least one member of our board of directors who is an Apollo Director, then at least one director that is an Apollo Director must be present for there to be a quorum unless each Apollo Director waives his or her right to be included in the quorum at such meeting.

**Certain Corporate Anti-takeover Provisions**

Certain provisions in our certificate of incorporation, bylaws and Stockholders Agreement summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders.

*Preferred Stock*

Our certificate of incorporation contains provisions that permit our board of directors to issue, without any further vote or action by stockholders, shares of preferred stock in one or more series and, with respect to each such series, to fix the number of shares constituting the series and the designation of the series, the voting rights (if any) of the shares of the series, the powers, preference, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions, of the shares of such series.

*Classified Board of Directors*

Our certificate of incorporation provides that our board of directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible, and with the directors in each class serving staggered three-year terms. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board of directors. Our certificate of incorporation provides that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by our board of directors, as described above in "—Composition of Board of Directors; Election and Removal."

*Removal of Directors; Vacancies*

Under the DGCL, unless otherwise provided in our certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our certificate of incorporation provides that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote thereon, voting together as a single class; provided, however, that (i) from and after the time Apollo and its affiliates, including the Apollo Stockholder, cease to beneficially own, in the aggregate, at least 50.1% of the voting power of our outstanding common stock, directors may only be removed for cause, and only by the affirmative vote of holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class and (ii) Amazon must consent to the removal of any Amazon Director. Any vacancy on our board of directors in respect of an Apollo Director shall only be filled by the Apollo Stockholder and any vacancy on our board of directors in respect of an Amazon Director shall only be filled by Amazon. Any other vacancy on our board of directors will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, as described above in "— Composition of Board of Directors; Election and Removal."

*No Cumulative Voting*

Under our certificate of incorporation, stockholders do not have the right to cumulative votes in the election of directors.

*Special Meetings of Stockholders*

Our certificate of incorporation provides that if less than 50.1% of the voting power of our outstanding common stock is beneficially owned by Apollo and its affiliates, including the Apollo Stockholder, special meetings of the stockholders may be called only by the chairman of the board of directors or by the secretary at the direction of a majority of the directors then in office. For so long as at least 50.1% of the voting power of our outstanding common stock is beneficially owned by Apollo and its affiliates, including the Apollo Stockholder, special meetings may also be called by the secretary at the written request of the holders of a majority of the voting power of the then outstanding common stock. The business transacted at any special meeting will be limited to the proposal or proposals included in the notice of the meeting.

*Stockholder Action by Written Consent*

Subject to the rights of the holders of one or more series of our preferred stock then outstanding, any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of our stockholders; provided, that prior to the time at which Apollo and its affiliates, including the Apollo Stockholder, cease to beneficially own at least 50.1% of the voting power our outstanding common stock, any action required or permitted to be taken at any annual or special meeting of our stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by or on behalf of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and are delivered in accordance with applicable Delaware law.

*Advance Notice Requirements for Stockholder Proposals and Director Nominations*

Our bylaws provide that stockholders who are seeking to bring business before an annual meeting of stockholders and stockholders who are seeking to nominate candidates for election as directors at an annual meeting of stockholders, other than any nomination for an Amazon Director or an Apollo Director, must provide timely notice thereof in writing. To be timely, a stockholder's notice generally must be delivered to and received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders; provided, that in the event that the date of such meeting is advanced by more than 30 days prior to, or delayed by more than 60 days after, the anniversary of the preceding year's annual meeting of our stockholders, a stockholder's notice to be timely must be so delivered not earlier than the close of business on the 120th day prior to such meeting and not later than the close of business on the 90th day prior to such meeting or, if the first public announcement of the date of such meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made. Our bylaws specify certain requirements as to the form and content of a stockholder's notice.

These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

All of the foregoing provisions of our certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change in control. These same provisions may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest. In addition, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

*Delaware Takeover Statute*

Our certificate of incorporation provides that we are not governed by Section 203 of the DGCL which, in the absence of such provisions, would have imposed additional requirements regarding mergers and other business combinations.

However, our certificate of incorporation includes a provision that restricts us from engaging in any business combination with an interested stockholder for three years following the date that person becomes an interested stockholder. Such restrictions shall not apply to any business combination between Apollo and any affiliate thereof, including the Apollo Funds and the Apollo Stockholder, or their direct and indirect transferees, on the one hand, and us, on the other. In addition, such restrictions will not apply if:

- a stockholder becomes an interested stockholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that it ceases to be an interested stockholder and (ii) within the three-year period immediately prior to the business combination between the Company and such stockholder, would not have been an interested stockholder but for the inadvertent acquisition of ownership; or

- the business combination is proposed prior to the consummation or abandonment of, and subsequent to the earlier of the public announcement or the notice required under the certificate of incorporation of, a proposed transaction that (i) constitutes one of the transactions described in the proviso of this sentence, (ii) is with or by a person who either was not an interested stockholder during the previous three years or who became an interested stockholder with the approval of our board of directors and (iii) is approved or not opposed by a majority of the directors then in office (but not less than one) who were directors prior to any person becoming an interested stockholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors; provided that the proposed transactions are limited to (x) a merger or consolidation of the Company (except for a merger in respect of which, pursuant to Section 251(f) of the DGCL, no vote of the stockholders of the Company is required), (y) a sale, lease, exchange, mortgage, whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-owned subsidiary of the Company (other than to any wholly owned subsidiary or to the Company) having an aggregate market value equal to 50% or more of either that aggregate market value of all the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Company or (z) a proposed tender or exchange offer for 50% or more of the outstanding voting stock of the Company; provided further that the Company will give not less than 20 days' notice to all interested stockholders prior to the consummation of any of the transactions described in clause (x) or (y) above. Additionally, we would be able to enter into a business combination with an interested stockholder if:

- before that person became an interested stockholder, our board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;

- upon consummation of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) stock held by directors who are also officers of our Company and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held under the plan will be tendered in a tender or exchange offer; or

- following the transaction in which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least 66 2/3% of the voting power of our outstanding voting stock not owned by the interested stockholder.

In general, a “business combination” is defined to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder and an “interested stockholder” is any person who, together with affiliates and associates, is the owner of 15% or more of our outstanding voting stock or is our affiliate or associate and was the owner of 15% or more of our outstanding voting stock at any time within the three-year period immediately before the date of determination. Under our certificate of incorporation, an “interested stockholder” generally does not include Apollo and any affiliate thereof or their direct and indirect transferees.

This provision of our certificate of incorporation could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

*Amendment of Our Certificate of Incorporation*

Under Delaware law, our certificate of incorporation may be amended only with the affirmative vote of holders of at least a majority of the outstanding stock entitled to vote thereon.

Notwithstanding the foregoing, our certificate of incorporation provides that, from and after the time Apollo and its affiliates, including the Apollo Stockholder, cease to beneficially own at least 50.1% of the voting power of our outstanding common stock, in addition to any vote required by applicable law, our certificate of incorporation or bylaws, the affirmative vote of holders of at least 66 2/3% of the voting power of our outstanding shares of our capital stock entitled to vote thereon, voting together as a single class, is required to alter, amend or repeal the following provisions of our certificate of incorporation:

- the provision authorizing the board of directors to designate one or more series of preferred stock and, by resolution, to provide the rights, powers and preferences, and the qualifications, limitations and restrictions thereof, of any series of preferred stock;
- the provisions providing for a classified board of directors and the number of the directors, establishing the term of office of directors, setting forth the quorum of any meeting of the board of directors, relating to the removal of directors, specifying the manner in which vacancies on the board of directors and newly created directorships may be filled and relating to any voting rights of preferred stock;
- the provisions authorizing our board of directors to make, alter, amend or repeal our bylaws;
- the provisions regarding the calling of special meetings and stockholder action by written consent in lieu of a meeting;
- the provisions eliminating monetary damages for breaches of fiduciary duty by a director;
- the provisions providing for indemnification and advance of expenses of our directors and officers;
- the provisions regarding competition and corporate opportunities;
- the provision specifying that, unless we consent in writing to the selection of an alternative forum, the Chancery Court of the State of Delaware will be the sole and exclusive forum for intra-corporate disputes and the federal district courts of the United States will be the exclusive forum for causes of actions arising under the Securities Act;
- the provisions regarding entering into business combinations with interested stockholders;
- the provision requiring that, from and after the time Apollo and its affiliates, including the Apollo Stockholder, cease to beneficially own at least 50.1% of the voting power of our outstanding common stock, amendments to specified provisions of our certificate of incorporation require the affirmative vote of 66 2/3% in voting power of our outstanding stock, voting as a single class; and
- the provision requiring that, from and after the time Apollo and its affiliates, including the Apollo Stockholder, cease to beneficially own at least 50.1% of the voting power of our outstanding common stock, amendments by the stockholders to our bylaws require the affirmative vote of 66 2/3% in voting power of our outstanding stock, voting as a single class.

*Amendment of Our Bylaws*

Our bylaws provide that they can be amended by the vote of the holders of shares constituting a majority of the voting power or by the vote of a majority of the board of directors. However, our certificate of incorporation provides that, from and after the time Apollo and its affiliates, including the Apollo Stockholder, cease to beneficially own at least 50.1% of the voting power of our outstanding common stock, in addition to any vote required under our certificate of incorporation, the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock entitled to vote thereon, voting as a single class, is required for the stockholders to alter, amend or repeal any provision of our bylaws or to adopt any provision inconsistent therewith.

*Certain Matters that Require Consent of our Stockholders*

The Stockholders Agreement provides that until Apollo and its affiliates, including the Apollo Stockholder, no longer beneficially own at least 25% of our issued and outstanding common stock, we will not take certain significant actions specified therein without the prior consent of the Apollo Stockholder, including, but not limited to:

- any material acquisition of equity interests or assets of any other entity, or any business, properties, assets or entities, other than acquisitions of aircraft or engines in the ordinary course of business and other ordinary course acquisitions with vendors, customers and suppliers;

- any material disposition of any of our or our subsidiaries' assets or equity interests, other than dispositions of aircraft or engines in the ordinary course of business; or

- merging or consolidating with or into any other entity, or transferring (by lease, assignment, sale or otherwise) all or substantially all of the Company's and our subsidiaries' assets, taken as a whole, to another entity, or enter into or agree to undertake any other transaction that would constitute a "change of control" as defined in the Stockholders Agreement (other than, in each case, transactions among the Company and our wholly-owned subsidiaries).

The provisions of the DGCL, our certificate of incorporation, our bylaws and our Stockholders Agreement could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

**Limited Ownership and Voting by Foreign Owners**

To comply with restrictions imposed by federal law on foreign ownership and control of U.S. airlines, our certificate of incorporation and bylaws restrict ownership and control of shares of our common stock by non-U.S. citizens. The restrictions imposed by federal law and DOT policy require that we be owned and controlled by U.S. citizens, that no more than 25% of our voting stock be owned or controlled, directly or indirectly, by persons or entities who are not U.S. citizens, as defined in 49 U.S.C. § 40102(a)(15), that no more than 49% of our stock be owned or controlled, directly or indirectly, by persons or entities who are not U.S. citizens and are from countries that have entered into "open skies" air transport agreements with the United States, that our president and at least two-thirds of the members of our board of directors and other managing officers be U.S. citizens and that we be under the actual control of U.S. citizens. Our certificate of incorporation and bylaws provide that the failure of non-U.S. citizens to register their shares on a separate stock record, which we refer to as the "foreign stock record," would result in a loss of their voting rights in the event and to the extent that the aggregate foreign ownership of the outstanding common stock exceeds the foreign ownership restrictions imposed by federal law. Our bylaws further provide that no shares of our common stock will be registered on the foreign stock record if the amount so registered would exceed the foreign ownership restrictions imposed by federal law. If it is determined that the amount registered in the foreign stock record exceeds the foreign ownership restrictions imposed by federal law, shares will be removed from the foreign stock record, resulting in the loss of voting rights, in reverse chronological order based on the date of registration therein, until the number of shares registered therein does not exceed the foreign ownership restrictions imposed by federal law. We are currently in compliance with these ownership restrictions.

**Exclusive Forum Selection**

Unless we consent in writing to the selection of an alternative forum, the Chancery Court of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;

- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders;

- any action asserting a claim arising pursuant to any provision of the DGCL or of our certificate of incorporation or our bylaws; or

- any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine, in each such case subject to the Delaware Court of Chancery having personal jurisdiction over the indispensable parties named as defendants.

Notwithstanding the foregoing, the provisions of the foregoing paragraph will not apply to suits brought to enforce any liability or duty created by the Securities Act, the Exchange Act or any other claim for which the federal district courts of the United States have exclusive jurisdiction. For instance, the provision would not apply to actions arising under federal securities laws, including suits brought to enforce any liability or duty created by the Securities Act, Exchange Act or the rules and regulations thereunder. Our certificate of incorporation further provides that the federal district courts of the United States shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any action, suit or proceeding asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in any shares of our capital stock will be deemed to have notice of and, to the fullest extent permitted by law, to have consented to the foregoing forum selection provisions. However, the enforceability of similar forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be unenforceable.

We recognize that the forum selection clause in our certificate of incorporation may impose additional litigation costs on stockholders in pursuing any such claims, particularly if the stockholders do not reside in or near the State of Delaware. Additionally, the forum selection clause in our certificate of incorporation may limit our stockholders' ability to bring a claim in a forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage such lawsuits against us and our directors, officers and employees even though an action, if successful, might benefit our stockholders. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. The Court of Chancery of the State of Delaware and the federal district courts of the United States may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

**Listing**

Our common stock is listed on Nasdaq under the symbol "SNCY."

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Broadridge Corporate Issuer Solutions.

**Exhibit 10.45**

**SUN COUNTRY AIRLINES HOLDINGS, INC.**
**2021 OMNIBUS INCENTIVE PLAN**
**RESTRICTED STOCK UNIT AWARD AGREEMENT**

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), is entered into as of [______], (the "Date of Grant"), by and between Sun Country Airlines Holdings, Inc., a Delaware corporation (the "Company"), and [______] (the "Participant"). Capitalized terms used in this Agreement and not otherwise defined herein have the meanings ascribed to such terms in the Sun Country Airlines Holdings, Inc. 2021 Omnibus Incentive Plan, as amended, restated or otherwise modified from time to time in accordance with its terms (the "Plan").

WHEREAS, the Company has adopted the Plan, pursuant to which restricted stock units ("RSUs") may be granted; and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its stockholders to grant the RSUs provided for herein to the Participant on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for and in consideration of the promises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

**1. Grant of Restricted Stock Units.**

(a) Grant. The Company hereby grants to the Participant a total number of [______] RSUs, on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. The RSUs shall vest in accordance with Section 2. The RSUs shall be credited to a separate book-entry account maintained for the Participant on the books of the Company.

(b) Incorporation by Reference. The provisions of the Plan are incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and the Participant's beneficiary in respect of any questions arising under the Plan or this Agreement. The Participant acknowledges that the Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

**2. Vesting; Settlement.** The RSUs shall be one hundred percent (100%) unvested as of the Date of Grant. Except as may otherwise be provided herein, the RSUs shall vest on [______] [the one-year anniversary of the Date of Grant] (the "Vesting Date"), subject to the Participant's continued employment with, membership on the board of directors of, or engagement to provide services to, the Company or any of its Affiliates through the Vesting Date. Except as otherwise provided herein, the RSUs shall be settled within 15 days following the Vesting Date in an equivalent number of shares of Common Stock.

**3. Dividend Equivalents.** In the event of any issuance of a cash dividend on the shares of Common Stock (a "Dividend"), the Participant shall be credited, as of the payment date for such Dividend, with an amount (a "Dividend Equivalent") equal to the product of (i) the number of RSUs granted pursuant to this Agreement and outstanding as of the record date for such Dividend multiplied by (ii) the amount of the

Dividend per share. The aggregate amount of the Dividend Equivalents (the "Distributable Amount") shall be distributed to the Participant in connection with the settlement of the RSUs either in cash or, at the discretion of the Committee, in a number of shares of Common Stock with a Fair Market Value (as determined on the Vesting Date) equal to the Distributable Amount. To the extent any RSUs are forfeited prior to vesting, the corresponding Dividend Equivalents in respect thereof shall be forfeited immediately thereupon.

**4. Termination of Employment or Services.** If the Participant's employment with, membership on the board of directors of, or engagement to provide services to the Company or any of its Affiliates terminates for any reason prior to the Vesting Date, the RSUs shall be canceled immediately, and the Participant shall not be entitled to receive any payments with respect thereto.

**5. Rights as a Stockholder.** The Participant shall not be deemed for any purpose to be the owner of any shares of Common Stock underlying the RSUs unless, until and to the extent that (i) the Company shall have issued and delivered to the Participant the shares of Common Stock underlying the RSUs and (ii) the Participant's name shall have been entered as a stockholder of record with respect to such shares of Common Stock on the books of the Company. The Company shall cause the actions described in clauses (i) and (ii) of the preceding sentence to occur promptly following settlement as contemplated by this Agreement, subject to compliance with applicable laws.

**6. Compliance with Legal Requirements.**

(a) Generally. The granting and settlement of the RSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable U.S. federal, state and local laws, rules and regulations, all applicable non-U.S. laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Participant agrees to take all steps that the Committee or the Company determines are reasonably necessary to comply with all applicable provisions of U.S. federal and state securities law and non-U.S. securities law in exercising the Participant's rights under this Agreement. Without limiting the generality of the foregoing, the Committee, in its sole discretion, may postpone the issuance or delivery of shares of Common Stock as the Committee may consider appropriate and may require the Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of shares of Common Stock in compliance with applicable laws, rules and regulations.

(b) Tax Withholding. Vesting and settlement of the RSUs shall be subject to the Participant's satisfying any applicable U.S. federal, state and local tax withholding obligations and non-U.S. tax withholding obligations. The Company shall have the right and is hereby authorized to withhold from any amounts payable to the Participant in connection with the RSUs or otherwise the amount of any required withholding taxes in respect of the RSUs, their settlement or any payment or transfer of the RSUs or under the Plan and to take any such other action as the Committee or the Company deem necessary to satisfy all obligations for the payment of such withholding taxes (up to the maximum permissible withholding amounts), including the right to sell the number of shares of Common Stock that would otherwise be available for delivery upon settlement of the RSUs necessary to generate sufficient proceeds to satisfy withholding obligations. The Participant may elect to satisfy, and the Company may in all events require the Participant to satisfy, in whole or in part, the tax obligations by withholding shares of Common Stock that would otherwise be deliverable to the Participant upon settlement of the RSUs with a Fair Market Value equal to such withholding liability.

## 7. Clawback.

Notwithstanding anything to the contrary contained herein, the Committee may cancel the RSU award if the Participant, without the consent of the Company, has engaged in or engages in activity that is in conflict with or adverse to the interests of the Company or any Affiliate while employed by, serving as a director of, or otherwise providing services to the Company or any Subsidiary, including fraud or conduct contributing to any financial restatements or irregularities, or violates a non-competition, non-solicitation, non-disparagement or non-disclosure covenant or agreement with the Company or any Subsidiary (after giving effect to any applicable cure period set forth therein), as determined by the Committee. In such event, the Participant will forfeit any compensation, gain or other value realized thereafter on the vesting or settlement of the RSUs, the sale or other transfer of the RSUs, or the sale of shares of Common Stock acquired in respect of the RSUs (provided that the RSUs vested during the 12-month period immediately prior to the Participant's adverse activity) and must promptly repay such amounts to the Company. If the Participant receives any amount in excess of what the Participant should have received under the terms of the RSUs for any reason (including without limitation by reason of a financial restatement, mistake in calculations or other administrative error), all as determined by the Committee, then the Participant shall promptly repay any such excess amount to the Company. To the extent required by applicable law or the rules and regulations of the NYSE or any other securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted, or if so required pursuant to a written policy adopted by the Company, the RSUs shall be subject (including on a retroactive basis) to clawback, forfeiture or similar requirements (and such requirements shall be deemed incorporated by reference into this Agreement).

## 8. Restrictive Covenants.

(a) Non-Disparagement. During the term of the Participant's employment or service with the Company or any of its Affiliates and thereafter in perpetuity, the Participant shall not, directly or indirectly, knowingly disparage, criticize, or otherwise make derogatory statements regarding the Company or any of its Affiliates, successors, directors or officers. The foregoing shall not be violated by the Participant's truthful responses to legal process or inquiry by a governmental authority.

(b) Non-Disclosure of Confidential Information; Return of Property. During the term of the Participant's employment or service with the Company or any of its Affiliates and thereafter in perpetuity, the Participant shall maintain in confidence and shall not directly, indirectly or otherwise, use, disseminate, disclose or publish, or use for the Participant's benefit or the benefit of any Person, any confidential or proprietary information or trade secrets of or relating to the Company or any of its Affiliates, including, without limitation, information with respect to the Company's or any of its Affiliates' operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, compensation paid to employees or other terms of employment, or deliver to any Person any document, record, notebook, computer program or similar repository of or containing any such confidential or proprietary information or trade secrets; provided, that the Participant's good faith performance of his or her duties and responsibilities for the Company and its Affiliates during employment or service shall not be deemed a breach of this Section 8(b). Upon the Participant's termination of employment or service for any reason, the Participant shall promptly deliver to the Company all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents concerning the Company's or any of its Affiliates' customers, business plans, marketing strategies, products or processes. The Participant may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and, if requested by the Company, shall reasonably assist such counsel in resisting or otherwise responding to such process.

**9. Miscellaneous.**

(a) Transferability. The RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered (a "Transfer") by the Participant other than by will or by the laws of descent and distribution, pursuant to a qualified domestic relations order or as otherwise permitted under Section 14(b) of the Plan. Any attempted Transfer of the RSUs contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the RSUs, shall be null and void and without effect.

(b) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Section 409A. The RSUs are intended to be exempt from, or compliant with, Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause the Participant to incur any tax, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion and without the Participant's consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A of the Code. This Section 9(c) does not create an obligation on the part of the Company to modify the Plan or this Agreement and does not guarantee that the RSUs will not be subject to interest and penalties under Section 409A.

(d) General Assets. All amounts credited in respect of the RSUs to the book-entry account under this Agreement shall continue for all purposes to be part of the general assets of the Company. The Participant's interest in such account shall make the Participant only a general, unsecured creditor of the Company.

(e) Notices. Any notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax, pdf/email or overnight courier, or by postage-paid first-class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant's address indicated by the Company's records, or if to the Company, to the attention of the General Counsel at the Company's principal executive office.

(f) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(g) No Rights to Employment, Directorship or Service. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or any of its Affiliates or shall interfere with or restrict in any way the rights of the Company or any of its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever.

(h) Fractional Shares. No fractional shares of Common Stock shall be issued or delivered pursuant to this Agreement, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional shares of Common Stock, or whether such fractional shares of Common Stock or any rights thereto shall be canceled, terminated or otherwise eliminated.

(i) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation.

(j) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(k) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto, other than any other non-competition, non-solicitation, non-disparagement or non-disclosure or other similar agreement to which the Participant may be a party, the covenants of which shall continue to apply to the Participant in accordance with the terms of such agreement. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto, except for any changes permitted without consent under Section 11 or 13 of the Plan.

(l) Governing Law and Venue. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to principles of conflicts of laws thereof, or principles of conflicts of laws of any other jurisdiction that could cause the application of the laws of any jurisdiction other than the State of Delaware.

(i) Dispute Resolution; Consent to Jurisdiction. All disputes between or among any Persons arising out of or in any way connected with the Plan, this Agreement or the RSUs shall be solely and finally settled by the Committee, acting in good faith, the determination of which shall be final. Any matters not covered by the preceding sentence shall be solely and finally settled in accordance with the Plan, and the Participant and the Company consent to the personal jurisdiction of the United States federal and state courts sitting in Wilmington, Delaware, as the exclusive jurisdiction with respect to matters arising out of or related to the enforcement of the Committee's determinations and resolution of matters, if any, related to the Plan or this Agreement not required to be resolved by the Committee. Each such Person hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the last known address of such Person, such service to become effective 10 days after such mailing.

(ii) Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement or the transactions contemplated (whether based on contract, tort or any other theory). Each party hereto (A) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (B) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this section.

(m) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(n) Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

(o) Electronic Signature and Delivery. This Agreement may be accepted by return signature or by electronic confirmation. By accepting this Agreement, the Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by U.S. Securities and Exchange Commission rules (which consent may be revoked in writing by the Participant at any time upon three business days' notice to the Company, in which case subsequent prospectuses, annual reports and other information will be delivered in hard copy to the Participant).

(p) Electronic Participation in Plan. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

*[Remainder of page intentionally blank]*

IN WITNESS WHEREOF, this Restricted Stock Unit Award Agreement has been executed by the Company and the Participant as of the day first written above.

SUN COUNTRY AIRLINES HOLDINGS, INC.

By:__
Name:
Title:

PARTICIPANT

__
[______]

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (No. 333-254371) on Form S-8 and (No. 333-269023) on Form S-3 of our report dated February 15, 2023, with respect to the consolidated financial statements of Sun Country Airlines Holdings, Inc.

/s/ KPMG LLP

Minneapolis, Minnesota

February 15, 2023

**Exhibit 31.1**

**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 annual report on Form 10-K of Sun Country Airlines Holdings, Inc. ("Sun Country") for the year ended December 31, 2022;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of 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.

February 15, 2023

/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 annual report on Form 10-K of Sun Country Airlines Holdings, Inc. ("Sun Country") for the year ended December 31, 2022;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of 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.

February 15, 2023

/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

February 15, 2023

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 annual report on Form 10-K of Sun Country Airlines Holdings, Inc. ("Sun Country") for the annual period ended December 31, 2022 (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