



OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

Quarterly Report to the United States Congress

January to March 2022





MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

To date, the hard work of the Special Inspector General for Pandemic Recovery (SIGPR) includes:

- The Office of Investigations is working 27 open cases, quadrupling our casework in the last year, more than 80 percent of which we identified through our own efforts;
- Through our partnerships with U.S. Attorneys' Offices and other law enforcement agencies, SIGPR has made 16 referrals to the Department of Justice (DOJ) and 548 referrals to other agencies;
- SIGPR attorneys and special agents have helped secure a criminal information and guilty plea in the U.S. District Court for the Western District of Oklahoma, as well as indictments in the U.S. District Courts for the District of Maryland and the Middle District of Florida.
- The Office of Audits has completed three independent reviews of the Validation Memoranda prepared by the Department of the Treasury (Treasury) for direct loan applications from American Airlines, Alaska Airlines, and Frontier Airlines.

Of course, these results cannot fully demonstrate the value of SIGPR's institutional capabilities. Our cadre of seasoned criminal investigators and former prosecutors are sought after by other law enforcement agencies for their expertise on the Coronavirus Aid, Relief, and Economic Security (CARES) Act and programs within SIGPR's jurisdiction. My office has developed this knowledge, in part, by analyzing thousands of records, including documents obtained by subpoena, and by conducting numerous witness interviews.

In recognition of this significant return on investment, last month Congress passed, and President Biden signed, the Consolidated Appropriations Act of 2022. This

legislation granted SIGPR an additional \$8 million, which brings our total amount of appropriated funds to \$33 million. We expect that these additional funds will sustain SIGPR operations through the end of the current fiscal year. We are grateful to Congress and the President for this meaningful investment, and I would especially like to thank the many congressional and administrative offices that took time to meet with me and my staff this quarter.

Now I must leave these proud notes of success and turn to the future. Identifying, investigating, charging, and prosecuting to verdict white collar fraud cases often takes several years. It entails combing through voluminous paper trails, flyspecking loan agreements, and piecing together fraud schemes from emails and elaborate bank transactions. Once SIGPR has found fraud and puts a case together, we then refer that case to DOJ for prosecution. Our special agents and attorneys then work alongside the appropriate U.S. Attorney's Office by preparing exhibits and affidavits, interviewing witnesses, and testifying before the grand jury until the government obtains a true bill of indictment. Then we assist the prosecution from pretrial motions to the conclusion of trial. A single, five-year term is not enough time to complete the 27 cases that SIGPR is already working, let alone finish additional cases we may unearth in the coming months.

Prosecuting Main Street Lending Program (MSLP) fraud is especially difficult because these loans will not mature until after SIGPR expires in March 2025. As we seek to clean the Augean stables of pandemic relief fraud, we must identify criminal conduct by a borrower years before the Treasury-backed loan matures. Loan defaults may well occur after SIGPR has wound down operations.

As with the special inspectors general for the Troubled Asset Relief Program and the reconstructions in Iraq and Afghanistan, SIGPR needs more than a single term. I therefore respectfully ask Congress to extend SIGPR's tenure another five years, to March 2030.

In addition to an extension of SIGPR's term, we also respectfully request a place in the annual appropriations cycle. We are grateful to the President, who has recommended that Congress provide SIGPR \$25 million until September 30, 2025. That budget will allow SIGPR to hire more investigators and auditors. It will also assure my staff that serving the country at SIGPR is a dependable way to provide for themselves and their families.

An annual budget, combined with a five-year extension, will give SIGPR the tools to strike deep and hold fast in the hunt for pandemic relief fraud. With the continued backing of Congress and the President, and with the aid of our many partners in the

law enforcement community, we will bring to justice those who preyed on emergency financial relief during a time of profound national crisis.

Very respectfully,

A handwritten signature in blue ink, appearing to read 'B. Miller', with a stylized, cursive script.

Brian Miller
Special Inspector General for Pandemic Recovery
April 29, 2022

HIGHLIGHTS

THIS QUARTER SIGPR:

- Completed three independent reviews into whether Treasury obtained required documentation from direct loan recipients.
- Continued an audit of Treasury’s monitoring of the Direct Loan Program.
- Launched an audit into what role, if any, lobbying played in the direct loan process for businesses critical to maintaining national security.
- Managed 27 full investigations.
- Received and vetted 180 hotline complaints, referring 70 to other agencies.
- Collaborated with other agencies on cases involving alleged fraud by MSLP borrowers, including one borrower who pleaded guilty to a criminal information.
- Continued an investigation that has resulted in an indictment in the U.S. District Court for the Middle District of Florida. Because the indictment was returned after the reporting period, it will appear in the investigative activities for SIGPR’s next quarterly report.
- Strengthened inter-agency partnerships to strategically leverage resources and capabilities in support of lead-development, audits, investigations, and case referrals.

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

Over the past quarter, SIGPR continued to work with Treasury and Congress on issues related to budget and appropriations. SIGPR is grateful to these and all other members of Congress, congressional staff, Treasury officials, Office of Management and Budget officials, and others who devoted time to these matters. Their efforts culminated in an appropriation of \$8 million to SIGPR under the Consolidated Appropriations Act of 2022, a sum that will be essential to detecting and redressing fraud, waste, or abuse involving CARES Act funds.



CONTENTS

SIGPR OVERSIGHT

Audits	2
Investigations	5

FINDINGS AND DEVELOPMENTS

Direct Loans and Other Investments	10
------------------------------------	----





SECTION 1

SIGPR OVERSIGHT

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:



The Office of Audits completed three independent reviews into the memoranda that Treasury prepared to confirm that it had obtained all documents required from direct loan recipients. The office also continued an audit of Treasury's monitoring of the Direct Loan Program. In addition, the office began an audit into what role, if any, lobbying had in the process of issuing direct loans.



The Office of Investigations vetted 180 hotline complaints. It also initiated five full investigations and closed two, bringing the total number of open investigations to 27. In addition, the office secured a criminal complaint, a criminal information, and a guilty plea through its continued investigative efforts and coordination with law enforcement partners.



SIGPR executed memoranda of understanding with three additional U.S. Attorneys' Offices. These memoranda establish the purpose, mission, and objectives of cooperative civil and criminal law enforcement efforts related to programs funded under section 4003(b) of the CARES Act. They emphasize investigating and prosecuting organized criminal activity, as well as criminal and civil fraud affecting federal money, vulnerable victims, and fraud recidivists.

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.¹

Engagements

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

¹ See CARES Act § 4018(c)(1).

Independent Reviews of 4003(b) Loan Recipients' Validation Memoranda



The Office of Audits has issued three independent reviews of Treasury's Validation Memoranda for direct loan applications from Frontier Airlines, Inc., American Airlines, Inc., and Alaska Airlines, Inc. A Validation Memorandum is a document that Treasury created to confirm that the applicant submitted all required documentation. Once a Validation Memorandum was completed, the 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 will help SIGPR determine whether Treasury acquired all required documents from each applicant prior to approving the applicant for funding from the Direct Loan Program. SIGPR identified minor discrepancies in the Validation Memoranda for Alaska Airlines and American Airlines and no issues with the Validation Memorandum for Frontier Airlines. The results of these attestation reviews will be included with the overall audit of the section 4003(b) loan program.

Audit of Treasury's Monitoring of the Direct Loan Program

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. The Office of Audits selected a sample of 17 of the 35 borrowers. The audit team will test how Treasury monitored the sample borrowers for compliance with the CARES Act and loan agreements.



Audit of Direct Loan Program Recipients' Use of Lobbying

SIGPR held an entrance conference with Treasury officials on February 24, 2022, to launch its Audit of Direct Loan Program 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 the loan process.

Department of Defense Office of Inspector General Audit of National Security Designations

Additionally, SIGPR continues to partner with the Department of Defense (DOD) Office of Inspector General in its audit of national security designations for businesses. This joint effort reviews DOD's recommendations to Treasury as to whether NSLP applicants should be designated as critical to maintaining national security. The purpose of the audit is to understand how DOD arrived at those recommendations.

Data Analysis

The Office of Audits Data Analytics Division continues to play an integral role in SIGPR's mission and success. SIGPR's data analytic platform uses sophisticated software and tools that process large quantities of data and analyze them to detect potential program fraud and misuse. These tools are valuable not only for SIGPR's audit work, but also for other proactive initiatives. The division has developed a data library containing over 90 million rows of CARES Act funding information, drawn from both public and sensitive sources, and updates the library at least quarterly to maintain accurate and relevant information.



In all, the Data Analytics Division:

- creates 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 anomalies;
- 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, 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.

In addition, the Office of Audits Data Analytics Division is reviewing datasets that the Pandemic Response Accountability Committee (PRAC) shared with various federal Offices of Inspector General. When reconciled with other available information, the datasets will be of great benefit to SIGPR in its commitment to detecting and preventing fraud, waste, and abuse related to CARES Act funds.

Investigative Support



The Office of Audits provides forensic auditing services, including financial records analysis, in support of investigations conducted by the Office of Investigations. The Office of Audits is examining 10 requests for investigative support, along with audit support to ongoing investigative efforts.

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 members of the public to report fraud, waste, abuse, or misconduct.



Investigative Activities

The Office of Investigations routinely collaborates across SIGPR components to vet complaints, develop proactive efforts, and pursue investigations. In addition, SIGPR conducts investigations in partnership with various U.S. Attorneys’ Offices, the DOJ, the PRAC Fraud Task Force, and other federal law enforcement partners.

During this reporting period, the office continued its investigative focus 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 – January 1, 2022 through March 31, 2022

Hotline Complaints	
Hotline Complaints Received	180
Referrals to Other Agencies	70
Preliminary Inquiries	
Opened	0
Closed	0
Converted to Full Investigation	5
Ongoing	0
Investigations	
Opened	5
Closed	2
Ongoing*	27
Criminal Actions †	
Referrals to the Department of Justice	1
Referrals to State/Local Prosecuting Authorities	0
Indictments/Informations**	1
Arrests/Summons	2
Convictions/Pleas	1
Sentencings	0
Civil Actions	
Referrals to the Department of Justice	0
Civil Judgments/Settlements	0
Other Enforcement Actions	
IG Subpoenas Issued	1
Investigative Monetary Results	
Funds Seized/Forfeitures	\$596,477
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.



EDMOND, OK WOMAN PLEADS GUILTY TO MAIN STREET LENDING PROGRAM FRAUD

In January 2022, an Edmond, Oklahoma woman pled guilty in the U.S. District Court for the Western District of Oklahoma, to bank fraud and money laundering related to a loan obtained through the MSLP.

The woman was charged by information with fraudulently obtaining an MLSP loan for her business. SIGPR special agents, along with counterparts from the Federal Reserve Board OIG, Federal Bureau of Investigation, Internal Revenue Service-Criminal Investigation, U.S. Secret Service, and Small Business Administration OIG, determined the woman obtained the loan from a local bank in Oklahoma in September 2020 and executed a loan agreement falsely representing she would use MSLP funds for working capital and payroll only. She also falsely represented she would not make financial distributions to herself as the company owner. The woman laundered the loan proceeds by using them to pay for construction of her personal home. Other loan funds were used to purchase a luxury vehicle for her personal use.



SIGPR Hotline Activity

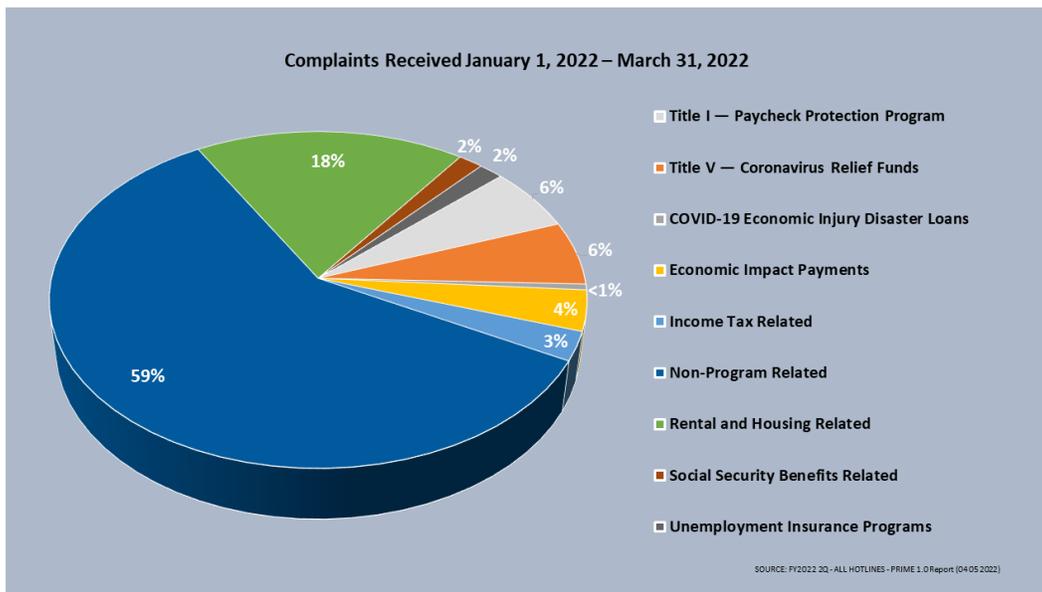


The SIGPR hotline accepts reports of potential fraud, waste, abuse, and mismanagement related to CARES Act funding, programs, and personnel. The hotline also accepts whistleblower complaints from federal employees, former federal employees, employment applicants, employees of contractors, subcontractors, 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 180 hotline complaints, as indicated in the table and chart below.

Complaints by Category Received January 1, 2022 – March 31, 2022

Category	Total
Title I – Paycheck Protection Program	11
Title IV, Subtitle A – 13(3) Facilities (MSLP)	0
Title IV, Subtitle B – Payroll Support Program	0
Title V – Coronavirus Relief Fund	11
Other	
COVID-19 Economic Injury Disaster Loans	1
Economic Impact Payments	7
Income Tax Related	5
Non-Program Related	106
Rental and Housing Assistance Programs	33
Social Security Benefits Related	3
Unemployment Insurance Programs	3
Grand Total	180





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).”²

Accordingly, below are the categories of loans and other investments made by Treasury under CARES Act section 4003,³ 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 section 4003(b)(1)–(3), cover loans and loan guarantees to passenger air carriers and related businesses (\$25 billion), cargo air carriers (\$4 billion), and businesses critical to maintaining national security (\$17 billion).⁴ 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.⁵ 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

² CARES Act § 4018(f)(1)(B).

³ Treasury did not establish a program for “loan guarantees” under CARES Act section 4003.

⁴ 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> (last visited Apr. 18, 2022).

⁵ See Consolidated Appropriations Act, 2021, Pub. L. 116 -260, div. N §§ 1003, 1005.

facilities in the MSLP, which were authorized to purchase loans until January 8, 2021, for applications submitted by December 14, 2020.⁶

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 March 31, 2022:

Funding Program	Outstanding Amount as of March 31, 2022
Direct Loans to Passenger Air Carriers and Related Businesses	\$255,473,818
Direct Loans to Cargo Air Carriers	\$2,374,217
Direct Loans to Businesses Critical to Maintaining National Security	\$744,613,899
Funding Program	Treasury Investment Remaining as of March 31, 2022
Main Street Lending Program (MS Facilities, LLC)	\$15,698,805,108
Term Asset-Backed Securities Loan Facility (TALF II, LLC)	\$1,400,000,000 (plus interest)
Primary and Secondary Market Corporate Credit Facility (Corporate Credit Facilities, LLC)	\$0
Municipal Liquidity Facility (Municipal Liquidity Facility, LLC)	\$4,200,000,000 (plus interest)

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).⁷ 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

⁶ *Id.* § 1005.

⁷ 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.

FINDINGS AND DEVELOPMENTS

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.⁸

Recipient	Loan Date	Maturity Date	Total Loan Amount	Disbursements ⁹	Total Outstanding Loan Amount ¹⁰	Cash Interest Receipts
Aero Hydraulics, Inc.	10/26/2020	10/24/2025	\$450,000	\$450,000	\$507,914	\$0
Alaska Airlines, Inc.	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
Allflight Corporation	11/5/2020	11/5/2025	\$4,721,260	\$4,721,260	\$4,721,260	\$420,822
American Airlines, Inc.	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
American Jet International Corp	11/5/2020	11/5/2025	\$1,162,124	\$1,162,124	\$1,181,571	\$85,119
Aviation Management & Repairs, Inc.	11/5/2020	11/5/2025	\$4,026,705	\$4,026,705	\$4,294,825	\$0
Bristin Travel LLC	10/26/2020	10/24/2025	\$549,651	\$549,651	\$591,163	\$9,320
Caribbean Sun Airlines, Inc.	11/5/2020 (amended)	11/5/2025	\$6,768,749	\$6,768,749	\$7,369,731	\$0

⁸ 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* (Apr. 1, 2022), <https://home.treasury.gov/system/files/136/4026b1CLoanReport04012022.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).

⁹ “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* (Apr. 1, 2022), <https://home.treasury.gov/system/files/136/4026b1CLoanReport04012022.pdf>.

¹⁰ “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.*

FINDINGS AND DEVELOPMENTS

Recipient	Loan Date	Maturity Date	Total Loan Amount	Disbursements ⁹	Total Outstanding Loan Amount ¹⁰	Cash Interest Receipts
Eastern Airlines, LLC	10/28/2020	10/28/2025	\$15,000,000	\$15,000,000	\$16,453,541	\$0
Elite Airways, LLC	11/9/2020 (amended 12/1/2020)	11/7/2025	\$2,630,274	\$2,630,274	\$2,867,017	\$0
Frontier Airlines, Inc.	9/28/2020 (amended 1/15/2021)	9/26/2025	\$574,000,000	\$150,000,000	\$0	\$5,548,667
Hawaiian Airlines, Inc.	9/25/2020 (amended 10/23/2020 and 1/15/2021)	6/28/2024	\$622,000,000	\$45,000,000	\$0	\$450,450
Island Wings, Inc.	11/5/2020	11/5/2025	\$294,350	\$294,350	\$321,561	\$0
JetBlue Airways Corporation	9/29/2020 (amended 11/3/2020 and 1/15/2021)	11/29/2025	\$1,948,000,000	\$115,000,000	\$0	\$3,330,113
Legacy Airways, LLC	10/20/2020	10/25/2025	\$1,817,306	\$1,817,306	\$2,052,656	\$0
Mesa Airlines, Inc.	10/30/2020	10/30/2025	\$195,000,000	\$195,000,000	\$204,947,017	\$0
Ovation Travel Group, Inc.	10/15/2020	10/15/2025	\$20,000,000	\$20,000,000	\$0	\$181,881
Republic Airways, Inc.	11/6/2020	11/6/2025	\$58,000,000	\$58,000,000	\$0	\$1,622,308
SkyWest Airlines, Inc.	9/29/2020 (amended 10/28/2020 and 1/15/2021)	9/29/2025	\$725,000,000	\$60,000,000	\$0	\$1,196,767
Southern Airways Express, LLC	10/28/2020	10/28/2025	\$1,838,501	\$1,838,501	\$1,838,501	\$171,409
Sun Country, Inc.	10/26/2020	10/24/2025	\$45,000,000	\$45,000,000	\$0	\$77,125
Thomas Global Systems, LLC	11/9/2020	11/7/2025	\$1,400,000	\$1,400,000	\$1,530,278	\$0
Timco Engine Center, Inc.	11/5/2020	11/5/2025	\$8,390,240	\$8,390,240	\$9,171,000	\$0
United Airlines, Inc.	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.¹¹

Recipient	Loan Date	Maturity Date	Total Loan Amount	Disbursements ¹²	Total Outstanding Loan Amount ¹³	Cash Interest Receipts
Channel Logistics, LLC	11/12/2020	11/12/2025	\$2,500,000	\$2,500,000	\$2,584,410	\$142,372
Core Avionics & Industrial, Inc.	11/5/2020	11/5/2025	\$6,000,000	\$6,000,000	\$0	\$213,998
Map Large, Inc.	11/2/2020	10/31/2025	\$10,000,000	\$10,000,000	\$11,260,517	\$0
Meridian Rapid Defense Group, LLC	10/30/2020	10/30/2025	\$7,100,000	\$7,100,000	\$7,912,647	\$79,019
Ovio Technologies, Inc.	11/2/2020	10/31/2025	\$1,186,900	\$1,186,900	\$1,336,511	\$0
Semahtronix, LLC	11/13/2020	11/13/2025	\$1,999,100	\$1,999,100	\$0	\$777
Semantic AI, Inc.	11/13/2020	11/13/2025	\$506,300	\$506,300	\$553,718	\$0
SpinLaunch, Inc.	11/13/2020	11/13/2025	\$2,519,200	\$2,519,200	\$2,519,200	\$224,997
Visual Semantics, Inc.	10/30/2020	10/30/2025	\$1,053,200	\$1,053,200	\$1,173,746	\$11,722

¹¹ 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* (April 1, 2022), <https://home.treasury.gov/system/files/136/4026b1CLoanReport04012022.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).

¹² “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* (April 1, 2022), <https://home.treasury.gov/system/files/136/4026b1CLoanReport04012022.pdf>.

¹³ “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.*

Recipient	Loan Date	Maturity Date	Total Loan Amount	Disbursements ¹²	Total Outstanding Loan Amount ¹³	Cash Interest Receipts
Wiser Imagery Services, LLC	10/30/2020	10/30/2025	\$3,069,700	\$3,069,700	\$3,459,124	\$0
Yellow Corporation ¹⁴	7/8/2020	9/30/2024	\$700,000,000	\$700,000,000	\$713,814,026	\$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 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.”¹⁵

The Federal Reserve established several liquidity programs (facilities) pursuant to section 13(3) of the Federal Reserve Act.¹⁶ That provision, used extensively during the 2008 financial crisis and amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act,¹⁷ 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.”¹⁸ The Federal Reserve Board was required to consult with the Secretary of the Treasury prior to the Board’s 2015 issuance of regulations governing emergency lending under the statute.¹⁹ The Federal Reserve may not establish any emergency lending program under section 13(3) without prior approval of the Secretary of the Treasury.²⁰

Of note, as of March 31, 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

¹⁴ YRC Worldwide changed its name to Yellow Corporation. *Id.*

¹⁵ CARES Act § 4003(b)(4)(A)–(C).

¹⁶ See 12 U.S.C. § 343(3).

¹⁷ Pub. L. 111-203, 124 Stat. 1375.

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

¹⁹ 12 U.S.C. § 343(3)(B)(i).

²⁰ 12 U.S.C. § 343(3)(B)(iv).

recognized approximately \$23 million in actual loan losses.²¹ In addition, an evaluation of loan participations purchased by MS Facilities, LLC resulted in a reported loan loss allowance in the amount of \$2 billion.²² The allowance for loan losses is estimated based upon MS Facilities, LLC's holdings as of December 31, 2021.²³

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 March 31, 2022.²⁴

Recipient	Treasury Investment Remaining as of March 31, 2022
MS Facilities, LLC	\$15,698,805,108
TALF II, LLC	\$1,400,000,000 (plus interest)
Corporate Credit Facilities, LLC	\$0
Municipal Liquidity Facility, LLC	\$4,200,000,000 (plus interest)

The SPVs have returned the following amounts to Treasury as of March 31, 2022.

Recipient	Investment Returned to Treasury as of March 31, 2022
MS Facilities, LLC	\$21,825,594,384.02
TALF II, LLC	\$8,635,924,341.57
Corporate Credit Facilities, LLC	\$37,980,215,713.55
Municipal Liquidity Facility, LLC	\$13,280,140,963.54

These facilities have stopped extending loans or purchasing obligations. Transaction-specific details for the facilities are available on the Federal Reserve's website.²⁵ 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 Main Street Lending Program on a periodic basis going forward.

²¹ 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* (April 11, 2022), <https://www.federalreserve.gov/publications/files/13-3-report-20220412.pdf>.

²² See *id.*

²³ See *id.*

²⁴ See *id.*

²⁵ 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/reports-to-congress-in-response-to-covid-19.htm> (last updated April 12, 2022).



HELP FIGHT FRAUD, WASTE, AND ABUSE.

BY EMAIL: hotline@sigpr.gov

BY PHONE: 202-927-7899

www.sigpr.gov