



OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR PANDEMIC RECOVERY

Quarterly Report to the United States Congress

October to December 2023





MESSAGE FROM THE SPECIAL INSPECTOR GENERAL
FOR PANDEMIC RECOVERY

I am pleased to present our fifteenth Quarterly Report to Congress. During this reporting period, the Special Inspector General for Pandemic Recovery (SIGPR) has issued our fourth interim report based on Main Street Lending Program (MSLP) loan information received as part of subpoena requests to the lender banks. These banks reported over \$1 billion in loans that were either in default, impaired, had delinquent interest payments, or were loans where the borrower made material misrepresentations during the loan process. Our November 7, 2023, interim report notes that approximately half of the \$164 million in MSLP loan losses are associated with loans that have been under investigation for alleged fraud. SIGPR will continue to monitor this situation as the actual loan loss figure has increased to \$564 million as of December 31, 2023.

In addition, we are currently conducting a significant number of investigations within SIGPR's jurisdiction, as well as continuing to enhance other pandemic oversight efforts through our active participation in the Pandemic Response Accountability Committee's Fraud Task Force. Unlike many agencies that work primarily on cases referred to them, SIGPR has focused most of its efforts on developing its own leads for cases. Ninety one percent of matters currently under investigation under its statutory authority at SIGPR came from self-generated leads, and those investigations involve potential fraud arising from more than \$388 million in CARES Act funds.

This quarter SIGPR's investigations resulted in an individual being sentenced for bank fraud and money laundering associated to loans obtained through the MSLP and Paycheck Protection Program (PPP) funds for unauthorized purposes and for their own personal enrichment.

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

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

Very respectfully,

Brian D. Miller
Special Inspector General for Pandemic Recovery

PROFILE

ABOUT

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

STAFFING AND BUDGET

SIGPR has 38 employees on board. We continue to be judicious in the execution of our budget in support of the SIGPR mission.

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SECTION 1

SIGPR OVERSIGHT

SIGPR employs proactive efforts to detect and investigate fraud, waste, and abuse involving CARES Act funds and programs within SIGPR's jurisdiction. Below is a summary of SIGPR's activities during the reporting period:

Audits

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

Engagements

During this quarter, the Office of Audits worked on two engagements related to the Direct Loan Program and one audit of Treasury's Investment in the Main Street Lending Program. The Direct Loan Program was established under section 4003 of the CARES Act and authorized Treasury to provide loans, loan guarantees, and other investments to passenger air carriers and related businesses, cargo air carriers, and businesses critical to maintaining national security. Treasury made direct loans to 35 such businesses, providing them with liquidity to withstand losses incurred as a result of the coronavirus pandemic. As of January 1, 2024, 10 of these 35 loans were in default.² These defaults include 2 borrowers who have filed for bankruptcy. The total outstanding loan amount for the loans in default is over \$636 million.³

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

¹ See CARES Act § 4018(c)(1)

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

³ A single borrower, Yellow Corporation, owes approximately \$597 million of this total.

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

Limited Scope Review of Yellow Corporation's Executive Compensation

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

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

We have held meetings with Yellow's outside counsel and received all documents requested in the subpoena. We are currently analyzing the provided documentation for any additional violations of Section 12.05 of the loan agreement.

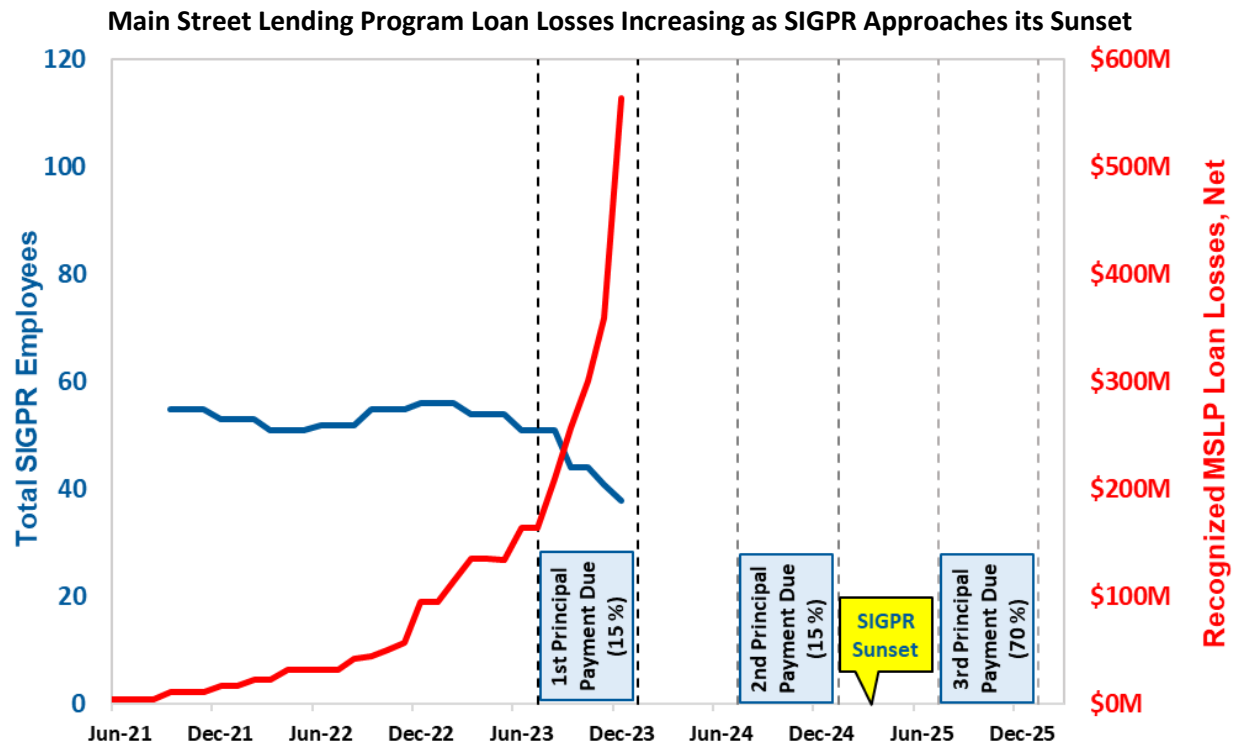
Audit of Direct Loan Program Borrower – MapLarge, Inc.

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

During the course of the audit, the audit team reviewed MapLarge's responses to Salesforce review card questions that are designed to monitor compliance with the loan agreement and conducted a site visit to MapLarge's headquarters to review supporting documentation and interview MapLarge officials. The audit team has also corresponded with Treasury officials to gain a better understanding of the nature and extent of guidance provided to borrowers.

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

On November 7, 2023, SIGPR issued its fourth interim report on Main Street Lending Program loan information received as part of a subpoena request to the Federal Reserve Bank of Boston. The report is based on \$164 million in actual loan losses declared by the Federal Reserve as of July 31, 2023. Our interim report notes that of all the loans that comprise the \$164 million in actual MSLP loan losses, approximately half (49 percent) are under investigation for alleged fraud. The amount of actual Main Street Lending Program loan losses continues to increase (\$564 million as of December 31, 2023), and more initial 15 percent principal payments become due in December 2023. The following chart shows how Main Street Lending Program losses have increased as SIGPR's full-time employee count has dropped approaching its sunset date.



The office tasked with auditing and investigating these loans is reducing employees at the same time the losses are skyrocketing. We are only in the first of three periods of principal repayment for the loans. The largest principal payments are not due until **after** SIGPR is scheduled to sunset. This highlights the need to extend SIGPR beyond its March 2025 sunset date.

Data Analytics

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

The data analytics program:

- Maintains complex risk assessment metrics by creating analytics that identify audit red flags;
- Harmonizes, cleanses, normalizes, and joins relevant data tables;
- Maintains a growing library of data tables that provide information and support the detection of irregularities;
- Creates interactive dashboards and visualizations to assist users in better understanding and prioritizing program areas for audits, investigations, and evaluations;
- Shares analytic methodologies and processes with various external government agencies, including the Department of Homeland Security, Department of Defense, U.S. Agency for International Development Office of Inspector General, Pandemic Response Accountability

Committee (PRAC), Department of Health and Human Services, Amtrak, National Aeronautics and Space Administration, Department of Education Office of Inspector General, Small Business Administration Office of Inspector General, General Services Administration Office of Inspector General, Treasury's Office of the Chief Data Officer, and others;

- Collaborates with various inter-governmental agencies, committees, and third-party vendors to stay informed about emerging analytic technologies, techniques, tools, and methodologies; and
- Continues to work closely with CIGIE's Pandemic Analytics Center of Excellence's data sharing program and analytics effort in mining data for the benefit of many government agencies and Offices of Inspector General.

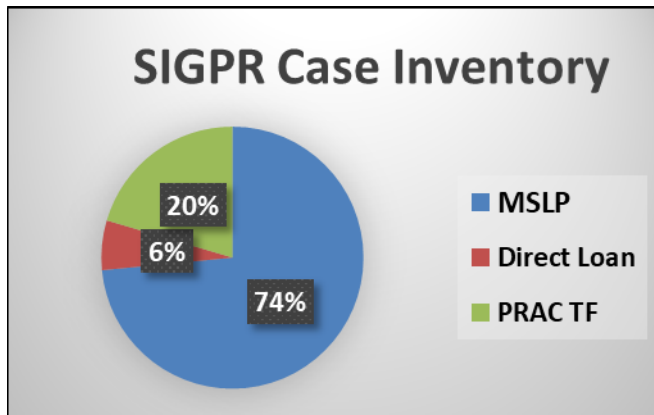
Investigations



The Office of Investigations (OI) 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, OI manages SIGPR's hotline, which serves as a primary avenue for reporting fraud, waste, abuse, or misconduct.

Investigative Activities

OI routinely collaborates with the entire SIGPR team, including auditors, analysts, and attorneys to vet complaints, develop proactive initiatives, and pursue investigations. SIGPR's investigations are conducted



in partnership with various U.S. Attorneys' Offices and the U.S. Department of Justice (DOJ). Additionally, OI continues its partnership building efforts with other law enforcement agencies. OI participates in task forces and working groups throughout the federal law enforcement and Inspector General communities, including the Pandemic Response Accountability Committee's (PRAC) Task Force, DOJ COVID-19 Fraud Enforcement Task Force, and the DOJ COVID-19 Fraud Enforcement Strike Forces.

OI's Historical Accomplishments (January 2021 – present)

As a result of statutory authority challenges to hire criminal investigators (1811 series), imposed by Department of Treasury, SIGPR's first 1811 was not onboarded until late December 2020, six months after Brian Miller was appointed as the IG. Three more 1811s came on in January and February 2021. Ultimately, OI was able to move ahead by hiring a highly skilled staff that has been very productive in what has been only three full years of operation. Just a few of the successes are highlighted below:

- OI has opened a total of 72 cases, of which 49 remain pending, with at least 130 potential defendants.
- 94% of OI's investigations involve a combination of MSLP, Payroll Protection Program, and Economic Injury Disaster Loan Program fraud (multi-dippers).
- OI's investigations have resulted in 21 federal indictments, 21 arrests, four guilty pleas, and four sentencings which have generated more than \$11.9 million in court ordered restitution, \$9.8 million in seizure/forfeiture orders, and \$350,000 in a civil settlement.
- OI's investigations also caused \$20.8 million in MSLP loans to be repaid, as a result of notification of an investigation.
- Recently, multiple arrests were made in connection with a complex fraud scheme representing over \$52 million in alleged fraud.
- Two defendants were recently sentenced to a total of 6 years in prison and ordered to pay over \$7.6 million in court ordered restitution.

- Last Spring, an individual was sentenced to more than 7 years in prison and ordered to pay over \$2.6 million in court ordered restitution.
- Most recently, a woman was sentenced to serve 20 months in prison and ordered to pay more than \$252 thousand in restitution for bank fraud and money laundering violations related to a MSLP loan.

Current Report Period

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 activity as it relates to the various CARES Act programs.

SIGPR Investigative Activity – October 1, 2023, through December 31, 2023

Hotline Complaints	
Hotline Complaints Received	208
Referrals to Other Agencies	28
Preliminary Inquiries	
Opened	6
Closed	0
Converted to Full Investigation	5
Ongoing	7
Investigations*	
Opened	6
Closed	1
Ongoing	42
Criminal Actions †	
Referrals to the Department of Justice	5
Referrals to State/Local Prosecuting Authorities	0
Indictments/Informations	0
Arrests/Summons	0
Convictions/Pleas	0
Sentencings	1
Civil Actions †	
Referrals to the Department of Justice	1
Civil Judgments/Settlements	0
Other Enforcement Actions	
IG Subpoenas Issued	11
Suspension/Debarment Recommendations	2
Administrative Suspension	0
Administrative Debarment	0
Investigative Monetary Results †	
Funds Seized/Forfeitures**	252,143
Restitution Ordered	252,143
Fines and Penalties	0

Civil Judgments/Settlements	0
Recoveries***	0

- * Includes all SIGPR program-related cases, including PRAC Fraud Task Force investigations and joint investigations with other agencies.
- † Includes all SIGPR actions reported, including those resulting from PRAC Fraud Task Force investigations and joint investigations with other agencies.
- ** Includes statistical information not captured in past reporting periods.
- *** Includes MSLP funds repaid following notification of an investigation.

Casework Highlights

Throughout the first quarter of fiscal year 2024, OI continued to expand its investigative oversight work through SIGPR’s collaborative and proactive efforts as exhibited below.



FORMER EDMONDS RESIDENT SENTENCED TO SERVE 20 MONTHS IN FEDERAL PRISON FOR FRAUD ON MAIN STREET LENDING PROGRAM CREATED IN RESPONSE TO THE PANDEMIC

Former Edmond Resident Sentenced to Serve 20 Months in Federal Prison for Fraud on Main Street Lending Program Created in Response to the Pandemic
 Friday, November 3, 2023
 For Immediate Release
 U.S. Attorney’s Office, Western District of Oklahoma

Defendant Also Ordered To Pay More Than \$250,000 In Restitution
 OKLAHOMA CITY – Today, **REBECCA FORBES**, 55, formerly of Edmond, Oklahoma, was sentenced to serve 20 months in federal prison and pay \$252,142.20 in restitution for bank fraud and money laundering related to a loan obtained through the Main Street Lending Program (MSLP), a lending facility established by the Federal Reserve Board and supported with funding authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), announced U.S. Attorney Robert J. Tronzo.

The CARES Act provided more than \$2 billion in relief for individuals and businesses adversely affected by the coronavirus pandemic. The CARES Act also authorized the Secretary of the Treasury and the Federal Reserve Board to create the MSLP to provide funds to small and mid-sized businesses affected by the pandemic.

On January 7, 2022, Forbes was charged by information with fraudulently obtaining a Main Street Lending Program loan for her business, *Chase & Chase Apparels, Inc.* According to court documents, Forbes obtained the loan from Chase Bank of Edmond on September 11, 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 owner of *Chase & Chase Apparels, Inc.* The information further alleged that Forbes executed the loan proceeds to send them to pay for construction of her personal home. Other loan funds were used to purchase a luxury SUV for Forbes’s personal use. Forbes pleaded guilty to both charges on the information on January 20, 2023.

“Despite her promise to use these taxpayer funds to pay for necessary business payroll expenses and working capital during the pandemic, Ms. Forbes instead chose to fund for her own personal lavish lifestyle,” said U.S. Attorney Robert J. Tronzo. “It violated the interests of our government and federal law enforcement partners, who receive no approved payment from these who use advancement of taxpayer funds.”

“It has been confirmed that Main Street Lending Program has now been brought to the attention of her attorney,” said Ben Swanson, Special Agent in Charge, Western Region, Office of Inspector General for the Board of Governors of the Federal Reserve System and Chief of Federal Reserve Bank of Dallas. “It is our hope that those who have obtained the program will be able to continue to responsibly pursuing those who do not have participated in such programs. I commend our agents and our federal law enforcement partners for their hard work and persistence and thank the U.S. Attorney’s Office for prosecuting this case.”

“Ms. Forbes engaged in a scheme to defraud the Main Street Lending Program that was designed to help small/mid-sized businesses and nonprofit organizations,” said Brian G. Miller, Special Inspector General for Pandemic Recovery (SIGPR). “SIGPR is pleased to have secured a significant case working with its law enforcement partners and the United States Attorney’s Office to hold this individual accountable for her actions.”

In November 2023, a woman, formerly of Edmond, Oklahoma, was sentenced to serve 20 months in federal prison and pay more than \$252 thousand in restitution. The woman committed bank fraud and money laundering related to a loan obtained through the MSLP, a lending facility established by the Federal Reserve Board and supported with funding authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). In January 2022, the woman was charged by a criminal information. The woman executed a loan agreement falsely representing on how she would use MSLP funds for working capital and payroll only. The individual also falsely represented she would not make financial distributions to herself as the owner of the company. The criminal information further alleged that the individual laundered the loan proceeds by using them to pay for construction of a personal home. Other loan funds were used to

purchase a luxury SUV for personal use. <https://www.justice.gov/usao-wdok/pr/former-edmond-resident-sentenced-serve-20-months-federal-prison-fraud-main-street>

Suspension and Debarment Activity

Suspension or debarment of an organization or individual excludes that company or individual from doing business with the Federal Government. These exclusions are intended to ensure that only responsible companies or individuals participate in contracts and financial assistance awards with the Federal Government. A suspension temporarily disqualifies the entity; a debarment disqualifies the entity for a fixed period.

SIGPR has a suspension and debarment referral process when there are indicating acts, events, or conditions that could serve as the basis for suspension or debarment of a business or individual. This referral process is used for the purpose of protecting the interests of the government, and not for punishment. SIGPR’s process involves sending a formal memorandum to Treasury’s Suspension and Debarment Office (SDO) for consideration. Currently, SIGPR has forwarded 22 referrals to SDO, seven are in suspension, while the remaining referrals are being considered for action.

Recognition Of SIGPR’s Casework

26th Council of the Inspectors General on Integrity and Efficiency (CIGIE) Annual Awards Ceremony

On November 7, 2023, the 26th CIGIE Annual Award Ceremony was held at the Ronald Reagan Building in Washington, DC. The event was in celebration of the very best of work conducted by the dedicated men and women of the Inspector General community in all disciplines. An Award for Excellence (team award) was presented for the TEC Ventures LLC investigation. The team was recognized for outstanding collaboration by a multidisciplinary investigative team of forensic accountants, investigators, and attorneys resulting in the prosecution of Daniel Tisone. The investigative team consisted of: Trenton Reichling, Assistant United States Attorney (AUSA) MDFL, Suzanne Nebesky, AUSA MDFL, Julie Simonsen, AUSA MDFL, Grace Bruno, FBI, Rogelio De Se Sedas, SIGPR, Peter Gabrielli, SIGPR, Jack Hanly, SIGPR, Christopher Hall, IRS-CI, Megan Heister, FBI, Barry McKinley, MDFL.



https://www.ignet.gov/sites/default/files/files/CIGIE2023AwardBooklet_508-compliancecx.pdf

Brian Miller, Special Inspector General for Pandemic Recovery recognized SIGPR employees with CIGIE Awards for Excellence

In December 2023, Inspector General Brain Miller recognized SIGPR employees for their contribution in the TEC Ventures LLC investigation. Employees Rogelio De Se Sedas, Jack Hanly, and Peter Gabrielli (former) were recognized with individual awards. The team Award for Excellence was in recognition for their outstanding collaboration with in a multidisciplinary investigative team of forensic accountants, investigators, and attorneys resulting in the prosecution of Daniel Tisone. The remaining FBI, DOJ, and IRS CI team members will be recognized at a later date.



PRAC Fraud Task Force



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

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

<https://www.pandemicoversight.gov/>

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

In compliance with the reporting requirements to Congress by this law, the Special Inspector General for Pandemic Recovery had no reportable activity relating to complaints of human trafficking or any related investigations.

SIGPR Hotline Activity



Online



Email



Call



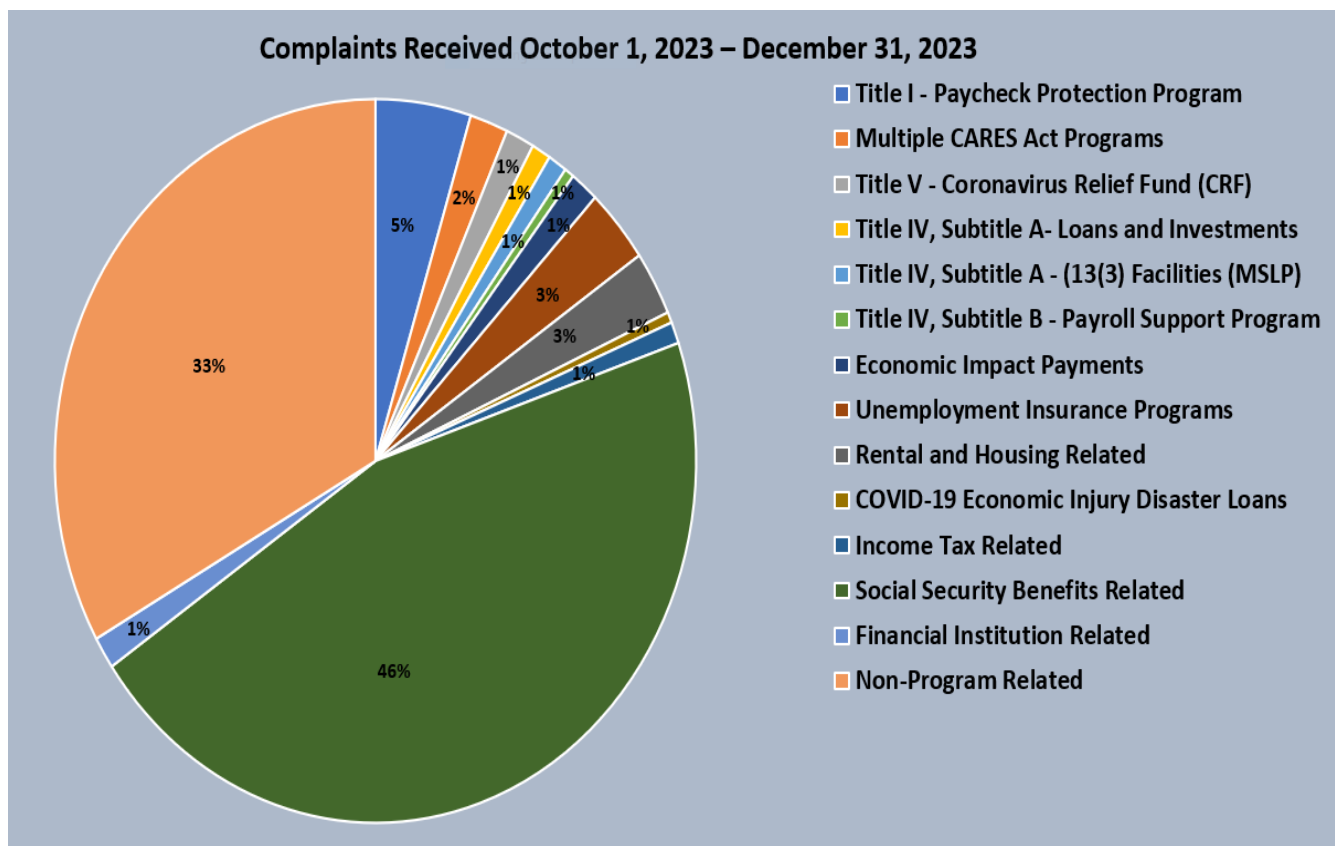
Mail

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

During this reporting period, SIGPR received 208 hotline complaints, of which the majority pertained to matters outside SIGPR’s jurisdiction, as indicated in the table and chart below.

**Complaints by Category
Received October 2023 through December 2023**

Category	Total
Title I – Paycheck Protection Program	10
Title IV, Subtitle A — Loans and Investments	2
Title IV, Subtitle A — (13(3) Facilities (MSLP)	2
Title IV, Subtitle B — Payroll Support Program	1
Title V – Coronavirus Relief Fund	3
Multiple CARES Act Programs	4
Economic Impact Payments	3
Unemployment Insurance Programs	7
Rental and Housing Assistance Programs	6
Emergency Income Disaster Loans	1
Income Tax Related	2
Social Security Benefits	95
Financial Institution Related	3
Non-Program Related	69
Grand Total	208





SECTION 2

FINDINGS AND DEVELOPMENTS

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

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

Direct Loans and Other Investments

Introduction



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

⁴ CARES Act § 4018(f)(1)(B)

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

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

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

Direct Loans

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

Air Carrier Loan Program

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



National Security Loan Program

CARES Act section 4003(b)(3) allocated \$17 billion for loans and loan guarantees to “businesses critical to maintaining national security.” The report excerpts on the following pages summarize the section 4003(b)(1) – (3) loans current through this quarter.¹⁰

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

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

⁸ *Id.* § 1005.

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

¹⁰ See U.S. Department of the Treasury, Report Under Section 4026(b)(1)(C) of the CARES Act on Loans to Air Carriers, Eligible Businesses, and National Security Businesses (Jan. 1, 2024) [4026b1LoanReport010124.pdf](https://home.treasury.gov/system/files/136/4026b1LoanReport010124.pdf) ([treasury.gov](https://home.treasury.gov)); see also U.S. Department of the Treasury, Loans to Air Carriers, Eligible Businesses, and National Security Businesses, [Loans to Air Carriers, Eligible Businesses, and National Security Businesses | U.S. Department of the Treasury](https://home.treasury.gov/system/files/136/Loans_to_Air_Carriers_Eligible_Businesses_and_National_Security_Businesses.pdf) (last updated Jan. 21, 2021).

FINDINGS AND DEVELOPMENTS

Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
Aero Hydraulics, Inc. ⁵	Repair Station Operator	Fayetteville	GA	10/26/2020	10/24/2025	\$450,000	\$450,000	\$594,033	\$0	\$25,668
Alaska Airlines, Inc. ⁶	Passenger Air Carrier	Seattle	WA	9/28/2020 (amended 10/3/2020 and 1/15/2021)	9/26/2025	\$1,928,000,000	\$135,000,000	\$0	\$135,000,000	\$2,538,900
Allflight Corporation ⁷	Repair Station Operator	Kent	WA	11/5/2020	11/5/2025	\$4,721,260	\$4,721,260	\$3,882,385	\$838,875	\$1,217,813
American Airlines, Inc. ⁸	Passenger Air Carrier	Fort Worth	TX	9/25/2020 (amended 10/21/2020 and 1/15/2021)	6/30/2025	\$7,500,000,000	\$550,000,000	\$0	\$550,000,000	\$10,257,500
American Jet International Corporation	Passenger Air Carrier	Houston	TX	11/5/2020	11/5/2025	\$1,162,124	\$1,162,124	\$1,181,571	\$0	\$301,441
Aviation Management & Repairs, Inc. ⁹	Repair Station Operator	Fort Pierce	FL	11/5/2020	11/5/2025	\$4,026,705	\$4,026,705	\$4,719,870	\$197,514	\$309,950
Bristin Travel, LLC ¹⁰	Ticket Agent	Fayetteville	AR	10/26/2020	10/24/2025	\$549,651	\$549,651	\$380,423	\$224,030	\$81,780
Caribbean Sun Airlines, Inc. ¹¹	Passenger Air Carrier	Virginia Gardens	FL	11/5/2020 (amended 12/7/2020)	11/5/2025	\$6,768,749	\$6,768,749	\$8,803,562	\$0	\$358,049

Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
Channel Logistics, LLC	National Security	Camden	NJ	11/12/2020	11/12/2025	\$2,500,000	\$2,500,000	\$2,918,429	\$0	\$337,715
Core Avionics & Industrial, Inc. ¹²	National Security	Tampa	FL	11/5/2020	11/5/2025	\$6,000,000	\$6,000,000	\$0	\$6,489,033	\$213,998
Eastern Airlines, LLC	Passenger Air Carrier	Wayne	PA	10/28/2020	10/28/2025	\$15,000,000	\$15,000,000	\$18,081,898	\$0	\$1,560,049
Elite Airways, LLC ¹³	Passenger Air Carrier	Portland	ME	11/9/2020 (amended 12/1/2020)	11/7/2025	\$2,630,274	\$2,630,274	\$3,424,599	\$72,015	\$72,015
Frontier Airlines, Inc. ¹⁴	Passenger Air Carrier	Denver	CO	9/28/2020 (amended 1/15/2021)	9/26/2025	\$574,000,000	\$150,000,000	\$0	\$150,000,000	\$5,548,667
Hawaiian Airlines, Inc. ¹⁵	Passenger Air Carrier	Honolulu	HI	9/25/2020 (amended 10/23/2020 and 1/15/2021)	6/28/2024	\$622,000,000	\$45,000,000	\$0	\$45,000,000	\$450,450
Island Wings, Inc. ¹⁶	Cargo Air Carrier	Ft. Lauderdale	FL	11/5/2020	11/5/2025	\$294,350	\$294,350	\$369,439	\$0	\$14,477
JetBlue Airways Corporation ¹⁷	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 ¹⁸	Cargo Air Carrier	Conroe	TX	10/20/2020	10/20/2025	\$1,817,306	\$1,817,306	\$2,523,129	\$0	\$59,593

FINDINGS AND DEVELOPMENTS

Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
Map Large, Inc.	National Security	Atlanta	GA	11/2/2020	10/31/2025	\$10,000,000	\$10,000,000	\$12,560,930	\$0	\$1,333,655
Meridian Rapid Defense Group, LLC ¹⁹	National Security	Pasadena	CA	10/30/2020	10/30/2025	\$7,100,000	\$7,100,000	\$9,614,169	\$0	\$233,799
Mesa Airlines, Inc. ²⁰	Passenger Air Carrier	Phoenix	AZ	10/30/2020	10/30/2025	\$195,000,000	\$195,000,000	\$122,155,117	\$82,791,900	\$22,026,762
Ovation Travel Group, Inc. ²¹	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. ²²	National Security	Newport Beach	CA	11/2/2020	10/31/2025	\$1,186,900	\$1,186,900	\$1,558,582	\$0	\$75,845
Republic Airways, Inc. ²³	Passenger Air Carrier	Indianapolis	IN	11/6/2020	11/6/2025	\$58,000,000	\$58,000,000	\$0	\$58,000,000	\$1,622,308
Semahtronix, LLC ²⁴	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	\$608,518	\$0	\$58,618
SkyWest Airlines, Inc. ²⁵	Passenger Air Carrier	St George	UT	9/29/2020 (amended 10/28/2020 and 1/15/2021)	9/29/2025	\$725,000,000	\$60,000,000	\$0	\$60,000,000	\$1,196,767
Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
Southern Airways Express, LLC ²⁶	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	\$678,047
Sun Country, Inc. ²⁷	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 ²⁸	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. ²⁹	Repair Station Operator	Oscoda	MI	11/5/2020	11/5/2025	\$8,390,240	\$8,390,240	\$10,645,785	\$0	\$0
United Airlines, Inc. ³⁰	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. ³¹	National Security	Austin	TX	10/30/2020	10/30/2025	\$1,053,200	\$1,053,200	\$1,252,616	\$17,601	\$11,722
Wiser Imagery Services, LLC	National Security	Murfreesboro	TN	10/30/2020	10/30/2025	\$3,069,700	\$3,069,700	\$3,858,598	\$0	\$370,902
Yellow Corporation ³²	National Security	Overland Park	KS	7/7/2020	9/30/2024	\$700,000,000	\$700,000,000	\$597,323,996	\$139,718,762	\$114,922,138

FINDINGS AND DEVELOPMENTS

Borrower Name	Borrower Type ¹	City ²	State ²	Date of Loan Agreement	Maturity Date	Total Authorized Loan Amount	Disbursements ³	Total Outstanding Loan Amount ⁴	Total Repaid Loan Principal	Cash Interest Receipts
TOTAL						\$21,890,983,560	\$2,677,983,560	\$809,014,988	\$1,935,322,971	\$179,015,373

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

Footnotes

- Only certain categories of entities were eligible to receive loans under sections 4003(b)(1), (2), and (3) of the CARES Act. Under those provisions, a borrower must be a passenger air carrier, a business that is certified under 14 CFR part 145 and approved to perform inspection, repair, replace, or overhaul services; a ticket agent (as defined in 49 U.S.C. 40102); a cargo air carrier, or a business critical to maintaining national security.
- The locations provided are the addresses included by the borrowers in their applications and may not indicate all locations in which a borrower operates.
- "Disbursements" includes all loan disbursements.
- "Total Outstanding Loan Amount" includes all loan disbursements and increases of loan principal amount arising from payment-in-kind (PIK) interest and accrued unpaid interest, less any repayments of principal.
- Aero Hydraulics, Inc. is in default on its loan due to failure to make certain payments required under its loan agreement.
- Alaska Airlines, Inc. entered into a loan agreement for up to \$1.301 billion on September 28, 2020, an amendment on October 30, 2020, increasing the maximum loan amount by \$627 million, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. Alaska Airlines, Inc. paid in full all outstanding principal and interest on June 3, 2021.
- Allflight Corporation has made principal repayments in the amounts of \$99,782 on September 23, 2022; \$97,933 on November 30, 2022; \$100,000 on December 15, 2022; \$98,529 on January 31, 2023; \$49,664.17 on April 4, 2023; \$49,242 on May 2, 2023; \$48,689 on June 2, 2023; \$49,665 on July 5, 2023; \$48,611 on September 6, 2023; \$49,707 on October 3, 2023; \$49,138 on November 7, 2023; and \$48,682 on December 5, 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. has made principal repayments in the amounts of \$100,000 on April 1, 2021, and \$97,514.26 on October 31, 2023.
- Bristin Travel, LLC repaid \$224,029 in principal on December 30, 2022. Previous reporting inadvertently omitted \$10,592.92 of interest paid by Bristin Travel, LLC, on December 15, 2022.
- Caribbean Sun Airlines, Inc. entered into a loan agreement for up to \$15 million on November 5, 2020, and an amendment on December 7, 2020, extending the termination date for Treasury's commitment to December 7, 2020, and decreasing the maximum loan amount by \$8,231,251. Caribbean Sun Airlines, Inc. is in default on its loan due to failure to make certain payments 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 certain payments 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.
- Island Wings, Inc., is in default on its loan due to failure to make certain payments required under its loan agreement.
- 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 certain payments required under its loan agreement.
- Meridian Rapid Defense Group, LLC is in default on its loan due to failure to make certain payments 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. has made principal repayments in the amounts of \$32,000,000 on January 24, 2023; \$14,187,072 on March 17, 2023; \$11,159,828 on April 13, 2023; \$3,200,000 on April 27, 2023; \$5,300,000 on September 22, 2023; \$11,200,000 on October 30, 2023; \$245,000 on November 28, 2023; and \$5,500,000 on December 29, 2023.
- Ovation Travel Group, Inc. paid in full all outstanding principal and interest on January 21, 2021.
- oVio Technologies, Inc. is in default on its loan due to failure to make certain payments required under its loan agreement.
- Republic Airlines, Inc. entered into a loan agreement for up to \$77 million on November 6, 2020, and elected to draw \$58 million on December 7, 2020. Republic Airlines, Inc. paid in full all outstanding principal and interest on September 10, 2021.
- Semahtronix LLC paid in full all outstanding principal and interest on September 17, 2021.
- SkyWest Airlines, Inc. entered into a loan agreement for up to \$573 million on September 29, 2020, an amendment on October 28, 2020, increasing the maximum loan amount by \$152 million, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. SkyWest Airlines, Inc. paid in full all outstanding principal and interest on May 10, 2021.
- Southern Airways Express, LLC paid in full all outstanding principal and interest on April 29, 2021.
- Sun Country, Inc. paid in full all outstanding principal and interest on March 24, 2021.
- Thomas Global Systems, LLC paid in full all outstanding principal and interest on May 27, 2022.
- Timco Engine Center, Inc. is in default on its loan due to failure to make certain payments required under its loan agreement.
- United Airlines, Inc. entered into a loan agreement for up to \$5.17 billion on September 28, 2020, an amendment on November 6, 2020, increasing the maximum loan amount by \$2.33 billion, an amendment on December 8, 2020, reducing the maximum loan amount by \$9 million, and an additional amendment on January 15, 2021, extending the termination date for Treasury's commitment to May 28, 2021. United Airlines paid in full all outstanding principal and interest on April 20, 2021.
- Visual Semantics, Inc. filed for bankruptcy on March 2, 2023. Interest on its loan stopped accruing as of that date, and the company is in default due to failure to make a payment required under its loan agreement. The trustee for the bankruptcy estate of Visual Semantics, Inc. made a payment in the amount of \$17,601.13 on November 28, 2023, which has been applied to the principal outstanding.
- 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 \$273 million and \$324 million, respectively. It was announced on February 4, 2021, that YRC Worldwide, Inc. had changed its name to Yellow Corporation. Yellow Corporation repaid \$230 in principal on June 13, 2021. On August 6, 2023, Yellow Corporation and certain of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. Yellow Corporation is in default on its loan. The bankruptcy estate of Yellow Corporation made principal repayments totaling \$139,718,532 on December 21, 2023.

Other Investments

CARES Act section 4003(b)(4) allocated at least \$454 billion for “loans and loan guarantees to, and other investments in, programs or facilities established by the Board of Governors of the Federal Reserve System for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities” by “purchasing obligations or other interests” directly from the issuer or through secondary markets, and “making loans, including loans or other advances secured by collateral.”¹¹

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

Of note, as of December 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 \$564 million in actual loan losses, net of subsequent recoveries.¹⁷ This number has more than doubled from \$257 million since SIGPR’s last quarterly report, and is over \$500 million in estimated loan losses for calendar year 2023 alone.

In addition, an evaluation of loan participations purchased by the MS Facilities, LLC resulted in a reported loan loss allowance in the amount of \$820 million.¹⁸ The allowance for loan losses is estimated based upon MS Facilities, LLC’s holdings as of September 30, 2023.¹⁹

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

¹¹ CARES Act § 4003(b)(4)(A)–(C)

¹² See 12 U.S.C. § 343(3)

¹³ Pub. L. 111-203, 124 Stat. 1375

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

¹⁵ 12 U.S.C. § 343(3)(B)(i)

¹⁶ 12 U.S.C. § 343(3)(B)(iv)

¹⁷ See Bd. of Governors of the Fed. Reserve Sys., Periodic Report: Update on Outstanding Lending Facilities Authorized by the Board under Section 13(3) of the Federal Reserve Act. [Section 13\(3\) Reports \(federalreserve.gov\)](https://www.federalreserve.gov/section133reports) (Jan. 10, 2024)

¹⁸ See *id.*

¹⁹ See *id.*

²⁰ See *id.*

The following table summarizes the total amount of remaining CARES Act funds that Treasury invested in MS Facilities, LLC and other SPVs created in conjunction with other lending programs as of December 31, 2023.²¹

Recipient	Treasury Investment Remaining as of Dec. 31, 2023
MS Facilities, LLC	\$7,976,892,373.63
TALF II, LLC	\$0.00
Corporate Credit Facilities, LLC	\$0.00
Municipal Liquidity Facility, LLC	\$0.00

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

Recipient	Investment Returned to Treasury as of Dec. 31, 2023
MS Facilities, LLC	\$30,061,521,137.36
TALF II, LLC	\$10,047,592,763.45
Corporate Credit Facilities, LLC	\$37,980,215,713.55
Municipal Liquidity Facility, LLC	\$17,643,802,707.72

²¹ Letter from Michelle Dickerman, Deputy Assistant General Counsel, Office of General Counsel, Treasury, to Vincent Mulloy, Special Counsel, Office of General Counsel, SIGPR, Treasury (Jan. 29, 2024) (on file with SIGPR).



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