UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

QX Logistix, LLC v. The United States Small Business Administration and Kelly Loeffler, in her official capacity as Administrator of the United States Small Business Administration

QX Logistix, LLC v. United States Small Business Administration, C.A. No. 25-90-MN · No. C.A. No. 25-90-MN · Decided January 21, 2026

SUMMARY

The document is a Report and Recommendation in an Administrative Procedure Act action concerning the Small Business Administration’s partial denial of forgiveness for a Paycheck Protection Program loan. The court recommends granting the SBA’s motion for summary judgment and denying QX Logistix’s motion, concluding that QX was “in business” during the statutory period and therefore was ineligible to use the alternative loan-calculation methodology. It also rejects QX’s arguments that full use of the loan proceeds for payroll required complete forgiveness, that SBA guidance was contradictory, and that SBA should be estopped from denying forgiveness.

CASE DETAILS

COURT	United States District Court for the District of Delaware
WRITING FOR THE COURT	D. Hatcher, United States Magistrate Judge
JURISDICTION	United States District Court for the District of Delaware
DECIDED	January 21, 2026
DOCKET	C.A. No. 25-90-MN
DISPOSITION	other
PROCEDURAL POSTURE	Petitioner sought judicial review under the Administrative Procedure Act of the Small Business Administration's administrative decisions partially denying forgiveness of a Paycheck Protection Program loan. The parties cross-moved for summary judgment, and the magistrate judge issued a Report and Recommendation recommending that SBA's motion be granted and QX's motion be denied.
STANDARD OF REVIEW	Under the APA, agency action must be set aside if it is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law. Statutory interpretation is reviewed de novo, with the court exercising independent judgment after Loper Bright. Agency factual findings must be accepted if supported by substantial evidence on the

	record as a whole. Summary judgment is the appropriate mechanism for resolving legal challenges to agency action on the administrative record.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	QX Logistix, LLC v. United States Small Business Administration, Kelly Loeffler, in her official capacity as Administrator of the United States Small Business Administration

TOPICS

judicial review of agency action · administrative procedure act · federal spending · statutory interpretation · plain meaning rule

PRACTICE AREAS

administrative law · federal spending · statutory interpretation · commercial litigation

QUESTIONS PRESENTED

1. Whether QX was entitled under 15 U.S.C. § 636(a)(36)(E)(i)(II) to calculate its PPP loan amount using the methodology for an eligible recipient that was not in business during the relevant period.
2. Whether the CARES Act's phrase "not in business" means that an entity must have payroll costs, or instead means that the entity had begun generating revenue from its intended operations.
3. Whether SBA's determination that QX was in business before June 30, 2019, and its resulting partial denial of loan forgiveness, was contrary to law under the APA.
4. Whether SBA's decision was arbitrary and capricious because it allegedly conflicted with PPP application materials and program guidance.
5. Whether SBA should be estopped from denying full loan forgiveness based on alleged affirmative misconduct.

HOLDINGS

1. Section 636(a)(36)(E)(i)(II)'s methodology is available only to an eligible recipient that was not in business during the period beginning February 15, 2019, and ending June 30, 2019. The statute does not make Section (I) unavailable merely because an applicant lacks a full year of payroll.
2. For purposes of 15 U.S.C. § 636(a)(36)(E)(i)(II), an entity is "in business" when it begins generating revenue from its intended operations; payroll costs are not a necessary predicate to being in business.
3. The administrative record reasonably supported SBA's determination that QX was in business and generating revenue before June 30, 2019, making QX ineligible to use the Section (II) methodology.
4. A borrower is not entitled to forgiveness of loan funds that it was ineligible to receive, even if the borrower used the entire loan proceeds for payroll costs.

5. SBA's partial denial of QX's forgiveness application was not arbitrary or capricious.
6. QX's estoppel argument failed because it was forfeited and, alternatively, QX identified no evidence of affirmative misconduct by SBA.

KEY QUOTATIONS

> *"The plain text makes Section (II)'s "not in business" methodology only available to applicants "not in business during the period beginning on February 15, 2019 and ending on June 30, 2019.""* (at 10)

> *"Therefore, having "exercise[d] independent judgment in determining the meaning" of 15 U.S.C. § 636(a)(36)(E(i), I conclude that "in business" in this context means generating revenue from intended operations."* (at 11)

> *"QX is not entitled to forgiveness of loan funds that QX was ineligible to receive."* (at 13)

FACTUAL BACKGROUND

QX Logistix, LLC and its subsidiary were formed in 2019 to acquire assets from bankrupt companies and entered into asset and transition-services agreements under which the acquired businesses operated for QX's account and subject to its direction. QX received a $1,541,000 PPP loan after calculating its maximum amount under the methodology for an eligible recipient that was not in business during the relevant February 15 through June 30, 2019 period. SBA later determined that QX was already conducting business and generating revenue during that period, recalculated the maximum eligible loan amount at $536,250.43, and granted only partial forgiveness. The administrative record included agreements, bank statements showing substantial deposits, and QX's admissions that its first sale occurred in June 2019.

PROCEDURAL HISTORY

SBA partially denied QX's application for full forgiveness of its PPP loan after determining that QX was ineligible to use the statutory methodology for entities not in business during the relevant 2019 period and recalculating its maximum eligible loan amount. The SBA Office of Hearings and Appeals affirmed the decision on November 19, 2024. QX filed this APA action on January 21, 2025; after discovery-related motion practice, the parties filed cross-motions for summary judgment. The magistrate judge recommended judgment for SBA, subject to objections and review by the district judge.

DISPOSITION

other

REMAND INSTRUCTIONS

No remand was recommended. The magistrate judge recommended granting SBA's motion for summary judgment and denying QX's motion for summary judgment. Objections were due within fourteen days, with responses due within fourteen days thereafter.

CASES CITED

- Shop Rite, Inc. v. United States Small Bus. Admin., 2025 WL 3188380, at *2 (5th Cir. Nov. 14, 2025)
- Bruckner Truck Sales, Inc. v. Guzman, 148 F.4th 341, 344 (5th Cir. 2025)
- Celebrity of Springfield, LLC v. United States Small Bus. Admin., 2025 WL 1276104, at *4, *6 (D.N.J. May 2, 2025)
- Manney v. U.S. Dept of Homeland Sec., 2025 WL 1550233, at *3 (E.D. Pa. May 29, 2025)
- Bd. of Trs. of Bakery Drivers Loc. 550 & Indus. Pension Fund v. Pension Benefit Guar. Corp., 136 F.4th 26, 29 (2d Cir. 2025)
- Loper Bright Enters. v. Raimondo, 603 U.S. 369, 391-394 (2024)
- Axalta Coating Systems LLC v. Federal Aviation Administration, 144 F.4th 467, 472 (3d Cir. 2025)
- Pharaohs GC, Inc. v. United States Small Bus. Admin., 990 F.3d 217, 227 (2d Cir. 2021)
- In re Gateway Radiology Consultants, P.A., 983 F.3d 1239, 1256 (11th Cir. 2020)
- Small Bus. Admin. v. McClellan, 364 U.S. 446, 447 (1960)
- Meduri Farms, Inc. v. U.S. Small Bus. Admin., 799 F. Supp. 3d 1144, 1149 (D. Or. 2025)
- Crouse Health Hosp., Inc. v. United States Small Bus. Admin., 2025 WL 2161260, at *9 (N.D.N.Y. July 30, 2025)
- Salutoceuticals, LLC v. United States Small Bus. Admin., 750 F. Supp. 3d 764, 773 (W.D. Tex. 2024)
- Springfield Hosp., Inc. v. Guzman, 28 F.4th 403, 409 (2d Cir. 2022)
- Sinclair Wyo. Refin. Co. v. EPA, 114 F.4th 693, 711 (D.C. Cir. 2024)
- Motor Vehicle Mfrs. Ass'n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co., 463 U.S. 29, 43 (1983)
- Essintial Enter. Sols., LLC v. United States Small Bus. Admin., 2024 WL 5248242, at *3 (M.D. Pa. Dec. 30, 2024)
- FCC v. Prometheus Radio Project, 592 U.S. 414, 423 (2021)
- Seville Indus., L.L.C. v. United States Small Bus. Admin., 144 F.4th 740, 750 (5th Cir. 2025)