



# OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

## Quarterly Report to the United States Congress April through June 2022





## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

I am pleased to present our ninth Quarterly Report to Congress. During this reporting period we conducted four audit attestations of airlines that received direct loans under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These attestations showed that the airlines properly completed certifications to the Department of the Treasury (Treasury) for their loans to move on to the underwriting phase. This work is important as the taxpayer relies on air transport in their daily lives and expects their hard-earned dollars to be utilized in the way the CARES Act intended.

We also issued an alert memorandum notifying Treasury that its Calendar Year 2021 direct loan monitoring was delayed. We recommended Treasury create and finalize a monitoring policy and a plan of action to ensure that monitoring is done in a timely manner. Treasury agreed with our recommendations.

In addition, this quarter the Special Inspector General for Pandemic Recovery (SIGPR) Office of Investigations contributed to an indictment of a business owner who is alleged to have used funds from the Main Street Lending Program (MSLP), Economic Injury Disaster Loan (EIDL) program, and Paycheck Protection Program (PPP) for unauthorized purposes and for his own personal enrichment. We are currently conducting a significant number of investigations, 74% of which stem directly from our own proactive efforts.

I want to sincerely thank the auditors, special agents, attorney advisors and the administrative staff of SIGPR, all of whom are professional public servants with one goal-to protect the American people from fraud, waste and abuse of the billions of dollars they invested in the CARES Act.

As I have noted in previous correspondence and other communications with Congress, in order for this work to continue, we are asking for a five-year extension beyond our sunset year of 2025. We need this time to see our investigations through to completion. Most loans within our jurisdiction mature in 2025, and should defaults then occur, without an extension we will have sunsetted 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 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 continues to engage in staffing and recruitment efforts with an emphasis on mission critical occupations, i.e., special agents and auditors, in support of SIGPR’s Congressionally mandated mission.

To date, SIGPR has 52 Full-Time Equivalent (FTE) employees on board and several recruitment actions in the hiring pipeline. We continue to be judicious in the execution of our budget and look forward to being included in the annual appropriation process which will allow SIGPR to effectively plan and execute mission support operations related to recruitment, acquisitions, and information technology.

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## SECTION 1

# SIGPR OVERSIGHT

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SIGPR employs proactive efforts to prevent, 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, loan guarantees, and other investments made by Treasury under programs within SIGPR's jurisdiction.<sup>1</sup>

### **Engagements**

During this quarter, the Office of Audits worked on several engagements related to the Direct Loan Program. This 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.

### **Audit of Treasury's Monitoring of the Direct Loan Program**

On May 24, 2022, SIGPR issued an alert memorandum notifying Treasury that its Calendar Year 2021 direct loan monitoring of borrowers' compliance with CARES Act and loan requirements was delayed. Quarterly, borrowers answer questions from Treasury about their use of loan proceeds, executive compensation, equity, dividends, and other areas of

<sup>1</sup> See CARES Act § 4018(c)(1).

compliance. SIGPR found no evidence of Treasury monitoring borrowers' responses between July 2021 and March 7, 2022, when SIGPR first questioned the lack of monitoring in an email to Treasury officials. SIGPR recommended Treasury create and finalize a monitoring policy and a plan of action to ensure that monitoring is done in a timely manner. Treasury agreed with the recommendations.

The Audit of Treasury's Monitoring of the Direct Loan Program has two objectives. First, SIGPR will determine whether Treasury had a sufficient policy in place to guide its monitoring of the direct loans. Second, SIGPR will determine whether Treasury monitored borrowers' compliance with the requirements of the CARES Act and the terms and conditions of the borrowers' loan agreements, as well as whether Treasury followed up to resolve any issues that it detected. For this objective, the Office of Audits will test a sample of 17 of the 35 borrowers.

### **Independent Reviews of Direct Loan Validation Memoranda**

The Office of Audits issued four independent reviews of Validation Memoranda completed by Treasury.<sup>2</sup> SIGPR has issued a total of seven independent reviews to-date.

A Validation Memorandum is a document that Treasury created to confirm that a direct loan applicant had submitted all required documentation. Once a Validation Memorandum was completed, the relevant applicant could proceed to the loan underwriting process. SIGPR's independent reviews determine whether the memoranda were properly completed according to Treasury's Underwriting Guide. This effort helps SIGPR determine whether Treasury acquired all required documents from each applicant prior to approving funding from the Direct Loan Program.

SIGPR identified minor discrepancies in the Validation Memoranda for Hawaiian Airlines, SkyWest Airlines, and United Airlines and no issues with the Validation Memorandum for JetBlue Airways. SIGPR did not identify any material modifications that should be made to any of the Validation Memoranda. The results of these attestation reviews will be included with the overall audit of the Direct Loan Program.

### **Audit of Direct Loan Program Recipients' Use of Lobbying**

In February 2022, the Office of Audits began the Audit of Direct Loan Recipients' Use of Lobbying. The audit is focused on Treasury's National Security Loan Program (NSLP). The purpose of this audit is to determine how Treasury concluded that NSLP recipients were critical to maintaining national security and to identify what role, if any, lobbying played in making that determination.

<sup>2</sup> The independent reviews issued this quarter were for Validation Memoranda that Treasury completed for JetBlue Airways, Hawaiian Airlines, SkyWest Airlines, and United Airlines.

### **Audit of Treasury’s Process for Approving Its Direct Loan to YRC Worldwide, Inc.**

In April 2022, the Office of Audits initiated an audit of Treasury’s process used to gather and administer YRC Worldwide, Inc.’s application package prior to underwriting and approval of its \$700 million direct loan. The audit will determine if Treasury’s approval process followed the guidance set forth in the CARES Act, other regulations, and Treasury guidance. The audit will cover Treasury’s process from the date of loan application, April 29, 2020, to the date that the final loan disbursement was made.

### **Partnership with the Department of Defense Office of Inspector General**

SIGPR has partnered with the Department of Defense (DoD) Office of Inspector General to determine whether DoD officials adequately supported decisions when verifying and certifying businesses as critical to maintaining national security for loans under section 4003 of the CARES Act. The CARES Act made \$17 billion available to make loans and loan guarantees for “businesses critical to maintaining national



security.”<sup>3</sup> Treasury subsequently created the National Security Loan Program (NSLP) and provided eligibility guidance. Businesses could be considered for NSLP loans if they met certain criteria including, but not limited to, receiving a recommendation and certification from the Secretary of Defense or the Director of National Intelligence. The Secretary of Defense and the Deputy Secretary of Defense signed memoranda to recommend and certify businesses for the loan program based on analyses performed by the Office of the Under Secretary of Defense for Acquisition and Sustainment.

### **Audit Planning**

During this quarter, the Office of Audits began its process for developing its Fiscal Year 2023 audit plan. The Office of Audits reached out to external stakeholders for input on the plan and met with individuals from the Department of the Treasury, the Federal Reserve Board OIG, the Government Accountability Office, and the House Select Subcommittee on the Coronavirus Crisis. The Office of Audits plans to meet with officials from the White House and Congressional oversight personnel as well. The Office of Audits aims to develop its audit plan to ensure that our work reflects the intent of SIGPR’s oversight responsibilities established in the CARES Act. The Office of Audits will continue to work with Treasury, our counterparts at the Federal Reserve Board OIG, and all relevant stakeholders to coordinate and deconflict our oversight plans. The Office of Audits intends to have an audit plan finalized for Fiscal Year 2023 by September 30, 2022.

<sup>3</sup> Pub. L 116-136 § 4003(b)(3)

## Data Analysis



The Office of Audits data analytics program continues to play an important role in SIGPR's mission. SIGPR's 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

100 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 identifying, cleansing, normalizing, and joining relevant data tables;
- maintains a growing library of data tables to 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, Small Business Administration Office of Inspector General, General Services Administration Office of Inspector General, and others; and
- collaborates with various inter-governmental agencies, committees, and third-party vendors to stay informed about emerging analytic technologies, techniques, tools, and methodologies.

During this reporting period, the Office of Audits has spent a great amount of time becoming familiar with various datasets that are provided monthly by the PRAC to various federal agencies. The data provides a wealth of focused information in detecting and preventing fraud, waste, and abuse related to CARES Act funding and programs. SIGPR plans on using this data expansively in conjunction with its existing proprietary datasets to help enhance its overall oversight effort.

**Investigative Support**

The Office of Audits provides forensic auditing services, including financial records analysis, and auditing and accounting expertise in support of investigations conducted by the Office of Investigations. During this reporting period, the Office of Audits assisted with five active investigative requests.

**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 Taskforce, 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 for the period.

**SIGPR Investigative Activity – April 1, 2022 through June 30, 2022**

<b>Hotline Complaints</b>	
Hotline Complaints Received	<b>249</b>
Referrals to Other Agencies	<b>93</b>
<b>Preliminary Inquiries</b>	
Opened	<b>4</b>
Closed	<b>0</b>
Converted to Full Investigation	<b>0</b>
Ongoing	<b>4</b>
<b>Investigations*</b>	
Opened	<b>1</b>
Closed	<b>2</b>
Ongoing	<b>27</b>

<b>Criminal Actions †</b>	
Referrals to the Department of Justice	1
Referrals to State/Local Prosecuting Authorities	0
Indictments/Informations**	1
Arrests/Summons	0
Convictions/Pleas	0
Sentencings	0
<b>Civil Actions</b>	
Referrals to the Department of Justice	0
Civil Judgments/Settlements	0
<b>Other Enforcement Actions</b>	
IG Subpoenas Issued	4
<b>Investigative Monetary Results</b>	
Funds Seized/Forfeitures	\$92,900
Restitution	0
Fines and Penalties	0
Civil Judgments/Settlements	0
Cost Recoveries	0
Cost Savings	0

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

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

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

\*\* The total number includes all charging documents resulting from any prior referrals to prosecutorial authorities.

Throughout the third quarter of the fiscal year, the Office of Investigations continued to expand its investigative oversight work through SIGPR’s collaborative and proactive efforts.

### 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. Currently, the area of greatest need is pandemic loan fraud. Special agents from Offices of Inspectors General across the government are detailed to work on task force cases. These agents have partnered with prosecutors at DOJ’s Fraud Section and at United States Attorneys’ Offices across the country.

The PRAC extended its authority to investigate pandemic-related fraud to SIGPR through a Memorandum of Understanding. Currently, SIGPR has four special agents assigned to the PRAC Fraud Task Force on a part-time basis. These special agents are mostly assigned

PPP cases while continuing to work their SIGPR investigative caseload. 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.



### **NAPLES FELON INDICTED FOR COVID RELIEF FRAUD**

In April 2022, a Naples, Florida man was indicted on charges of wire fraud, bank fraud, aggravated identity theft, illegal monetary transactions, and possession of ammunition by a convicted felon, in the Middle District of Florida. The indictment included the intended forfeiture of his interest in a 2019 Tiara 34LS boat, two real properties located in Naples, a 4.02 carat solitaire engagement ring, over \$65,000 seized from two bank accounts, and more than \$2.6 million, which are alleged to be traceable to proceeds of the offense.



SIGPR Special Agents along with counterparts from the Federal Bureau of Investigation, the Federal Reserve Board OIG, and Internal Revenue Service – Criminal Investigation, determined that the man, a convicted felon, submitted false and fraudulent MSLP, EIDL and PPP loan applications, resulting in the deposit of more than \$2.6 million into bank accounts that he controlled. His loan applications contained numerous false representations, including those relating to criminal history, average monthly payroll, number of employees, and gross revenues. Further, he submitted false and fraudulent payroll and payroll tax documents. The man is alleged to have used the funds for unauthorized purposes and for his own personal enrichment, including the purchase of residences in Naples, stocks and investment securities, and ammunition.

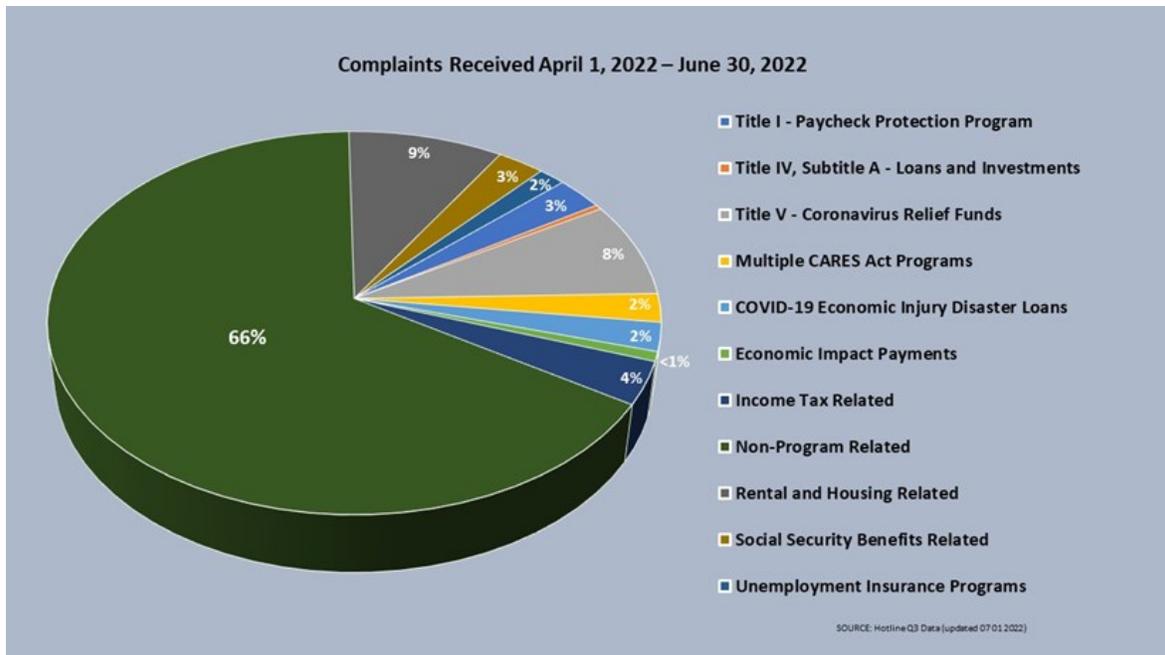
### **SIGPR Hotline Activity**

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 249 hotline complaints, of which all but one pertained to matters outside SIGPR's jurisdiction, as indicated in the table and chart below.

**Complaints by Category  
Received April through June 2022**

Category	Total
<b>Title I – Paycheck Protection Program</b>	7
<b>Title IV, Subtitle A – (13(3) Facilities (MSLP)</b>	1
<b>Title V – Coronavirus Relief Fund</b>	20
<b>Multiple Cares Act Programs</b>	6
<b>Other</b>	
Economic Impact Payments	2
Emergency Income Disaster Loans	6
Income Tax Related	9
Non-Program Related	164
Rental and Housing Assistance Programs	23
Social Security Benefits	7
Unemployment Insurance Programs	4
<b>Grand Total</b>	<b>249</b>





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## SECTION 2

# FINDINGS AND DEVELOPMENTS

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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).”<sup>4</sup>

Accordingly, below are the categories of loans and other investments made by Treasury under CARES Act section 4003,<sup>5</sup> 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 “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

<sup>4</sup> CARES Act § 4018(f)(1)(B).

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

air carriers and related businesses (\$25 billion), cargo air carriers (\$4 billion), and businesses critical to maintaining national security (\$17 billion).<sup>6</sup> The fourth category, described in section 4003(b)(4), authorized the Secretary to invest in various liquidity programs established by the Federal Reserve 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.<sup>7</sup> 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.<sup>8</sup>

The following table contains an overview of the relevant categories and amounts of Treasury’s obligations remaining under CARES Act section 4003(b)(1)–(4) through June 30, 2022:

<b>Funding Program</b>	<b>Outstanding Amount as of June 30, 2022</b>
Direct Loans to Passenger Air Carriers and Related Businesses	\$252,970,914
Direct Loans to Cargo Air Carriers	\$2,429,183
Direct Loans to Businesses Critical to Maintaining National Security	\$748,552,551
<b>Funding Program</b>	<b>Treasury Investment Remaining as of June 30 2022</b>
Main Street Lending Program (MS Facilities, LLC)	\$13,940,426,237
Term Asset-Backed Securities Loan Facility (TALF II, LLC)	\$1,200,000,000 (plus interest)
Primary and Secondary Market Corporate Credit Facility (Corporate Credit Facilities, LLC)	\$0
Municipal Liquidity Facility (Municipal Liquidity Facility, LLC)	\$2,900,000,000 (plus interest)

<sup>6</sup>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. Dep’t Treasury, *Other Programs*, <https://home.treasury.gov/data/other-programs>

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

<sup>8</sup> *Id.* § 1005.

## 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).<sup>9</sup> 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. The following table summarizes the section 4003(b)(1)–(2) loans current through this quarter.<sup>10</sup>



<sup>9</sup> U.S. Dep’t 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](https://home.treasury.gov/system/files/136/Procedures%20and%20Minimum%20Requirements%20for%20Loans.pdf).

<sup>10</sup> See U.S. Dep’t Treasury, *Report Under Section 4026(b)(1)(C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses* (July 1, 2022), <https://home.treasury.gov/system/files/136/4026b1CLoanReport07012022.pdf>; see also U.S. Dep’t Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses> (last updated Jan. 21, 2021).

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Recipient	Loan Date	Maturity Date	Total Loan Amount	Disbursements <sup>11</sup>	Total Outstanding Loan Amount <sup>12</sup>	Cash Interest Receipts
<a href="#">Aero Hydraulics, Inc.</a>	10/26/2020	10/24/2025	\$450,000	\$450,000	\$520,025	\$0
<a href="#">Alaska Airlines, Inc.</a>	9/28/2020 (amended 10/30/2020 and 1/15/2021)	9/26/2025	\$1,928,000,000	\$135,000,000	\$0	\$2,538,900
<a href="#">Allflight Corporation</a>	11/5/2020	11/5/2025	\$4,721,260	\$4,721,260	\$4,809,700	\$509,261
<a href="#">American Airlines, Inc.</a>	9/26/2020 (amended 10/21/2020 and 1/15/2021)	6/30/2025	\$7,500,000,000	\$550,000,000	\$0	\$10,257,500
<a href="#">American Jet International Corp</a>	11/5/2020	11/5/2025	\$1,162,124	\$1,162,124	\$1,181,571	\$107,253
<a href="#">Aviation Management &amp; Repairs, Inc.</a>	11/5/2020	11/5/2025	\$4,026,705	\$4,026,705	\$4,375,276	\$0
<a href="#">Bristin Travel, LLC</a>	10/26/2020	10/24/2025	\$549,651	\$549,651	\$604,274	\$9,320
<a href="#">Caribbean Sun Airlines, Inc.</a>	11/5/2020 (amended)	11/5/2025	\$6,768,749	\$6,768,749	\$7,507,782	\$0
<a href="#">Elite Airways, LLC</a>	11/9/2020 (amended)	11/7/2025	\$2,630,274	\$15,000,000	\$16,761,753	\$0
<a href="#">Frontier Airlines, Inc.</a>	9/28/2020 (amended)	9/26/2025	\$574,000,000	\$150,000,000	\$0	\$5,548,667
<a href="#">Hawaiian Airlines, Inc.</a>	9/25/2020 (amended 10/23/2020 and)	6/28/2024	\$622,000,000	\$45,000,000	\$0	\$450,450
<a href="#">Island Wings, Inc.</a>	11/5/2020	11/5/2025	\$294,350	\$294,350	\$327,585	\$0
<a href="#">JetBlue Airways Corporation</a>	9/29/2020 (amended 11/3/2020 and)	11/29/2025	\$1,948,000,000	\$115,000,000	\$0	\$3,330,113

<sup>11</sup> “Disbursements’ includes all loan disbursements.” See U.S. Dep’t Treasury, *Report Under Section 4026(b)(1) (C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses* <https://home.treasury.gov/system/files/136/4026b1CLoanReport07012022.pdf> (last updated July 1, 2022).

<sup>12</sup> “Total Outstanding Loan Amount’ includes all loan disbursements and increases of loan principal amount arising from payment-in-kind (PIK) interest, less any repayments of principal.” *Id.*

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Recipient	Loan Date	Maturity Date	Total Loan Amount	Disbursements <sup>11</sup>	Total Outstanding Loan Amount <sup>12</sup>	Cash Interest Receipts
<a href="#">Legacy Airways, LLC</a>	10/20/2020	10/25/2025	\$1,817,306	\$1,817,306	\$2,101,598	\$0
<a href="#">Mesa Airlines, Inc.</a>	10/30/2020	10/30/2025	\$195,000,000	\$195,000,000	\$204,947,017	\$0
<a href="#">Ovation Travel Group, Inc.</a>	10/15/2020	10/15/2025	\$20,000,000	\$20,000,000	\$0	\$181,881
<a href="#">Republic Airways, Inc.</a>	11/6/2020	11/6/2025	\$58,000,000	\$58,000,000	\$0	\$1,622,308
<a href="#">SkyWest Airlines, Inc.</a>	9/29/2020 (amended 10/28/2020 and 1/15/2021)	9/29/2025	\$725,000,000	\$60,000,000	\$0	\$1,196,767
<a href="#">Southern Airways Express, LLC</a>	10/28/2020	10/28/2025	\$1,838,501	\$1,838,501	\$0	\$188,254
<a href="#">Sun Country, Inc.</a>	10/26/2020	10/24/2025	\$45,000,000	\$45,000,000	\$0	\$77,125
<a href="#">Thomas Global Systems, LLC</a>	11/9/2020	11/7/2025	\$1,400,000	\$1,400,000	\$0	\$22,745
<a href="#">Timco Engine Center, Inc.</a>	11/5/2020	11/5/2025	\$8,390,240	\$8,390,240	\$9,342,793	\$0
<a href="#">United Airlines, Inc.</a>	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	\$9,517,733

*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 following table summarizes the section 4003(b)(3) loans current through this quarter.<sup>13</sup>

<sup>13</sup> See U.S. Dep’t Treasury, *Report Under Section 4026(b)(1)(C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, <https://home.treasury.gov/system/files/136/4026b1CLoanReport07012022.pdf> (last updated July 1, 2022); see also U.S. Dep’t Treasury, *Loans to Air Carriers, Eligible Businesses, and National Security Businesses*, <https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/loans-to-air-carriers-eligible-businesses-and-national-security-businesses> (last updated Jan. 21, 2021).

Recipient Loan Date	Loan Date	Maturity Date	Total Loan Amount	Disbursements <sup>14</sup>	Total Outstanding Loan Amount <sup>15</sup>	Cash Interest Receipts
<a href="#">Channel Logistics, LLC</a>	11/12/2020	11/12/2025	\$2,500,000	\$2,500,000	\$2,632,822	\$142,372
<a href="#">Core Avionics &amp; Industrial, Inc.</a>	11/5/2020	11/5/2025	\$6,000,000	\$6,000,000	\$0	\$213,998
<a href="#">Map Large, Inc.</a>	11/2/2020	10/31/2025	\$10,000,000	\$10,000,000	\$11,529,006	\$0
<a href="#">Meridian Rapid Defense Group, LLC</a>	10/30/2020	10/30/2025	\$7,100,000	\$7,100,000	\$8,101,311	\$79,019
<a href="#">Ovio Technologies, Inc.</a>	11/2/2020	10/31/2025	\$1,186,900	\$1,186,900	\$1,368,378	\$0
<a href="#">Semahtronix, LLC</a>	11/13/2020	11/13/2025	\$1,999,100	\$1,999,100	\$0	\$777
<a href="#">Semantic AI, Inc.</a>	11/13/2020	11/13/2025	\$506,300	\$506,300	\$564,090	\$0
<a href="#">SpinLaunch, Inc.</a>	11/13/2020	11/13/2025	\$2,519,200	\$2,519,200	\$2,519,200	\$224,997
<a href="#">Visual Semantics, Inc.</a>	10/30/2020	10/30/2025	\$1,053,200	\$1,053,200	\$1,201,733	\$11,722
<a href="#">Wiser Imagery Services, LLC</a>	10/30/2020	10/30/2025	\$3,069,700	\$3,069,700	\$3,541,601	\$0
<a href="#">Yellow Corporation</a> <sup>16</sup>	7/8/2020	9/30/2024	\$700,000,000	\$700,000,000	\$717,094,410	\$25,177,821

### 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

<sup>14</sup> “Disbursements’ includes all loan disbursements.” See U.S. Dep’t Treasury, *Report Under Section 4026(b)(1) (C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses* <https://home.treasury.gov/system/files/136/4026b1CLoanReport07012022.pdf> (last updated July 1, 2022).

<sup>15</sup> “Total Outstanding Loan Amount’ includes all loan disbursements and increases of loan principal amount arising from payment-in-kind (PIK) interest, less any repayments of principal.” *Id.*

<sup>16</sup> YRC Worldwide changed its name to Yellow Corporation. *Id.*

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.”<sup>17</sup>

The Federal Reserve established several liquidity programs (facilities) pursuant to section 13(3) of the Federal Reserve Act.<sup>18</sup> That provision, used extensively during the 2008 financial crisis and amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act,<sup>19</sup> 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.”<sup>20</sup> 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.<sup>21</sup> The Federal Reserve may not establish any emergency lending program under section 13(3) without prior approval of the Secretary of the Treasury.<sup>22</sup>

Of note, as of June 30, 2022, 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 \$32 million in actual loan losses net of subsequent recoveries.<sup>23</sup> In addition, an evaluation of loan participations purchased by the MS Facilities, LLC resulted in a reported loan loss allowance in the amount of \$1.9 billion.<sup>24</sup> The allowance for loan losses is estimated based upon MS Facilities, LLC’s holdings as of March 31, 2022.<sup>25</sup>

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 June 30, 2022.<sup>26</sup>

<sup>17</sup> CARES Act § 4003(b)(4)(A)–(C).

<sup>18</sup> See 12 U.S.C. § 343(3).

<sup>19</sup> Pub. L. 111-203, 124 Stat. 1375.

<sup>20</sup> 12 U.S.C. § 343(3)(A); see also 12 C.F.R. § 201.4(d).

<sup>21</sup> 12 U.S.C. § 343(3)(B)(i).

<sup>22</sup> 12 U.S.C. § 343(3)(B)(iv).

<sup>23</sup> 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-20220712.pdf> (last updated July 11, 2022)

<sup>24</sup> See *id.*

<sup>25</sup> See *id.*

<sup>26</sup> See *id.*

<b>Recipient</b>	<b>Treasury Investment Remaining as of June 30, 2022</b>
MS Facilities, LLC	\$13,940,426,237
TALF II, LLC	\$1,200,000,000 (plus interest)
Corporate Credit Facilities, LLC	\$0
Municipal Liquidity Facility, LLC	\$2,900,000,000 (plus interest)

The SPVs have returned the following amounts to Treasury as of June 30, 2022.

<b>Recipient</b>	<b>Investment Returned to Treasury as of June 30, 2022</b>
MS Facilities, LLC	\$23,609,068,438.20
TALF II, LLC	\$8,845,890,590.39
Corporate Credit Facilities, LLC	\$37,980,215,713.55
Municipal Liquidity Facility, LLC	\$14,605,308,004.93

These facilities have stopped extending loans or purchasing obligations. Transaction-specific details for the facilities are available on the Federal Reserve's website.<sup>27</sup> 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.

<sup>27</sup> See Bd. of Governors of the Fed. Reserve Sys., *Reports to Congress Pursuant to Section 13(3) of the Federal Reserve Act in response to COVID-19*, <https://www.federalreserve.gov/publications/files/13-3-report-20220712.pdf> (last updated July 11, 2022).



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