



# OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

Quarterly Report to the United States Congress  
January through March 2023







MESSAGE FROM THE SPECIAL INSPECTOR GENERAL  
FOR PANDEMIC RECOVERY

I am pleased to present our twelfth Quarterly Report to Congress. During this reporting period we issued our sixteenth audit attestation review of airlines that received direct loans under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. We summarized our 16 attestation reviews in a roll-up memorandum to Treasury. These attestations predominantly 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 because taxpayers rely on air transport and expect their hard-earned dollars to be used as the CARES Act intended.

In addition, we are currently conducting a significant number of investigations within the Special Inspector General for Pandemic Recovery's (SIGPR's) jurisdiction, as well as continuing to enhance other pandemic oversight efforts through our active participation in the Pandemic Response Accountability Committee's (PRAC) Fraud Task Force.

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, in order for this work to continue, we are asking for a five-year extension beyond our sunset date 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 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 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 54 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

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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.<sup>1</sup>

### **Engagements**

During this quarter, the Office of Audits worked on several engagements related to the Direct Loan Program and started one audit of 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.

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 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.

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

This quarter, the Office of Audits issued one independent review of Validation Memoranda completed

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

by Treasury.<sup>2</sup> The Office of Audits has issued a total of 16 independent reviews to date. On March 9, 2023, the Office of Audits issued a roll-up memorandum of the results of all 16 attestation reviews. The results showed that one Validation Memorandum contained material deficiencies and 10 Validation Memoranda contained minor discrepancies.

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

#### **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 to gather and administer YRC Worldwide, Inc.'s application package prior to underwriting and approving 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 the loan application, April 29, 2020, to the date that the final loan disbursement was made.

#### **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, the Office of Audits will determine whether Treasury had a sufficient policy in place to guide its monitoring of the direct loans. Second, the Office of Audits 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. To conduct its testing, the Office of Audits has met with Treasury program officials, reviewed Treasury's monitoring portal (Salesforce), and obtained monthly reports from Treasury's administrative agent.

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

Mesa Airlines, Inc. 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, Inc. 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 agreements between Mesa Airlines and Treasury are being met.

The Office of Audits held entrance conferences with Treasury officials and individuals at Mesa Airlines to discuss audit objectives. The audit team has reviewed Mesa Airlines' responses to Salesforce review card questions that are designed to monitor compliance with the loan agreement, and conducted a site visit to Mesa Airlines' headquarters to review supporting documentation and interview Mesa Airlines' officials. This is the first in a series of planned audits to ensure compliance with the terms of the loan agreements between Treasury and the loan recipients.

#### **Audit of Treasury's Use of Outside Entities**

On December 15, 2022, SIGPR issued an engagement letter notifying Treasury of the audit of Treasury's use of outside entities contracted to assist in the making, purchase and management of loans, loan

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<sup>2</sup> The independent review issued this quarter was for a Validation Memorandum that Treasury completed for Eastern Airlines, LLC.

guarantees and other investments made under any program established under Division A of the CARES Act.

The purpose of this audit is to determine if the process Treasury used to select contractors for CARES Act support complied with the Federal Acquisition Regulation. The audit team held an entrance conference with Treasury on January 11, 2023.

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

On March 14, 2023, SIGPR issued an engagement letter notifying Treasury of this audit that will focus on the identification of Main Street Lending Program (MSLP) loans that went into default or became impaired and determine the reasons for the defaults/impairments and the effects they will have on Treasury's investment in the program. As part of this audit, SIGPR issued a Draft Alert Memorandum to Treasury on March 20, 2023, notifying Treasury of the closure of Signature Bank, a bank that issued five MSLP loans worth \$113.4 million. In addition, on March 31, 2023, SIGPR issued an Interim Report based on MSLP loan information obtained from 16 lender banks. The 16 banks hold 778 MSLP loans valued at approximately \$5.5 billion. These banks reported over \$427 million 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. They also reported 181 loans (23.3%) where the borrower was delinquent in its required financial reporting. Also, of the 778 loans, 166 (21.3%) were paid off.

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, 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 Inspectors 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 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 – January 1, 2023, through March 31, 2023**

|  |     |
|--|-----|
| <b>Hotline Complaints</b>                        |     |
| Hotline Complaints Received                      | 117 |
| Referrals to Other Agencies*                     | 14  |
| <b>Preliminary Inquiries</b>                     |     |
| Opened   | 6   |
| Closed   | 1   |
| Converted to Full Investigation                  | 2   |
| Ongoing  | 5   |
| <b>Investigations**</b>                          |     |
| Opened   | 3   |
| Closed   | 4   |
| Ongoing  | 33  |
| <b>Criminal Actions †</b>                        |     |
| Referrals to the Department of Justice           | 3   |
| Referrals to State/Local Prosecuting Authorities | 0   |
| Indictments/Informations                         | 1   |
| Arrests/Summons                                  | 1   |
| Convictions/Pleas                                | 0   |
| Sentencings                                      | 1   |
| <b>Civil Actions</b>                             |     |
| Referrals to the Department of Justice           | 0   |
| Civil Judgments/Settlements                      | 0   |

| Other Enforcement Actions            |           |
|--------------------------------------|-----------|
| IG Subpoenas Issued                  | 10        |
| Suspension/Debarment Recommendations | 6         |
| Investigative Monetary Results       |           |
| Funds Seized/Forfeitures             | 0         |
| Restitution Ordered                  | 2,617,447 |
| Fines and Penalties                  | 0         |
| Civil Judgments/Settlements          | 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.

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

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



**[NAPLES FELON SENTENCED TO MORE THAN SEVEN YEARS FOR \\$2.6 MILLION COVID RELIEF FRAUD SCHEME](#)**

In February 2023, a Naples, Florida man was sentenced in U.S. District Court, Middle District of Florida, to seven years and three months in federal prison for wire fraud, bank fraud, illegal monetary transactions, and possession of ammunition by a convicted felon. The man was also ordered to forfeit properties, an engagement ring, ammunition, and cash seized from bank accounts, as well as being ordered to pay restitution in the amount of \$2,617,447.17, all traceable proceeds of the offenses.

SIGPR special agents along with counterparts from the Federal Bureau of Investigation and Internal Revenue Service – Criminal Investigation, with assistance from the Federal Reserve Board – Office of Inspector General, determined that the man, a convicted felon, submitted false and fraudulent Main Street Lending Program (MSLP), Economic Injury Disaster Loans (EIDL), and Paycheck Protection Program (PPP) loan applications, resulting in the receipt of more than \$2.6 million in federal funds. His loan applications contained numerous false representations, including the criminal history, average monthly payroll, number of employees, and gross revenues. Further, he fraudulently used the means of identification of individuals who purported to work for his companies to submit false and fraudulent payroll and payroll tax documents. The man allegedly used the funds for unauthorized purposes and for his own personal enrichment, including the purchase of residences in Naples, a boat, cars, stocks and investment securities, an engagement ring, and ammunition.

As part of his August 2022, guilty plea, the man agreed to forfeit his interest in a 2019 Tiara 34LS boat, two real properties located in Naples, a 4.02 carat solitaire engagement ring, and approximately \$65,645 seized from two bank accounts, that were traceable to proceeds of the offenses.



## **MARYLAND MAN INDICTED AND ARRESTED FOR ALLEGEDLY OBTAINING MORE THAN \$1.5 MILLION IN FEDERAL COVID-19 PANDEMIC RELIEF FUNDS**

In March 2023, a Perry Hall, Maryland accountant was indicted on wire fraud, aggravated identity theft, and money laundering charges in connection with fraudulent applications for EIDL and PPP loans, totaling more than \$1.5 million. The man was later arrested by SIGPR and Federal Bureau of Investigation (FBI) special agents.

SIGPR and FBI special agents determined that in April 2020, the man allegedly filed fraudulent applications on behalf of his businesses through the EIDL and PPP programs. The programs were intended to provide emergency financial assistance to Americans suffering from the economic effects caused by the COVID-19 pandemic.

The obtained CARES Act funds were allegedly used on personal expenses such as a 2015 Tesla, home renovations, personal expenses, jewelry, and investment accounts. To date, the Tesla and over \$700,000 in funds have been seized. The case was generated and assigned to SIGPR by the Pandemic Response Accountability Committee (PRAC) Task Force.

### **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 15 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.

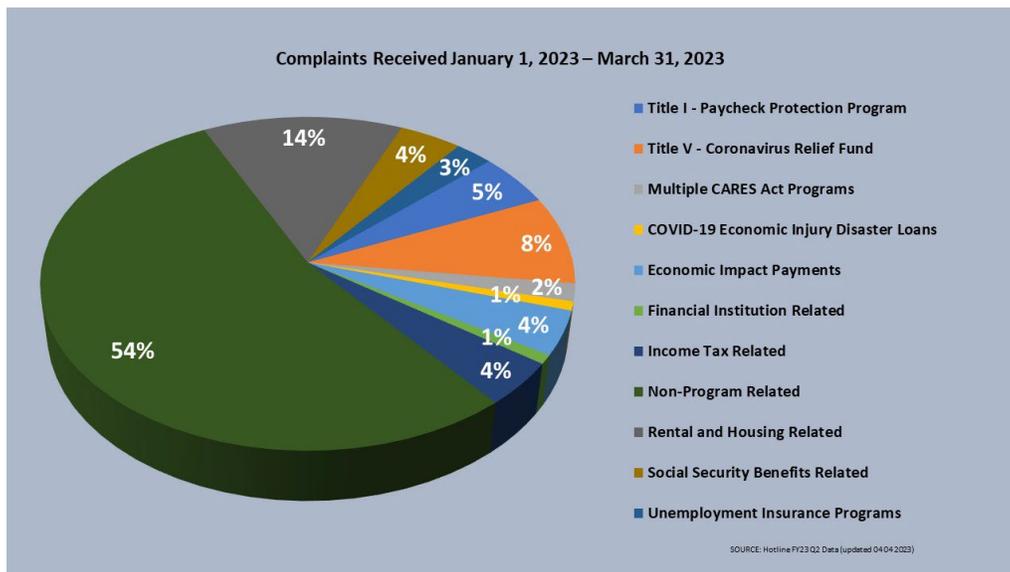
### **SIGPR Hotline Activity**

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

### Complaints by Category Received January through March 2023

| Category  | Total      |
|---|------------|
| <b>Title I – Paycheck Protection Program</b>                | 6          |
| <b>Title V – Coronavirus Relief Fund</b>                    | 10         |
| <b>Multiple CARES Act Programs</b>                          | 2          |
| <b>Other</b>  |            |
| Economic Impact Payments                                    | 5          |
| Emergency Income Disaster Loans                             | 1          |
| Income Tax Related  | 5          |
| Non-Program Related   | 63         |
| Rental and Housing Assistance Programs                      | 16         |
| Social Security Benefits                                    | 5          |
| Unemployment Insurance Programs                             | 3          |
| Financial Institution Related (Bank Account, Missing Money) | 1          |
| <b>Grand Total</b>  | <b>117</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>3</sup>

Accordingly, below are the categories of loans and other investments made by Treasury under CARES Act section 4003,<sup>4</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 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), and businesses critical to maintaining national security (\$17 billion).<sup>5</sup>

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).

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<sup>3</sup> CARES Act § 4018(f)(1)(B)

<sup>4</sup> Treasury did not establish a program for “loan guarantees” under CARES Act section 4003.

<sup>5</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>

The Consolidated Appropriations Act, 2021, amended the CARES Act to rescind unobligated balances of funds (\$429 billion) in these programs.<sup>6</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>7</sup>

### 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>8</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.



#### *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.<sup>9</sup>

<sup>6</sup> See Consolidated Appropriations Act, 2021, Pub. L. 116-260, div. N §§ 1003, 1005

<sup>7</sup> *Id.* § 1005.

<sup>8</sup> 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](https://home.treasury.gov/system/files/136/Procedures_and_Minimum_Requirements_for_Loans.pdf).

<sup>9</sup> 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* (April 1, 2023) <https://home.treasury.gov/system/files/136/4026b1CLoanReport04012023.pdf>; see also U.S. Department of the 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).

## FINDINGS AND DEVELOPMENTS

| Borrower Name                                    | Borrower Type <sup>1</sup> | City <sup>2</sup> | State <sup>2</sup> | Date of Loan Agreement                       | Maturity Date | Total Authorized Loan Amount | Disbursements <sup>3</sup> | Total Outstanding Loan Amount <sup>4</sup> | Total Repaid Loan Principal | Cash Interest Receipts |
|--|----------------------------|-------------------|--------------------|--|---------------|------------------------------|----------------------------|--|-----------------------------|------------------------|
| Aero Hydraulics, Inc.                            | Repair Station Operator    | Fayetteville      | GA                 | 10/26/2020                                   | 10/24/2025    | \$450,000                    | \$450,000                  | \$541,834                                  | \$0                         | \$25,668               |
| Alaska Airlines, Inc. <sup>5</sup>               | 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 <sup>6</sup>               | Repair Station Operator    | Kent              | WA                 | 11/5/2020                                    | 11/5/2025     | \$4,721,260                  | \$4,721,260                | \$4,325,016                                | \$396,244                   | \$847,323              |
| American Airlines, Inc. <sup>7</sup>             | 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                         | \$194,937              |
| Aviation Management & Repairs, Inc. <sup>8</sup> | Repair Station Operator    | Fort Pierce       | FL                 | 11/5/2020                                    | 11/5/2025     | \$4,026,705                  | \$4,026,705                | \$4,613,338                                | \$100,000                   | \$94,671               |
| Bristin Travel, LLC <sup>9</sup>                 | Ticket Agent               | Fayetteville      | AR                 | 10/26/2020                                   | 10/24/2025    | \$549,651                    | \$549,651                  | \$375,789                                  | \$248,826                   | \$28,799               |
| Caribbean Sun Airlines, Inc. <sup>10</sup>       | Passenger Air Carrier      | Virginia Gardens  | FL                 | 11/5/2020 (amended 12/7/2020)                | 11/5/2025     | \$6,768,749                  | \$6,768,749                | \$8,078,737                                | \$0                         | \$0                    |
| Borrower Name                                    | Borrower Type <sup>1</sup> | City <sup>2</sup> | State <sup>2</sup> | Date of Loan Agreement                       | Maturity Date | Total Authorized Loan Amount | Disbursements <sup>3</sup> | Total Outstanding Loan Amount <sup>4</sup> | 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                | \$2,776,076                                | \$0                         | \$199,340              |
| Core Avionics & Industrial, Inc. <sup>11</sup>   | 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               | \$17,673,772                               | \$0                         | \$362,685              |
| Elite Airways, LLC <sup>12</sup>                 | Passenger Air Carrier      | Portland          | ME                 | 11/9/2020 (amended 12/1/2020)                | 11/7/2025     | \$2,630,274                  | \$2,630,274                | \$3,142,839                                | \$0                         | \$0                    |
| Frontier Airlines, Inc. <sup>13</sup>            | 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. <sup>14</sup>            | 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                  | \$345,409                                  | \$0                         | \$7,091                |
| JetBlue Airways Corporation <sup>15</sup>        | 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 <sup>16</sup>                | Cargo Air Carrier          | Conroe            | TX                 | 10/20/2020                                   | 10/20/2025    | \$1,817,306                  | \$1,817,306                | \$2,295,058                                | \$0                         | \$0                    |

## FINDINGS AND DEVELOPMENTS

| Borrower Name                                   | Borrower Type <sup>1</sup> | City <sup>2</sup> | State <sup>2</sup> | Date of Loan Agreement                                  | Maturity Date | Total Authorized Loan Amount | Disbursements <sup>3</sup> | Total Outstanding Loan Amount <sup>4</sup> | 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               | \$12,277,417                               | \$0                         | \$312,876              |
| Meridian Rapid Defense Group, LLC <sup>17</sup> | National Security          | Pasadena          | CA                 | 10/30/2020  | 10/30/2025    | \$7,100,000                  | \$7,100,000                | \$8,847,067                                | \$0                         | \$79,019               |
| Mesa Airlines, Inc. <sup>18</sup>               | Passenger Air Carrier      | Phoenix           | AZ                 | 10/30/2020  | 10/30/2025    | \$195,000,000                | \$195,000,000              | \$158,759,945                              | \$46,187,072                | \$12,446,814           |
| Ovation Travel Group, Inc. <sup>19</sup>        | 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.                         | National Security          | Newport Beach     | CA                 | 11/2/2020   | 10/31/2025    | \$1,186,900                  | \$1,186,900                | \$1,457,207                                | \$0                         | \$37,135               |
| Republic Airways, Inc. <sup>20</sup>            | Passenger Air Carrier      | Indianapolis      | IN                 | 11/6/2020   | 11/6/2025     | \$58,000,000                 | \$58,000,000               | \$0  | \$58,000,000                | \$1,622,308            |
| Semastronix, LLC <sup>21</sup>                  | 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                  | \$594,783                                  | \$0                         | \$12,206               |
| SkyWest Airlines, Inc. <sup>22</sup>            | 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 <sup>1</sup> | City <sup>2</sup> | State <sup>2</sup> | Date of Loan Agreement                                  | Maturity Date | Total Authorized Loan Amount | Disbursements <sup>3</sup> | Total Outstanding Loan Amount <sup>4</sup> | Total Repaid Loan Principal | Cash Interest Receipts |
| Southern Airways Express, LLC <sup>23</sup>     | 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                         | \$421,533              |
| Sun Country, Inc. <sup>24</sup>                 | 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 <sup>25</sup>        | 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. <sup>26</sup>         | Repair Station Operator    | Oscoda            | MI                 | 11/5/2020   | 11/5/2025     | \$8,390,240                  | \$8,390,240                | \$10,024,726                               | \$0                         | \$0                    |
| United Airlines, Inc. <sup>27</sup>             | 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. <sup>28</sup>            | National Security          | Austin            | TX                 | 10/30/2020  | 10/30/2025    | \$1,053,200                  | \$1,053,200                | \$1,312,356                                | \$0                         | \$11,722               |
| Wiser Imagery Services, LLC                     | National Security          | Murfreesboro      | TN                 | 10/30/2020  | 10/30/2025    | \$3,069,700                  | \$3,069,700                | \$3,771,506                                | \$0                         | \$96,113               |
| Yellow Corporation <sup>29</sup>                | National Security          | Overland Park     | KS                 | 7/7/2020  | 9/30/2024     | \$700,000,000                | \$700,000,000              | \$729,350,367                              | \$230                       | \$56,829,066           |

## FINDINGS AND DEVELOPMENTS

| Borrower Name | Borrower Type <sup>1</sup> | City <sup>2</sup> | State <sup>2</sup> | Date of Loan Agreement | Maturity Date | Total Authorized Loan Amount | Disbursements <sup>3</sup> | Total Outstanding Loan Amount <sup>4</sup> | Total Repaid Loan Principal | Cash Interest Receipts |
|---------------|----------------------------|-------------------|--------------------|------------------------|---------------|------------------------------|----------------------------|--|-----------------------------|------------------------|
| TOTAL         |                            |                   |                    |                        |               | \$21,890,983,560             | \$2,677,983,560            | \$974,302,155                              | \$1,758,379,717             | \$107,154,215          |

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.
- 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 amount of \$99,782 on September 23, 2022; \$97,933 on November 30, 2022; \$100,000 on December 15, 2022; and \$98,529 on January 31, 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 \$248,826 in principal on December 30, 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, and \$14,187,072 in principal on March 17, 2023.
- Ovation Travel Group, Inc. paid in full all outstanding principal and interest on January 21, 2021.
- 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 and is in default on its loan 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 \$316 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.

### 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."<sup>10</sup>

The Federal Reserve established several liquidity programs (facilities) pursuant to section 13(3) of the

<sup>10</sup> CARES Act § 4003(b)(4)(A)–(C)

Federal Reserve Act.<sup>11</sup> That provision, used extensively during the 2008 financial crisis and amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act,<sup>12</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>13</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>14</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>15</sup>

Of note, as of March 31, 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 \$136 million in actual loan losses, net of subsequent recoveries.<sup>16</sup> This number has tripled from \$45 million since SIGPR’s last quarterly report of 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 \$1.1 billion.<sup>17</sup> The allowance for loan losses is estimated based upon MS Facilities, LLC’s holdings as of December 31, 2022.<sup>18</sup>

These facilities have stopped extending loans or purchasing obligations. Additional details for the facilities are available on the Federal Reserve’s website.<sup>19</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.

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, 2023.<sup>20</sup>

| Recipient                         | Treasury Investment Remaining as of March 31, 2023 |
|-----------------------------------|--|
| MS Facilities, LLC                | \$11,735,950,833.24                                |
| TALF II, LLC                      | \$1,050,834,324.00                                 |
| Corporate Credit Facilities, LLC  | \$0.00   |
| Municipal Liquidity Facility, LLC | \$2,940,594,056.65                                 |

<sup>11</sup> See 12 U.S.C. § 343(3)

<sup>12</sup> Pub. L. 111-203, 124 Stat. 1375

<sup>13</sup> 12 U.S.C. § 343(3)(A); see also 12 C.F.R. § 201.4(d)

<sup>14</sup> 12 U.S.C. § 343(3)(B)(i)

<sup>15</sup> 12 U.S.C. § 343(3)(B)(iv)

<sup>16</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-20230411.pdf> (April 10, 2023).

<sup>17</sup> See *id.*

<sup>18</sup> See *id.*

<sup>19</sup> See *id.*

<sup>20</sup> Letter from Michelle Dickerman, Dep. Ass’t Gen. Counsel, Off. of Gen. Counsel, Treasury, to Vincent Mulloy, Special Counsel, Off. of Gen. Counsel, SIGPR, Treasury (April 21, 2023) (on file with SIGPR).

The SPVs have returned the following amounts to Treasury as of March 31, 2023.

| <b>Recipient</b>                  | <b>Investment Returned to Treasury as of<br/>March 31, 2023</b> |
|-----------------------------------|---|
| MS Facilities, LLC                | \$26,047,299,812.42   |
| TALF II, LLC                      | \$8,958,103,834.39  |
| Corporate Credit Facilities, LLC  | \$37,980,215,713.55   |
| Municipal Liquidity Facility, LLC | \$14,629,455,817.27   |



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