



OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

Quarterly Report to the United States Congress

July through September 2023





MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

I am pleased to present our fourteenth Quarterly Report to Congress. During this reporting period, the Special Inspector General for Pandemic Recovery (SIGPR) has issued our third interim report based on Main Street Lending Program loan information received as part of subpoena requests to the lender banks. These banks reported over \$1 billion in loans that were either in default, impaired, had delinquent interest payments, or were loans where the borrower made material misrepresentations during the loan process. Our September 14, 2023, interim report notes that principal payments on Main Street Lending Program loans just started to become due in July 2023, and already the Federal Reserve Board has reported there are \$210 million in actual loan losses as of August 31, 2023.

During this reporting period, SIGPR also issued an audit report on a direct loan program borrower. The report found that the borrower did not comply with the terms of its loan agreement with Treasury regarding its use of loan proceeds and its collateral coverage ratio.

In addition, we are currently conducting a significant number of investigations within SIGPR's jurisdiction, as well as continuing to enhance other pandemic oversight efforts through our active participation in the Pandemic Response Accountability Committee's Fraud Task Force. Unlike many agencies that work primarily on cases referred to them, SIGPR has focused most of its efforts on developing its own leads for cases. Eighty-nine percent of matters currently under investigation at SIGPR came from self-generated leads, and those investigations involve potential fraud arising from more than \$380 million in CARES Act loans.

This quarter SIGPR's investigations resulted in two individuals being sentenced for illegally obtaining over \$7.6 million of Economic Injury Disaster Loan (EIDL) and Paycheck Protection Program (PPP) funds for unauthorized purposes and for their own personal enrichment.

I want to thank the auditors, special agents, attorneys, and administrative staff of SIGPR, all of whom are professional public servants who share one goal—to protect the American people from fraud, waste, and abuse.

As I have noted in previous correspondence and other communications with Congress, for this work to continue, we are asking for a five-year extension beyond our March 2025 sunset date. We need this time to see our investigations through to completion. Most loans within our jurisdiction mature in 2025; should defaults then occur, without an extension SIGPR will sunset just when we are most needed. We at SIGPR will continue our mission and look forward to working with you in the future.

Very respectfully,

Brian D. Miller
Special Inspector General for Pandemic Recovery

PROFILE

ABOUT

SIGPR is an independent organization within Treasury whose mission is to promote the economy, efficiency, effectiveness, and integrity of CARES Act funds and programs. SIGPR was established by section 4018 of the CARES Act with duties, responsibilities, and authority under the Inspector General Act of 1978.

STAFFING AND BUDGET

SIGPR has 44 employees on board. We continue to be judicious in the execution of our budget in support of the SIGPR mission.

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SECTION 1

SIGPR OVERSIGHT

SIGPR employs proactive efforts to detect and investigate fraud, waste, and abuse involving CARES Act funds and programs within SIGPR's jurisdiction.

Below is a summary of SIGPR's activities during the reporting period:

Audits

The Office of Audits conducts audits and evaluations of loans and other investments made by Treasury under programs within SIGPR's jurisdiction.¹

Engagements

During this quarter, the Office of Audits worked on three engagements related to the Direct Loan Program and one audit of Treasury's Investment in the Main Street Lending Program. The Direct Loan Program was established under section 4003 of the CARES Act and authorized Treasury to provide loans, loan guarantees, and other investments to passenger air carriers and related businesses, cargo air carriers, and businesses critical to maintaining national security. Treasury made direct loans to 35 such businesses, providing them with liquidity to withstand losses incurred as a result of the coronavirus pandemic. As of September 1, 2023, 8 of these 35 loans were in default.² These defaults include 2 borrowers who have filed for bankruptcy. The total outstanding loan amount for these loans in default is over \$772 million.³

The Main Street Lending Program (MSLP) supported lending to small and medium-sized for-profit businesses and nonprofit organizations that were in sound financial condition before the onset of the

¹ See CARES Act § 4018(c)(1)

² Borrowers whose direct loans are currently in default are Aero Hydraulics, Inc.; Caribbean Sun Airlines, Inc.; Elite Airways, LLC; Legacy Airways, LLC; Meridian Rapid Defense Group, LLC; Timco Engine Center, Inc.; Visual Semantics, Inc.; and Yellow Corporation.

³ A single borrower, Yellow Corporation, owes approximately \$737 million of this total.

pandemic. The Federal Reserve Bank of Boston, which manages the program, set up a Special Purpose Vehicle to purchase 95 percent of participations in MSLP loans from lender banks. These purchases were backed by a \$16.6 billion equity investment by Treasury.

Limited Scope Review of Yellow Corporation's Executive Compensation

On August 16, 2023, SIGPR issued a subpoena to Yellow Corporation (Yellow) as part of a limited scope review of Yellow's compliance with Section 12.05 – Limitations on Certain Compensations, as found within its \$700 million loan agreement with Treasury.

On July 30, 2023, Treasury received information from Yellow's financial advisor that Yellow paid over \$8 million in compensation to certain corporate officers and employees, including a \$3.35 million retention payment to Yellow's Chief Executive Officer (CEO). On August 4, 2023, Treasury issued a Notice of Noncompliance to Yellow to address the situation. Yellow responded to Treasury on August 10, 2023, that the CEO voluntarily returned the \$3.35 million. While Yellow did not make any other self-disclosures regarding any other violations of their loan agreement, SIGPR has the obligation to further investigate the self-disclosure they did provide.

We have held meetings with Yellow's outside counsel and received a partial response relating to the subpoena. We have requested the remainder of documents requested through the subpoena that we have not received.

Audit of Direct Loan Program Borrower – Mesa Airlines, Inc.

Mesa Airlines, Inc. (Mesa) received a \$195 million direct loan from Treasury pursuant to section 4003(b)(1) of the CARES Act. The loan agreement includes covenants by Mesa Airlines to comply with certain restrictions on employee compensation, stock repurchases, dividends, and other areas as required by the CARES Act. We are doing an audit to ensure the terms of the loan agreement between Mesa Airlines and Treasury are being met.

Our audit found instances where Mesa used proceeds from the loan to make payments on other existing loans, which is in violation of the terms of the loan agreement. We also found that Mesa fell below the Collateral Coverage Ratio requirement of 1.6 to 1. Rather than requiring Mesa to make loan payments or pledge additional collateral to get in compliance as the agreement dictates, Treasury granted Mesa a waiver to this requirement and reduced the ratio to 1.55 to 1. Finally, although the loan agreement requires Mesa to use all proceeds from the sale of collateral to repay the loan, Treasury entered into an agreement to allow Mesa to use only a portion of its proceeds from the sale of collateral to be applied towards the loan repayment.

We recommended that Treasury determine if corrective action is needed regarding the improper use of loan proceeds, and that Treasury closely monitor Mesa's collateral to ensure it is remaining in compliance with the terms of the loan agreement.

Audit of Direct Loan Program Borrower – MapLarge, Inc.

MapLarge, Inc. (MapLarge) received a \$10 million direct loan from Treasury pursuant to section 4003(b)(3) of the CARES Act. The loan agreement includes covenants by MapLarge to comply with certain restrictions on employee compensation, stock repurchases, dividends, and other areas as required by the CARES Act. We are performing the audit to ensure the terms of the loan agreements between MapLarge and Treasury are being met.

During the course of the audit, the audit team reviewed MapLarge's responses to Salesforce review card questions that are designed to monitor compliance with the loan agreement and conducted a site visit to MapLarge's headquarters to review supporting documentation and interview MapLarge officials. The

audit team has also corresponded with Treasury officials to gain a better understanding of the nature and extent of guidance provided to borrowers.

Audit of the Effects the Main Street Lending Program's Loan Losses Have on Treasury's Investment in the Program

On September 14, 2023, SIGPR issued its third interim report based on MSLP loan information received as part of subpoena requests to the MSLP lender banks. The report is based on responses received from 47 lender banks. Statistics on the banks' responses are as follows:

Summary of Responses Received Compared to All MSLP Loans

	Subpoena Responses	MSLP Universe	% of MSLP Universe
Number of Banks	47	319	15%
Number of Loans Issued	1,094	1,830	59.8%
\$ Value of Loans Issued	\$10,224,112,602	\$17,459,024,461	58.6%

Summary of 39 Subpoena Responses

	Count	\$ Loan Value
Defaults	74	\$878.5 million
Delinquent Interest Payments	25	\$121.2 million
Delinquent Financial Reporting	215	\$1.1 billion
Impaired Loans	34	\$228.9 million
Material Misrepresentation	5	\$66.9 million
Paid Off	283	\$2.9 billion

Our interim report also notes that principal payments on Main Street Lending Program loans just started to become due in July 2023, yet the Federal Reserve Board has reported there are \$210 million in actual loan losses as of August 31, 2023.

Finally, our interim report discussed obtaining detailed loan loss information from the Federal Reserve Board and the Federal Reserve Bank of Boston. On September 5, 2023, the SIGPR Office of Audits issued an IG subpoena to the Federal Reserve Bank of Boston (FRBB) to obtain the documents that identify the Main Street Lending Program loans comprising the approximately \$164 million in actual loan losses as of July 31, 2023. Production of the subpoenaed materials is due from the FRBB on October 5, 2023.

SIGPR will continue to monitor bank closures and Main Street loans that become impaired.

Data Analysis

The Office of Audits data analytics program plays an important role in SIGPR's mission. The data analytics platform uses various software and tools that process and analyze large quantities of data to detect potential red flags and anomalies. These tools are valuable not only for SIGPR's audit work, but also for other proactive initiatives throughout SIGPR. The program has developed a data library containing over 150 million rows of CARES Act funding information, drawn from both public and sensitive government sources. The program updates the library at least quarterly to maintain accurate and relevant information.

The data analytics program:

- maintains complex risk assessment metrics by creating analytics that identify audit red flags;
- harmonizes, cleanses, normalizes, and joins relevant data tables;
- maintains a growing library of data tables that provide information and support the detection of irregularities;
- creates interactive dashboards and visualizations to assist users in better understanding and prioritizing program areas for audits, investigations, and evaluations;
- shares analytic methodologies and processes with various external government agencies, including the Department of Homeland Security, Department of Defense, U.S. Agency for International Development Office of Inspector General, Pandemic Response Accountability Committee (PRAC), Department of Health and Human Services, Amtrak, National Aeronautics and Space Administration, Department of Education Office of Inspector General, Small Business Administration Office of Inspector General, General Services Administration Office of Inspector General, Treasury's Office of the Chief Data Officer, and others;
- collaborates with various inter-governmental agencies, committees, and third-party vendors to stay informed about emerging analytic technologies, techniques, tools, and methodologies; and
- continues to work closely with CIGIE's Pandemic Analytics Center of Excellence's data sharing program and analytics effort in mining data for the benefit of many government agencies and Offices of Inspector General.

Investigations



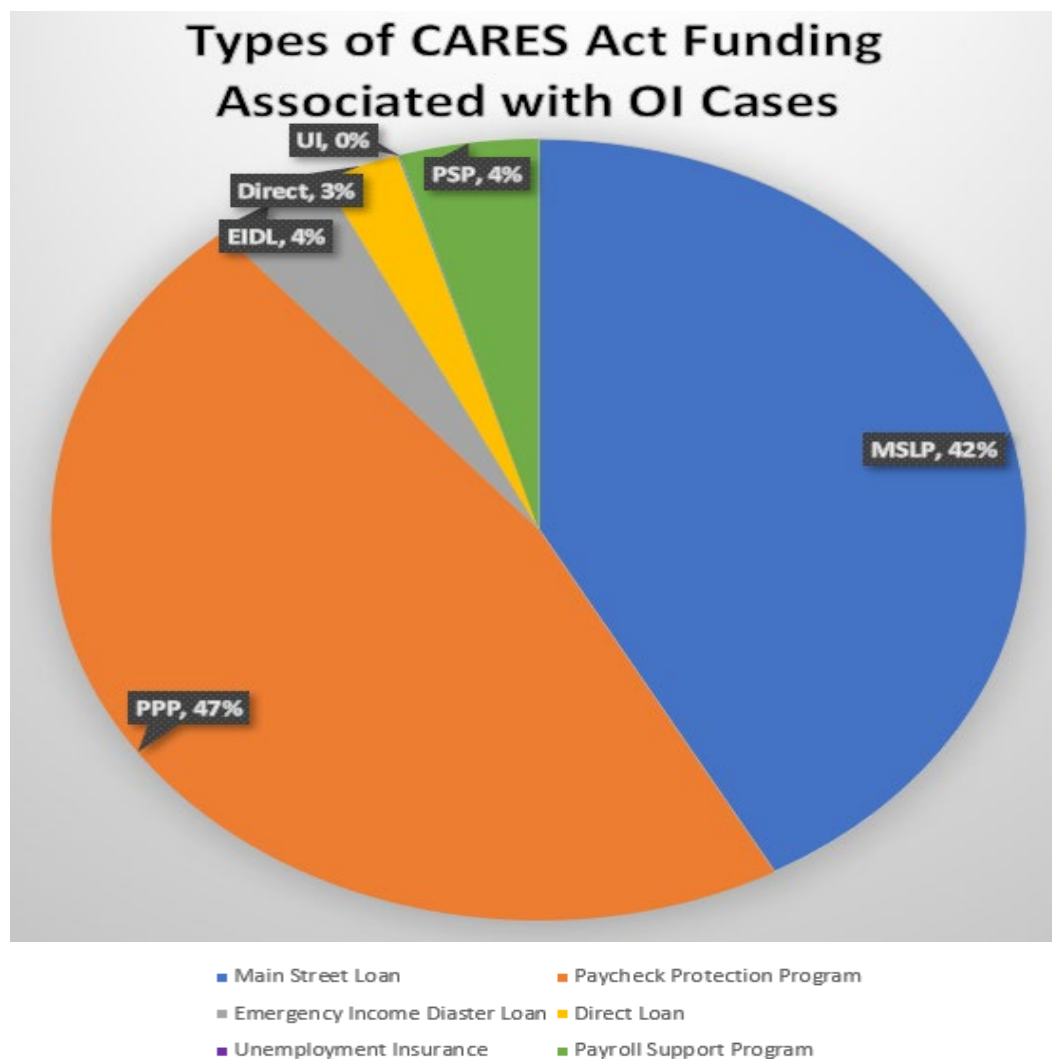
The Office of Investigations conducts criminal and civil investigations regarding allegations of fraud, waste, abuse, or misconduct involving CARES Act funds and programs within SIGPR's jurisdiction. In addition, the office manages SIGPR's hotline, which serves as a primary avenue for reporting fraud, waste, abuse, or misconduct.

Investigative Activities

The Office of Investigations routinely collaborates with the rest of the SIGPR team, including auditors, analysts, and attorneys; to vet complaints, develop proactive initiatives, and pursue investigations.

In addition, SIGPR's investigations are conducted in partnership with various U.S. Attorneys' Offices, the U.S. Department of Justice (DOJ), the PRAC Fraud Task Force, and other federal law enforcement partners.

During this reporting period, the Office continued its investigative and proactive efforts to uncover and vigorously pursue fraud and wrongdoing related to CARES Act funding under Title IV, Subtitle A. The following table highlights SIGPR's investigative activities as they relate to the various CARES Act programs.



SIGPR Investigative Activity – July 1, 2023, through September 30, 2023

Hotline Complaints	
Hotline Complaints Received	211
Referrals to Other Agencies*	31
Preliminary Inquiries	
Opened	6
Closed	1
Converted to Full Investigation	3
Ongoing	6
Investigations**	
Opened	5
Closed	1
Ongoing	37
Criminal Actions †	
Referrals to the Department of Justice	3
Referrals to State/Local Prosecuting Authorities	0
Indictments/Informations****	2
Arrests/Summons	1
Convictions/Pleas	0
Sentencings	2
Civil Actions	
Referrals to the Department of Justice	0
Civil Judgments/Settlements	1
Other Enforcement Actions	
IG Subpoenas Issued	14
Suspension/Debarment Recommendations****	14
Administrative Suspension	7
Administrative Debarment	0
Investigative Monetary Results	
Funds Seized/Forfeitures	\$6,240,113
Restitution Ordered	\$9,075,969
Fines and Penalties	0
Civil Judgments/Settlements	350,000
Recoveries***	0

Note: Investigative data maintained via SIGPR's electronic case management system.

* Includes referrals from SIGPR proactive work.

** Includes all SIGPR program-related cases, including PRAC Fraud Task Force investigations and joint investigations with other agencies.

*** Includes MSLP funds repaid following notification of investigation.

**** Includes static information not captured in the last reporting period.

† Actions reported include those resulting from PRAC Fraud Task Force investigations and joint investigations with other agencies.

CASEWORK HIGHLIGHTS

Throughout the fourth quarter of the fiscal year, the Office of Investigations continued to expand its investigative oversight work through SIGPR's collaborative and proactive efforts as exhibited below.



TWO VIRGINIA MEN SENTENCED IN \$7.6 MILLION COVID-19 FRAUD SCHEME

In September 2023, a Manassas man and a Bealeton man were sentenced in federal court to a combined 6 years in prison for engaging in a joint scheme to defraud banks and the Small Business Administration (SBA) of over \$7.6 million in COVID relief funds.



PRESS RELEASE

Two Men in \$7 Million COVID Fraud Scheme Plead Guilty

Friday, May 26, 2023

For Immediate Release

U.S. Attorney's Office, Eastern District of Virginia
ALEXANDRIA, Va. – A Manassas man and a Bealeton man pleaded guilty today to engaging in a joint scheme to defraud banks and the Small Business Administration of over \$7 million in COVID relief funds.

According to court documents, from approximately April 2020 to March 2021, Magpie and Gillingham, falsified payroll records, created fake IRS business tax returns, and submitted to lenders and the SBA, falsified revenue reports of multiple companies to obtain over \$7 million in PPP and EIDL loans. Magpie, for himself and others, Gillingham, obtained \$1.4 million of the total, but wrote checks back to Magpie's company, Bull Run Capital, totaling approximately \$670,000. Magpie used the PPP funds to invest in crypto currency, home renovations, to purchase vehicles, and to pay other personal expenses.

Magpie and Gillingham are scheduled to be sentenced on August 25. Magpie faces a up to 20 years in prison, while Gillingham faces up to 10 years in prison. Actual sentences for federal crimes are typically less than the maximum penalties. A federal district court judge will determine any sentence after filing, after consulting the U.S. Sentencing Guidelines and other statutory factors.

Isabella D. Abou, U.S. Attorney for the Eastern District of Virginia, Wayne A. Jacobs, Special Agent in Charge of the FBI Washington Field Office Criminal Division, and Brian Miller, Inspector General for the Special Inspector General for Pandemic Recovery (SIGPR), made the announcement after U.S. District Judge Claude M. Sifton accepted the plea.

Assistant U.S. Attorneys Russell L. Carberry and Kathleen Robinson are prosecuting the case.

This case was investigated by an agent assigned to the Pandemic Response Accountability Committee (PRAC) Fraud Task Force. The PRAC was established to serve the American public by promoting transparency and facilitating coordinated oversight of the federal government's COVID-19 pandemic response. The PRAC's 23 member agencies generally identify major risks that cross programs and agency boundaries to detect fraud, waste, abuse, and mismanagement in the more than \$1 trillion in COVID-19 spending. The PRAC Fraud Task Force brings together agents from 16 Inspector General to investigate fraud involving a variety of programs, including the Paycheck Protection Program. Task force agents who are detailed to the PRAC receive expanded authority to investigate pandemic fraud as well as tools and training to support their investigations.

A copy of the press release is located on the website of the U.S. Attorney's Office for the Eastern District of Virginia. Related court documents and information are located on the website of the District Court for the Eastern District of Virginia or on PACER by searching the Case No. 1:23-cr-0016 and 1:23-cr-0017.

In May 2023, a Manassas business owner, and a Bealeton man pled guilty in federal court to conspiring to defraud banks and the SBA of more than \$7.6 million in COVID-19 relief funds.

Between April 2020 and March 2021, one of the men falsified payroll records, created fake IRS business tax returns, and falsified revenue reports of multiple companies and then submitted them to the SBA to obtain over \$7 million in SBA's Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) loans. The other man obtained \$1.4 million of the total and re-distributed approximately \$620,000 back to his accomplice's company.

The investigation revealed PPP funds were used to invest in crypto currency, make home renovations, purchase vehicles, pay private high school and college tuition bills, as well as pay other personal expenses. This was a joint investigation conducted by the SIGPR and the Federal Bureau of Investigation. See Press Release from the Office U.S. Attorney for the Eastern District of Virginia.

<https://www.justice.gov/usao-edva/pr/two-men-sentenced-76-million-covid-fraud-scheme>



VIRGINIA BUSINESS OWNER SETTLES PPP FRAUD ALLEGATIONS

In September 2023, a Gainesville business owner agreed to pay \$350,000 to settle a civil fraud case that alleged he falsified payroll and income documents to obtain loans through SBA's PPP for four businesses where he was the owner and President.

The settlement arose in connection with a lawsuit filed under the whistleblower provision of the FCA, *United States ex rel. Salman v. Bull Run Capital Investments, Inc., et al.* This was a joint investigation conducted by SIGPR and the Federal Bureau of Investigation. See Press Release from the Office of U.S. Attorney for the Eastern District of Virginia. <https://www.justice.gov/usao-edva/pr/gainesville-business-owner-settles-ppp-fraud-allegations>



PRESS RELEASE

Gainesville Business Owner Settles PPP Fraud Allegations

Wednesday, September 27, 2023

Share

For Immediate Release

U.S. Attorney's Office, Eastern District of Virginia

ALEXANDRIA, Va. – One Salby of Gainesville, agreed to pay \$350,000 to settle a civil fraud case that alleged he falsified payroll and income documents to obtain loans through the Small Business Administration's (SBA) Paycheck Protection Program (PPP) for four businesses where he is the owner and President.

The PPP offered loans to eligible small businesses for economic relief during the COVID-19 pandemic; PPP businesses were required to provide their income and supporting documents to qualify for the loan amount.

Salby obtained seven PPP loans for his four businesses, Bull Run Transportation LLC, Green Team Limousine LLC, Chosen Limousine & Sedan Services LLC, Health & Wealth Group LLC, and Salby's Investments LLC, by submitting loan applications with inflated income and falsified payroll documents to SBA authorized lenders. Based on three fraudulent applications, Salby and his corporations, with the help of a co-conspirator Rosalie R. Magpie, obtained PPP funds.

The settlement arises in connection with a lawsuit filed under the whistleblower provision of the FCA, *United States ex rel. Salman v. Bull Run Capital Investments, Inc., et al.* A whistleblower suit, or qui tam action under the False Claims Act, is commenced by an individual, known as a "relator," filing a complaint under seal in the U.S. District Court, and providing a copy of the complaint and evidence to the U.S. Attorney's Office. The United States then has an opportunity to investigate the claims. The False Claims Act provides whistleblowers with a share of the government's recovery; the relator here will receive a share of this settlement.

The resolutions obtained in this matter were the result of a coordinated effort between the U.S. Attorney's Office for the Eastern District of Virginia, the Special Inspector General for Pandemic Recovery's Pandemic Response Accountability Committee Fraud Task Force, and the FBI's Washington Field Office Criminal and Cyber Divisions.

The matter was investigated by Assistant U.S. Attorney Kristin Stan. The civil claims settled by this False Claims Act agreement are allegations only; there has been no determination of civil liability.

RECOGNITION OF SIGPR'S CASEWORK

DOJ Nationwide COVID-19 Fraud Enforcement Action



On August 23, 2023, the Justice Department announced the results of a coordinated, nationwide enforcement action to combat COVID-19 fraud, which included 718 enforcement actions – including federal criminal charges against 371 defendants – for offenses related to over \$836 million in alleged COVID-19 fraud. The announcement was made by Deputy Attorney General Lisa O. Monaco at a roundtable meeting of senior Justice Department officials, law enforcement partners, and Office of Inspector General (OIG) executives. Inspector General Brian Miller was present at the roundtable meeting. SIGPR investigative accomplishments were included as part of the announcement. See Press Release from the U.S. Department of Justice. [https://www.justice.gov/opa/pr/justice-department-announces-results-nationwide-covid-19-fraud-enforcement-](https://www.justice.gov/opa/pr/justice-department-announces-results-nationwide-covid-19-fraud-enforcement-action)

[action](#)

Pandemic Response Accountability Committee (PRAC)

The PRAC recognized SIGPR's Senior Special Agent Christopher Cave (right) with an award in recognition of his outstanding work on the PRAC Fraud Task Force. On September 13, 2023, SIGPR's Inspector General Brian Miller (left) presented SSA Cave with the award recognizing him for work that resulted in 15 individuals being indicted and arrested for engaging in a \$53 million scheme to defraud commercial banks and the SBA. The case involved millions of dollars related to the COVID relief funds. SSA Cave is responsible for the PRAC Fraud Task Force's largest financial case to date.



PRAC Fraud Task Force

In January 2021, the PRAC established a Fraud Task Force to serve as a resource for the Inspector General (IG) community by surging investigative resources into the areas of greatest need. The Fraud Task Force brings together agents from 16 Inspectors General to investigate fraud involving a variety of programs, including the Paycheck Protection Program. Task force agents who are detailed to the PRAC receive expanded authority to investigate pandemic fraud as well as tools and training to support their investigations. These agents have partnered with prosecutors at DOJ's Fraud Section and at United States Attorneys' Offices across the country.

Due to the large scale of CARES Act related fraud, the PRAC extended its authority to SIGPR to investigate additional pandemic-related fraud through a Memorandum of Understanding. Currently, SIGPR has five special agents assigned to the PRAC Fraud Task Force on a part-time basis. These special agents are

assigned CARES Act (PPP/EIDL) related cases while continuing to work their SIGPR investigative caseloads (MSLP/Direct Loans). This initiative allows SIGPR to make a broader contribution to the IG community by assisting with a range of critical investigations that might otherwise remain unstaffed.

PUBLIC LAW 117-348—JAN. 5, 2023 “Trafficking Victims Prevention and Protection Reauthorization Act of 2022”

In compliance with the reporting requirements to Congress as required by this law, SIGPR had no reportable activity relating to complaints of human trafficking or any related investigations.

SIGPR Hotline Activity



Online



Email



Call



Mail

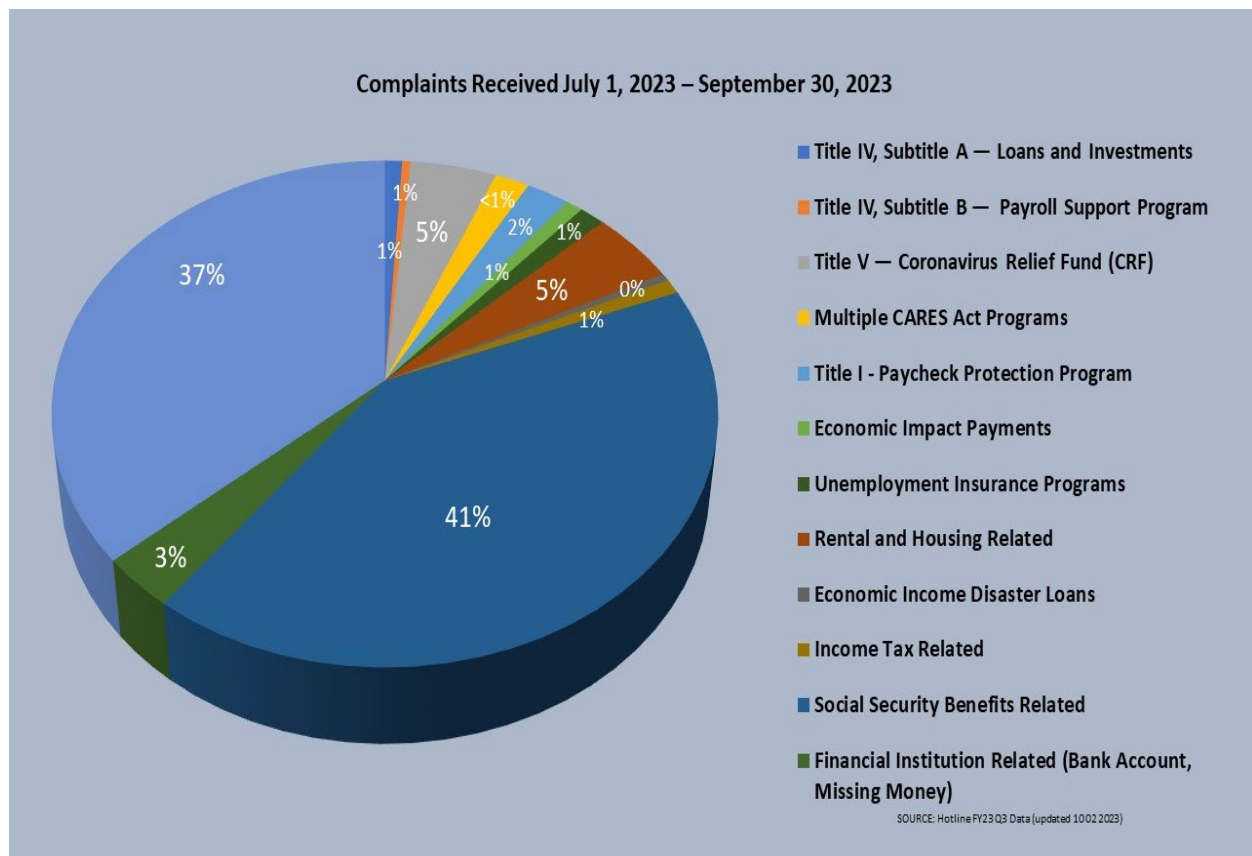
The SIGPR hotline accepts reports of potential fraud, waste, abuse, and mismanagement related to CARES Act funding, programs, and personnel. The hotline also accepts whistleblower complaints from federal employees, former federal employees, employment applicants, employees of contractors, subcontractors, grantees and subgrantees, and personal service contractors, all of whom wish to report fraud, waste, abuse, mismanagement, or reprisal actions under the jurisdiction of SIGPR.

During this reporting period, SIGPR received 211 hotline complaints, of which the vast majority pertained to matters outside SIGPR’s jurisdiction, as indicated in the table and chart below. All hotline complaints outside of SIGPR’s jurisdiction were referred to those federal agencies that have jurisdiction over these programs.

Complaints by Category

Received July 2023 through September 2023

Category	Total
Title I – Paycheck Protection Program	5
Title IV, Subtitle A — Loans and Investments	2
Title IV, Subtitle B — Payroll Support Program	1
Title V – Coronavirus Relief Fund	10
Multiple CARES Act Programs	4
Economic Impact Payments	2
Unemployment Insurance Programs	3
Rental and Housing Assistance Programs	10
Emergency Income Disaster Loans	1
Income Tax Related	2
Social Security Benefits	87
Financial Institution Related	7
Non-Program Related	77
Grand Total	211





SECTION 2

FINDINGS AND DEVELOPMENTS

The CARES Act requires SIGPR to regularly report “a detailed statement of all loans, loan guarantees, other transactions, obligations, expenditures, and revenues associated with any program established by the Secretary under section 4003, as well as the information collected under subsection (c)(1).”⁴

Accordingly, below are the categories of loans and other investments made by Treasury under CARES Act section 4003,⁵ including, where applicable and known, a list of the loans and investments made under each category and the eligible businesses to which loans were made.

Direct Loans and Other Investments

Introduction



CARES Act section 4003(a) authorized the Secretary of the Treasury “to make loans, loan guarantees, and other investments in support of eligible businesses, States, and municipalities that do not, in the aggregate, exceed \$500,000,000,000.” The CARES Act further divided these loans and investments into four categories. The first three, described in sections 4003(b)(1)–(3), cover loans and loan guarantees to passenger air carriers and related businesses (\$25 billion), cargo air carriers (\$4 billion),

⁴ CARES Act § 4018(f)(1)(B)

⁵ Treasury did not establish a program for “loan guarantees” under CARES Act section 4003.

and businesses critical to maintaining national security (\$17 billion).⁶ The fourth category, described in section 4003(b)(4), authorized the Secretary to invest in various liquidity programs established by the Board of Governors of the Federal Reserve System under section 13(3) of the Federal Reserve Act (\$454 billion).

The Consolidated Appropriations Act, 2021, amended the CARES Act to rescind unobligated balances of funds (\$429 billion) in these programs.⁷ It also specified that after December 31, 2020, the Federal Reserve “shall not make any loan, purchase any obligation, asset, security, or other interest, or make any extension of credit” through the liquidity programs or facilities in which Treasury had invested CARES Act funds, except for facilities in the MSLP, that were authorized to purchase loans until January 8, 2021, for applications submitted by December 14, 2020.⁸

Direct Loans

On March 30, 2020, Treasury first announced guidelines for businesses interested in applying for loans under CARES Act section 4003(b)(1)–(3).⁹ Those guidelines incorporated several mandatory loan terms and conditions, with many designed to protect American taxpayers. A summary of these terms and conditions can be accessed in SIGPR’s previous quarterly reports.

Air Carrier Loan Program

CARES Act section 4003(b)(1)–(2) allocated \$25 billion for loans and loan guarantees to passenger air carriers, aviation-maintenance facilities certified under 14 C.F.R. Part 145, and air-transportation ticket agents, as well as \$4 billion for cargo air carriers.

Businesses Critical to Maintaining National Security

CARES Act section 4003(b)(3) allocated \$17 billion for loans and loan guarantees to “businesses critical to maintaining national security.”



The report excerpts on the following pages summarize the section 4003(b)(1) – (3) loans current through this quarter.¹⁰

⁶ Treasury has posted on its website the contracts it has entered in connection with the administration of loans under section 4003(b)(1), (2), and (3). See U.S. Department of the Treasury, *Other Programs*, <https://home.treasury.gov/data/other-programs>

⁷ See Consolidated Appropriations Act, 2021, Pub. L. 116-260, div. N §§ 1003, 1005

⁸ *Id.* § 1005.

⁹ U.S. Department of the Treasury, Procedures and Minimum Requirements for Loans to Air Carriers and Eligible Businesses and National Security Businesses under Division A, Title IV, Subtitle A of the Coronavirus Aid, Relief, and Economic Security Act (Mar. 30, 2020), https://home.treasury.gov/system/files/136/Procedures_and_Minimum_Requirements_for_Loans.pdf.

¹⁰ See U.S. Department of the Treasury, Report Under Section 4026(b)(1)(C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses (Oct. 1, 2023) [4026b1CLoanReport10012023.pdf](https://home.treasury.gov/system/files/136/4026b1CLoanReport10012023.pdf) ([treasury.gov](https://home.treasury.gov)); see also U.S. Department of the Treasury, Loans to Air Carriers, Eligible Businesses, and National Security Businesses, [Loans to Air Carriers, Eligible Businesses, and National Security Businesses | U.S. Department of the Treasury](https://home.treasury.gov/system/files/136/Loans_to_Air_Carriers_Eligible_Businesses_and_National_Security_Businesses.pdf) (last updated Jan. 21, 2021).

FINDINGS AND DEVELOPMENTS

Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
Aero Hydraulics, Inc. ⁵	Repair Station Operator	Fayetteville	GA	10/26/2020	10/24/2025	\$450,000	\$450,000	\$577,234	\$0	\$25,668
Alaska Airlines, Inc. ⁶	Passenger Air Carrier	Seattle	WA	9/28/2020 (amended 10/3/2020 and 1/15/2021)	9/26/2025	\$1,928,000,000	\$135,000,000	\$0	\$135,000,000	\$2,538,900
Allflight Corporation ⁷	Repair Station Operator	Kent	WA	11/5/2020	11/5/2025	\$4,721,260	\$4,721,260	\$4,029,911	\$691,349	\$1,097,699
American Airlines, Inc. ⁸	Passenger Air Carrier	Fort Worth	TX	9/25/2020 (amended 10/21/2020 and 1/15/2021)	6/30/2025	\$7,500,000,000	\$550,000,000	\$0	\$550,000,000	\$10,257,500
American Jet International Corporation	Passenger Air Carrier	Houston	TX	11/5/2020	11/5/2025	\$1,162,124	\$1,162,124	\$1,181,571	\$0	\$265,655
Aviation Management & Repairs, Inc. ⁹	Repair Station Operator	Fort Pierce	FL	11/5/2020	11/5/2025	\$4,026,705	\$4,026,705	\$4,781,862	\$100,000	\$203,350
Bristin Travel, LLC ¹⁰	Ticket Agent	Fayetteville	AR	10/26/2020	10/24/2025	\$549,651	\$549,651	\$377,560	\$224,030	\$73,208
Caribbean Sun Airlines, Inc. ¹¹	Passenger Air Carrier	Virginia Gardens	FL	11/5/2020 (amended 12/7/2020)	11/5/2025	\$6,768,749	\$6,768,749	\$8,556,935	\$0	\$0
Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
Channel Logistics, LLC	National Security	Camden	NJ	11/12/2020	11/12/2025	\$2,500,000	\$2,500,000	\$2,818,806	\$0	\$337,715
Core Avionics & Industrial, Inc. ¹²	National Security	Tampa	FL	11/5/2020	11/5/2025	\$6,000,000	\$6,000,000	\$0	\$6,489,033	\$213,998
Eastern Airlines, LLC	Passenger Air Carrier	Wayne	PA	10/28/2020	10/28/2025	\$15,000,000	\$15,000,000	\$17,945,809	\$0	\$1,152,616
Elite Airways, LLC ¹³	Passenger Air Carrier	Portland	ME	11/9/2020 (amended 12/1/2020)	11/7/2025	\$2,630,274	\$2,630,274	\$3,328,871	\$0	\$0
Frontier Airlines, Inc. ¹⁴	Passenger Air Carrier	Denver	CO	9/28/2020 (amended 1/15/2021)	9/26/2025	\$574,000,000	\$150,000,000	\$0	\$150,000,000	\$5,548,667
Hawaiian Airlines, Inc. ¹⁵	Passenger Air Carrier	Honolulu	HI	9/25/2020 (amended 10/23/2020 and 1/15/2021)	6/28/2024	\$622,000,000	\$45,000,000	\$0	\$45,000,000	\$450,450
Island Wings, Inc.	Cargo Air Carrier	Ft. Lauderdale	FL	11/5/2020	11/5/2025	\$294,350	\$294,350	\$358,776	\$0	\$14,477
JetBlue Airways Corporation ¹⁶	Passenger Air Carrier	Long Island City	NY	9/29/2020 (amended 11/3/2020 and 1/15/2021)	9/29/2025	\$1,948,000,000	\$115,000,000	\$0	\$115,000,000	\$3,330,113
Legacy Airways, LLC ¹⁷	Cargo Air Carrier	Conroe	TX	10/20/2020	10/20/2025	\$1,817,306	\$1,817,306	\$2,453,288	\$0	\$0

FINDINGS AND DEVELOPMENTS

Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
Map Large, Inc.	National Security	Atlanta	GA	11/2/2020	10/31/2025	\$10,000,000	\$10,000,000	\$12,466,393	\$0	\$987,600
Meridian Rapid Defense Group, LLC ¹⁸	National Security	Pasadena	CA	10/30/2020	10/30/2025	\$7,100,000	\$7,100,000	\$9,301,830	\$0	\$233,799
Mesa Airlines, Inc. ¹⁹	Passenger Air Carrier	Phoenix	AZ	10/30/2020	10/30/2025	\$195,000,000	\$195,000,000	\$139,100,117	\$65,846,900	\$18,989,020
Ovation Travel Group, Inc. ²⁰	Ticket Agent	New York	NY	10/15/2020	10/15/2025	\$20,000,000	\$20,000,000	\$0	\$20,294,156	\$181,881
oVio Technologies, Inc. ²¹	National Security	Newport Beach	CA	11/2/2020	10/31/2025	\$1,186,900	\$1,186,900	\$1,513,597	\$0	\$75,845
Republic Airways, Inc. ²²	Passenger Air Carrier	Indianapolis	IN	11/6/2020	11/6/2025	\$58,000,000	\$58,000,000	\$0	\$58,000,000	\$1,622,308
Semahtronix, LLC ²²	National Security	Flippin	AR	11/13/2020	11/13/2025	\$1,999,100	\$1,999,100	\$0	\$2,112,957	\$777
Semantic AI, Inc.	National Security	San Diego	CA	11/13/2020	11/13/2025	\$506,300	\$506,300	\$603,938	\$0	\$41,853
SkyWest Airlines, Inc. ²⁴	Passenger Air Carrier	St George	UT	9/29/2020 (amended 10/28/2020 and 1/15/2021)	9/29/2025	\$725,000,000	\$60,000,000	\$0	\$60,000,000	\$1,196,767
Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
Southern Airways Express, LLC ²⁵	Passenger Air Carrier	Pompano Beach	FL	10/28/2020	10/28/2025	\$1,838,501	\$1,838,501	\$0	\$1,838,501	\$188,254
SpinLaunch, Inc.	National Security	Long Beach	CA	11/13/2020	11/13/2025	\$2,519,200	\$2,519,200	\$2,557,341	\$0	\$587,664
Sun Country, Inc. ²⁶	Passenger Air Carrier	Minneapolis	MN	10/26/2020	10/24/2025	\$45,000,000	\$45,000,000	\$0	\$46,182,421	\$77,125
Thomas Global Systems, LLC ²⁷	Repair Station Operator	Irvine	CA	11/9/2020	11/7/2025	\$1,400,000	\$1,400,000	\$0	\$1,530,278	\$22,745
Timco Engine Center, Inc. ²⁸	Repair Station Operator	Oscoda	MI	11/5/2020	11/5/2025	\$8,390,240	\$8,390,240	\$10,645,785	\$0	\$0
United Airlines, Inc. ²⁹	Passenger Air Carrier	Chicago	IL	9/28/2020 (amended 11/6/2020, 12/8/2020, and 1/15/2021)	9/26/2025	\$7,491,000,000	\$520,000,000	\$0	\$520,000,000	\$9,517,733
Visual Semantics, Inc. ³⁰	National Security	Austin	TX	10/30/2020	10/30/2025	\$1,053,200	\$1,053,200	\$1,306,270	\$0	\$11,722
Wiser Imagery Services, LLC	National Security	Murfreesboro	TN	10/30/2020	10/30/2025	\$3,069,700	\$3,069,700	\$3,829,558	\$0	\$283,957
Yellow Corporation ³¹	National Security	Overland Park	KS	7/7/2020	9/30/2024	\$700,000,000	\$700,000,000	\$737,042,527	\$230	\$93,530,505

FINDINGS AND DEVELOPMENTS

Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
TOTAL						\$21,890,983,560	\$2,677,983,560	\$964,778,975	\$1,778,309,854	\$153,059,568

Note: Data are as of the date of this report.

Footnotes

- Only certain categories of entities were eligible to receive loans under sections 4003(b)(1), (2), and (3) of the CARES Act. Under those provisions, a borrower must be a passenger air carrier; a business that is certified under 14 CFR part 145 and approved to perform inspection, repair, replace, or overhaul services; a ticket agent (as defined in 49 U.S.C. 40102); a cargo air carrier; or a business critical to maintaining national security.
- The locations provided are the addresses included by the borrowers in their applications and may not indicate all locations in which a borrower operates.
- "Disbursements" includes all loan disbursements.
- "Total Outstanding Loan Amount" includes all loan disbursements and increases of loan principal amount arising from payment-in-kind (PIK) interest and accrued unpaid interest, less any repayments of principal.
- Aero Hydraulics, Inc. is in default on its loan due to failure to make certain payments required under its loan agreement.
- Alaska Airlines, Inc. entered into a loan agreement for up to \$1.301 billion on September 28, 2020, an amendment on October 30, 2020, increasing the maximum loan amount by \$627 million, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. Alaska Airlines, Inc. paid in full all outstanding principal and interest on June 3, 2021.
- Allflight Corporation has made principal repayments in the amounts of \$99,782 on September 23, 2022; \$97,933 on November 30, 2022; \$100,000 on December 15, 2022; \$98,529 on January 31, 2023; \$49,684.17 on April 4, 2023; \$49,242 on May 2, 2023; \$48,689 on June 2, 2023; \$49,665 on July 5, 2023; and \$48,611 on September 6, 2023.
- American Airlines, Inc. entered into a loan agreement for up to \$5.477 billion on September 25, 2020, an amendment on October 21, 2020, increasing the maximum loan amount by \$2.023 billion, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. American Airlines, Inc. paid in full all outstanding principal and interest on March 24, 2021.
- Aviation Management & Repairs Inc. repaid \$100,000 in principal on April 1, 2021.
- Bristin Travel, LLC repaid \$224,029 in principal on December 30, 2022. Previous reporting inadvertently omitted \$10,592.92 of interest paid by Bristin Travel, LLC, on December 15, 2022.
- Caribbean Sun Airlines, Inc. entered into a loan agreement for up to \$15 million on November 5, 2020, and an amendment on December 7, 2020, extending the termination date for Treasury's commitment to December 7, 2020, and decreasing the maximum loan amount by \$8,231,251. Caribbean Sun Airlines, Inc. is in default on its loan due to failure to make a payment required under its loan agreement.
- Core Avionics & Industrial, Inc. repaid \$800,000 in principal on June 8, 2021; Core Avionics & Industrial, Inc. paid in full all principal and interest on April 1, 2022.
- Elite Airways, LLC entered into a loan agreement for up to \$2,630,274 on November 9, 2020, and an amendment on December 1, 2020, extending the termination date for Treasury's commitment to December 1, 2020. Elite Airways, Inc. is in default on its loan due to failure to make a payment required under its loan agreement.
- Frontier Airlines, Inc. entered into a loan agreement for up to \$574 million on September 28, 2020, and an amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. Frontier Airlines, Inc. paid in full all principal and interest on February 2, 2022.
- Hawaiian Airlines entered into a loan agreement for up to \$420 million on September 25, 2020, an amendment on October 23, 2020, increasing the maximum loan amount by \$202 million, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. Hawaiian Airlines, Inc. paid in full all principal and interest on February 4, 2021.
- JetBlue Airways Corporation entered into a loan agreement for up to \$1.14 billion on September 29, 2020, an amendment on November 3, 2020, increasing the maximum loan amount by \$808 million, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. JetBlue Airways Corporation paid in full all outstanding principal and interest on September 15, 2021.
- Legacy Airways, LLC is in default on its loan due to failure to make a payment required under its loan agreement.
- Meridian Rapid Defense Group, LLC is in default on its loan due to failure to make a payment required under its loan agreement.
- Mesa Airlines, Inc. entered into a loan agreement for up to \$200 million on October 30, 2020, and elected to draw \$43 million on October 30, 2020, and \$152 million on November 13, 2020. Mesa Airlines, Inc. entered into a technical Modification and Waiver Agreement on December 22, 2022, available on Treasury.gov. Mesa Airlines, Inc. repaid \$32,000,000 in principal on January 24, 2023; \$14,187,072 in principal on March 17, 2023; \$11,159,828 principal on April 13, 2023; \$3,200,000 in principal on April 27, 2023; and \$5,300,000 in principal on September 22, 2023.
- Ovation Travel Group, Inc. paid in full all outstanding principal and interest on January 21, 2021.
- oVio Technologies, Inc. was previously in default on its loan due to failure to make certain payments required under its loan agreement, but oVio corrected the deficiency by making the required payments on July 28, 2023, and is no longer in default.
- Republic Airlines, Inc. entered into a loan agreement for up to \$77 million on November 6, 2020, and elected to draw \$58 million on December 7, 2020. Republic Airlines, Inc. paid in full all outstanding principal and interest on September 10, 2021.
- Semahtronix LLC paid in full all outstanding principal and interest on September 17, 2021.
- SkyWest Airlines, Inc. entered into a loan agreement for up to \$573 million on September 29, 2020, an amendment on October 28, 2020, increasing the maximum loan amount by \$152 million, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. SkyWest Airlines, Inc. paid in full all outstanding principal and interest on May 10, 2021.
- Southern Airways Express, LLC paid in full all outstanding principal and interest on April 29, 2021.
- Sun Country, Inc. paid in full all outstanding principal and interest on March 24, 2021.
- Thomas Global Systems, LLC paid in full all outstanding principal and interest on May 27, 2022.
- Timco Engine Center, Inc. is in default on its loan due to failure to make certain payments required under its loan agreement.
- United Airlines, Inc. entered into a loan agreement for up to \$5.17 billion on September 28, 2020, an amendment on November 6, 2020, increasing the maximum loan amount by \$2.33 billion, an amendment on December 8, 2020, reducing the maximum loan amount by \$9 million, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. United Airlines paid in full all outstanding principal and interest on April 20, 2021.
- Visual Semantics, Inc. filed for bankruptcy on March 2, 2023. Interest on its loan stopped accruing as of that date, and the company is in default due to failure to make a payment required under its loan agreement.
- The loan to Yellow Corporation consists of two tranches in the original principal amounts of \$300 million and \$400 million, and current outstanding principal amounts of \$337 million and \$400 million, respectively. It was announced on February 4, 2021, that YRC Worldwide, Inc. had changed its name to Yellow Corporation. Yellow Corporation repaid \$230 in principal on June 13, 2021. On August 6, 2023, Yellow Corporation and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. Yellow Corporation is in default on its loan.

Other Investments

CARES Act section 4003(b)(4) allocated at least \$454 billion for "loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities" by "purchasing obligations or other interests" directly from the

issuer or through secondary markets, and “making loans, including loans or other advances secured by collateral.”¹¹

The Federal Reserve established several liquidity programs (facilities) pursuant to section 13(3) of the Federal Reserve Act.¹² That provision, used extensively during the 2008 financial crisis and amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act,¹³ allows the Federal Reserve to lend money in “unusual and exigent circumstances” to participants in “any program or facility with broad-based eligibility” who are “unable to secure adequate credit accommodations from other banking institutions.”¹⁴ The Federal Reserve Board was required to consult with the Secretary of the Treasury prior to the Federal Reserve Board’s 2015 issuance of its regulations governing emergency lending under section 13(3) of the Federal Reserve Act.¹⁵ The Federal Reserve may not establish any emergency lending program under section 13(3) without prior approval of the Secretary of the Treasury.¹⁶

Of note, as of September 30, 2023, MS Facilities, LLC—a special-purpose vehicle (SPV) jointly formed by Treasury and the Federal Reserve Bank of Boston to operate the MSLP—has recognized approximately \$257 million in actual loan losses, net of subsequent recoveries.¹⁷ This number has more than quintupled from \$45 million since SIGPR’s last quarterly report for 2022. In addition, an evaluation of loan participations purchased by the MS Facilities, LLC resulted in a reported loan loss allowance in the amount of \$1 billion.¹⁸ The allowance for loan losses is estimated based upon MS Facilities, LLC’s holdings as of June 30, 2023.¹⁹

These facilities have stopped extending loans or purchasing obligations. Additional details for the facilities are available on the Federal Reserve’s website.²⁰ The Federal Reserve has indicated that because the MSLP ceased purchasing participations on January 8, 2021, it will not provide additional transaction-specific disclosures about the MSLP on a periodic basis going forward.

¹¹ CARES Act § 4003(b)(4)(A)–(C)

¹² See 12 U.S.C. § 343(3)

¹³ Pub. L. 111-203, 124 Stat. 1375

¹⁴ 12 U.S.C. § 343(3)(A); see also 12 C.F.R. § 201.4(d)

¹⁵ 12 U.S.C. § 343(3)(B)(i)

¹⁶ 12 U.S.C. § 343(3)(B)(iv)

¹⁷ See Bd. of Governors of the Fed. Reserve Sys., Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act.

<https://www.federalreserve.gov/publications/files/13-3-report-20231011.pdf> (Oct. 10, 2023)

¹⁸ See *id.*

¹⁹ See *id.*

²⁰ See *id.*

The following table summarizes the total amount of remaining CARES Act funds that Treasury invested in MS Facilities, LLC and other SPVs created in conjunction with other lending programs as of Sept. 30, 2023.²¹

Recipient	Treasury Investment Remaining as of Sept. 30, 2023
MS Facilities, LLC	\$10,148,760,892.69
TALF II, LLC	\$890,952,976.00
Corporate Credit Facilities, LLC	\$0.00
Municipal Liquidity Facility, LLC	\$2,946,650,305.31

The SPVs have returned the following amounts to Treasury as of Sept. 30, 2023.

Recipient	Investment Returned to Treasury as of Sept. 30, 2023
MS Facilities, LLC	\$27,815,675,901.29
TALF II, LLC	\$9,152,091,265.55
Corporate Credit Facilities, LLC	\$37,980,215,713.55
Municipal Liquidity Facility, LLC	\$14,673,971,316.39

²¹ Letter from Michelle Dickerman, Deputy Assistant General Counsel, Office of General Counsel, Treasury, to Vincent Mulloy, Special Counsel, Office of General Counsel, SIGPR, Treasury (Oct. 24, 2023) (on file with SIGPR).



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