



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 20th day of November, 2020

Application of

**CORVUS AIRLINES, INC.
d/b/a RAVN ALASKA**

Docket DOT-OST-2020-0134

for a waiver of the 45-day advance filing requirements of
14 CFR § 204.7 and Notice of intent to resume interstate
scheduled air transportation

FINAL ORDER

Summary

By this Order, the U.S. Department of Transportation (the “Department”) makes final its tentative finding that Corvus Airlines, Inc. d/b/a Ravn Alaska (“Corvus”) is fit, willing, and able to resume interstate scheduled air transportation of persons, property, and mail.

Background

By Order 2020-10-6, issued October 13, 2020, the Department directed all interested persons to show cause why we should not make final our tentative findings and conclusions that Corvus is fit, willing, and able to resume interstate scheduled air transportation of persons, property, and mail. Interested persons were given 14 days to file objections to the order (*i.e.*, by October 27, 2020), with answers to objections filed no later than 7 days thereafter (*i.e.*, by November 3, 2020).¹ The Department received two objections and one answer to the objections.

On October 23, 2020, Kalinin Holdings, Inc. d/b/a Alaska Seaplanes (“Kalinin”) filed an objection to Order 2020-10-6 stating that Corvus does not have the financial wherewithal to meet the Department’s financial test. Specifically, Kalinin argues that the Department failed to address the presence of a WeFunder campaign seeking crowd funding to support Corvus operations. Kalinin argues that screen shots of the WeFunder campaign indicate that Mr. Joseph Aleksandr Wiener “Josh” Jones, the sole beneficiary of the Kau Jones Family Trust of 2017 that owns 91.1 percent of Float Alaska, the new owner of Corvus, is not committed to providing the entire \$27 million

¹ On October 15, 2020, Corvus filed a Motion in Docket DOT-OST-2020-0134 requesting that the Department shorten the period for the filing of objections to Order 2020-10-6, issued October 13, 2020, from fourteen (14) days from the issuance date of the order (*i.e.*, by October 27, 2020) to three (3) business days (*i.e.*, by October 20, 2020). By Notice dated October 23, 2020, the Department denied Corvus’s Motion to shorten the objection period.

needed to cover the Department's financial fitness requirements. Kalinin argues that even though Corvus provided the Department with evidence of funds available, the WeFunder campaign is evidence there may be a lack of willingness of Mr. Jones to commit money to fund Corvus.

Kalinin also argues that the Show Cause Order does not address Corvus's reliance on government funding. Kalinin states that Corvus did not disclose to the Department that it had received funds from the Coronavirus Aid, Recovery, and Economic Security Act's (CARES Act) Payroll Support Program ("PSP") and the CARES Act's Payroll Protection Program ("PPP"), though Mr. Jones's WeFunder pitch reveals Corvus's reliance on government funding. Kalinin suggests that, even if Corvus received the federal funding, the company may not be eligible to keep it since Corvus laid off many its employees prior to bankruptcy and may not meet the employment criteria during the required time period. Kalinin claims that Corvus should not be permitted to rely on these federal funds for financial fitness purposes or working capital to meet the Department's fitness test.

On October 27, 2020, Alaska Central Express, Inc. ("Alaska Central") filed an objection to Order 2020-10-6 challenging the Department's tentative finding that "new Corvus" is the legal successor company to the previous certificate holder, the "original Corvus." Alaska Central asserts that the order failed to properly address the legal matter that "new Corvus" cannot be considered a successor to the pre-petition company "original Corvus" based on the specific terms and conditions of the order of the U.S. Bankruptcy Court for the District of Delaware approving the sale of some but not all of assets of "new" Corvus.

Alaska Central further claims that Order 2020-10-6 states, in error, that its opposition is based on Corvus's plans to resume Essential Air Service (EAS) at St. Paul, Alaska. Instead, Alaska Central argues that its opposition is based on the issue of status of the applicant and whether Corvus is a successor company applying to resume operations or a new and different entity applying for Department and Federal Aviation Administration (FAA) certifications. Alaska Central claims that the Department failed to consider the "clear understanding of the parties and the Bankruptcy Court as set forth in the Asset Purchase Agreement and the Bankruptcy Court Order which unequivocally stated that the New Corvus was not the successor to the company that was first found fit to engage in interstate passenger air transportation via Order 83-6-47."²

On November 3, 2020, Corvus filed an answer to the objections of Kalinin and Alaska Central, arguing that the objections are unsupported and without merit. With respect to Kalinin's objection to Corvus's financial fitness, Corvus maintains that Kalinin provided no evidence to refute the Department's decision and no justification for changing the determination. Corvus reiterates that it has access to funds sufficient to meet the Department's financial fitness test based on the written commitment of the Kau Jones Family Trust, as well as third-party verification evidencing sufficient funds to honor the funding commitment, and does not rely on CARES Act funds or the WeFunder crowd funding mechanism. Corvus states that CARES Act funds were not part of the enumerated expenses in its forecast income statement and therefore had no bearing on the Department's calculated financial fitness requirements. Corvus also notes that it addressed the deactivated WeFunder account in its supplemental filings.

² See Objections of Alaska Central Express, Inc. to Show Cause Order 2020-10-6, at 4.

Regarding Alaska Central's argument asserting Corvus's lack of successor status, Corvus states that is the same claim that Alaska Central raised in its previous pleadings and that the claim does not relate to the issues that are relevant to the Department's proper determination that Corvus is fit, willing, able, and a U.S. citizen. Corvus states that while its parent company did not assume the liability of the "original" Corvus, the fact remains that Float Alaska acquired, among other things, the Corvus legal entity as well as that legal entity's EAS routes and that for Departmental purposes Corvus is the successor of the "original" Corvus that was selected by the Department to provide EAS at St. Paul Island.

Lastly, Corvus states that it has completed the FAA review process necessary to resume Part 121 operations. Corvus urges the Department to reject Alaska Central's continued attempt to improperly attack the decisions of the Bankruptcy Court and any further dilatory tactics impeding the resumption of services to remote and rural Alaska communities.

DECISION

We have carefully reviewed the pleadings filed on the record of this case and find that Corvus continues to be a U.S. citizen and fit, willing, and able to resume interstate scheduled air transportation of persons, property, and mail. No new information was provided that would indicate that Corvus fails to meet the fitness requirements necessary to operate as a U.S. certificated air carrier or that Corvus does not qualify as a citizen of the United States.

Concerning the objections raised by Kalinin, arguing that the Department failed to consider certain information that suggests an unwillingness of Mr. Jones, the trustee of the Kau Jones Family Trust, to provide the \$27.0 million committed to Corvus and that Corvus relied upon CARES Act funding to enable it to meet the Department's financial fitness test, we disagree. When assessing the financial position of any applicant, the Department evaluates, among other things, whether an applicant has access to the capital required to commence operations, and that prior to being awarded effective authority, an applicant must provide independent, third-party verification that it has available to it resources (*e.g.*, cash, lines-of-credit, or bank loans) sufficient to cover all of its pre-operating costs (*i.e.*, all of the costs incurred prior to the actual commencement of flight operations) plus the operating expenses that are reasonably projected to be incurred by the applicant during three months of "normal" operations. As noted in Order 2020-10-6, the Department calculated that Corvus would need access to approximately \$26.55 million in working capital reserve or other available resources to meet the Department's financial fitness test. In support of its ability to meet the Department's financial fitness test, Corvus provided a letter from the Kau Jones Family Trust committing to provide up to \$27.0 million to support Corvus's operations, as well as third-party verification evidencing sufficient funds to honor the funding commitment. The Department routinely permits and relies upon letters-of-commitment and third-party verification similar to the one Corvus provided. Corvus made no assertions that other funding mechanisms or sources of capital were to be used to support its financial fitness, and no information was provided in this proceeding that would persuade us that our normal procedures for assessing an applicant's financial fitness are inadequate or that the commitment pledged here is insufficient.

With respect to Alaska Central's allegation that the Department failed to address the legal status of Corvus as the successor company of the previous Corvus, we reiterate our position that this issue is not relevant to our fitness determination. As stated in Order 2020-10-6, when conducting a redetermination of an air carrier's fitness under 14 CFR 204.7, the Department applies the same three-part test that it uses to determine fitness of new air carrier applicants. In this regard, the Department evaluated whether Corvus had the managerial skills and technical ability to conduct the proposed operations, had access to resources sufficient to commence operations without posing an undue risk to consumers, and complied with 49 U.S.C. § 41102 and regulations imposed by Federal and State agencies. We also evaluated whether Corvus remained a U.S. citizen. Based on our review of the record, we tentatively found Corvus fit, willing, and able to resume operations and the issue of Corvus's legal status has no bearing on our tentative findings of Corvus's fitness in Order 2020-10-6.

In light of the above, we finalize our tentative findings and conclusions in Order 2020-10-6. Therefore, by this Order, we find Corvus fit, willing, and able to resume interstate scheduled passenger air transportation as a U.S. certificated air carrier.

ACCORDINGLY,

1. We find that Corvus Airlines, Inc. d/b/a Ravn Alaska is fit, willing, and able to resume interstate scheduled air transportation of persons, property, and mail.
2. We direct Corvus Airlines, Inc. to submit to the Air Carrier Fitness Division a first-year progress report within 45 days following the end of its first year of certificated operations.³
3. We will serve a copy of this Order on the persons listed in Attachment A.

By:

Jared Smith
Deputy Assistant Secretary
for Aviation and International Affairs

*An electronic version of this document is available at:
<http://www.regulations.gov>*

³ The report shall include a description of the air carrier's current operations (number and type of aircraft, principal markets served, total number of full-time and part-time employees), a summary of how these operations have changed during the year, a discussion of any changes it anticipates from its current operations during its second year, current financial statements, and a listing of current senior management and key technical personnel. The air carrier should also be prepared to meet with staff members of the Fitness Division to discuss its current and future operations.

**SERVICE LIST FOR
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