Financial Statements:

MS Facilities LLC

A Limited Liability Company Consolidated by the Federal Reserve Bank of Boston

For the years ended December 31, 2023 and 2022
and Independent Auditors' Report

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Report of Independent Registered Public Accounting Firm

To the Managing Member of MS Facilities LLC:

Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of MS Facilities LLC (a Special Purpose Vehicle consolidated by the Federal Reserve Bank of Boston) (the LLC) as of December 31, 2023 and 2022, the related statements of operations, changes in members' equity, and cash flows for the years ended December 31, 2023 and 2022, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023 and 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the LLC's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The LLC is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the LLC's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

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Allowance for Credit Losses

As discussed in Notes 2 and 4 to the financial statements as of December 31, 2023, the LLC's total allowance for credit losses was $841 million, of which $208 million related to the collectively evaluated allowance for loan credit losses. The LLC's collectively evaluated allowance includes both a quantitative and qualitative component. The LLC estimates the quantitative component of the allowance using a methodology that incorporates probability of default (PD) and loss given default (LGD) factors which are applied to the exposure at default (principal amount outstanding) based on internal risk rating models grouped into Services and Non-services loan segments for rating purposes. Such calculated loss factors include estimates of expected credit losses over the contractual life of loans. Adjustments for qualitative factors are made, if necessary, to reflect the then-current environment when internal and external factors are identified that are not captured by the quantitative component of the collectively evaluated allowance.

We identified the assessment of the collectively evaluated allowance as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the collectively evaluated allowance methodology, including the methods and model used to estimate (1) the PD factors, LGD factors, risk ratings and their significant assumptions, including the life of loan estimate and (2) the qualitative factor adjustments. The assessment also included an evaluation of the conceptual soundness of the risk rating models. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the LLC's measurement of the estimate of the collectively evaluated allowance, including controls over the:

- development of the collectively evaluated allowance methodology
- performance monitoring, continued use and appropriate changes made to the risk rating models
- identification and determination of significant assumptions used in the risk rating models
- determination of the PD and LGD factors
- development of the qualitative factor adjustments
- analysis of the collectively evaluated results and ratios

We evaluated the LLC's process to develop the estimate of the collectively evaluated allowance by testing certain sources of data, factors, and assumptions that the LLC used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the LLC's collectively evaluated methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by the LLC relative to the assessment of the risk rating models and the PD and LGD factors by comparing them to relevant LLC specific metrics and the applicable industry and regulatory practices
- assessing the conceptual soundness of the risk rating models by inspecting the model documentation to determine whether the models are suitable for their intended use
- assessing the determination of the PD and LGD factors by comparing them to portfolio risk characteristics

- evaluating the length of the life of loan estimate period by comparing it to portfolio risk characteristics and relevant industry practices

We also assessed the sufficiency of the audit evidence obtained related to the estimate of the collectively evaluated allowance by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the LLC's accounting practices
- potential bias in the accounting estimate

KPMG LLP

We have served as the LLC's auditor since 2020.

Boston, Massachusetts
March 18, 2024

Abbreviations

ASC	**Accounting Standards Codification**
CECL	**Current Expected Credit Losses**
FASB	**Financial Accounting Standards Board**
FRBB	**Federal Reserve Bank of Boston**
FRBNY	**Federal Reserve Bank of New York**
GAAP	**Accounting principles generally accepted in the United States of America**
LLC	**Limited liability company**
Main Street	**MS Facilities LLC**
MSELF	**Main Street Expanded Loan Facility**
MSLP	**Main Street Lending Program**
MSNLF	**Main Street New Loan Facility**
MSPLF	**Main Street Priority Loan Facility**
NOELF	**Nonprofit Organization Expanded Loan Facility**
NONLF	**Nonprofit Organization New Loan Facility**
TDR	**Troubled Debt Restructuring**

Statements of Financial Condition

As of December 31, 2023 and December 31, 2022
(Amounts in thousands)

		2023	2022
ASSETS			
Cash and cash equivalents	Note 3	$ 792,606	$ 498,585
Restricted cash and cash equivalents			
Cash deposit	Note 3	1,185,845	1,741,239
Short-term investments in non-marketable securities	Note 3	6,791,048	9,906,445
Loan participations			
Loan participations, at principal amount outstanding, net of charge-offs	Note 3	7,777,993	11,734,932
Principal and interest receivable		129,906	94,483
Allowance for credit losses	Note 4	(840,828)	(1,066,461)
Loan participations and interest, net of allowance and charge-offs		7,067,071	10,762,954
Other assets		2,935	1,198
Total assets		15,839,505	22,910,421
LIABILITIES AND MEMBERS' EQUITY			
Liabilities			
Loans payable to FRBB	Note 6	7,434,174	11,352,526
Interest payable	Note 6	22,496	23,161
Service fees payable		19,109	23,623
Transaction fees, deferred revenue	Note 2	29,136	66,653
Professional fees payable		3,461	4,023
Other liabilities	Note 2,8	570	527
Total liabilities		7,508,946	11,470,513
Commitments and contingencies	Note 8		
Members' equity	Note 7	8,330,559	11,439,908
Total liabilities and members' equity		$ 15,839,505	$ 22,910,421

The accompanying notes are an integral part of these financial statements.

Statements of Operations

For the years ended December 31, 2023 and 2022
(Amounts in thousands)

		2023	2022
INCOME			
Interest income		$ 1,167,437	$ 730,969
Transaction fees and other income		37,739	52,857
Total operating income		1,205,176	783,826
EXPENSES			
Loans interest expense	Note 6	9,566	13,489
Loan participation servicing costs		27,526	34,833
Provision (benefit) for credit losses	Note 4	218,441	(884,989)
Loss on sale of loan participations	Note 4	25,254	-
Professional fees		19,496	18,872
Total operating (income) expense		300,283	(817,795)
Net operating income	Note 7	$ 904,893	$ 1,601,621

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Members' Equity

For the years ended December 31, 2023 and 2022
(Amounts in thousands)

		Members' contributed equity	Net operating income (loss)	Total members' equity
Members' equity, December 31, 2021		$ 15,674,406	$ (1,614,414)	$ 14,059,992
Members' contributions (distributions)	Note 7	(4,221,705)	-	(4,221,705)
Undistributed net operating income (loss)	Note 7	-	1,601,621	1,601,621
Members' equity, December 31, 2022		$ 11,452,701	$ (12,793)	$ 11,439,908
CECL adoption adjustment		$ -	$ (21)	$ (21)
Members' contributions (distributions)	Note 7	(4,014,221)	-	(4,014,221)
Undistributed net operating income (loss)	Note 7	-	904,893	904,893
Members' equity, December 31, 2023		$ 7,438,480	$ 892,079	$ 8,330,559

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022
(Amounts in thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	$ 904,893	$ 1,601,621
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:		
Provision (benefit) for credit losses	218,441	(884,989)
Capitalization of interest on loan participations	(32,778)	(11,854)
Recoveries and interest charge-offs, net	(5,580)	1,464
Loss on sale of loan participations	25,254	-
Increase (decrease) in interest payable	(665)	6,370
(Decrease) in service fees payable	(4,514)	(6,008)
(Decrease) in transaction fees, deferred revenue	(37,517)	(52,131)
(Increase) in principal and interest receivable and other assets	(37,160)	(16,157)
Increase (decrease) in professional fees payable and other liabilities	(519)	774
Cash provided by operating activities	1,029,855	639,090
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from loan participations repayments	3,518,161	3,591,538
Proceeds from sale of loan participations	7,787	-
Cash provided by investing activities	3,525,948	3,591,538
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions of contributed capital	(4,014,221)	(4,221,705)
Repayment of loans payable to FRBB	(3,918,352)	(4,125,272)
Cash used in financing activities	(7,932,573)	(8,346,977)
Net decrease in cash and cash equivalents, restricted cash and cash equivalents	(3,376,770)	(4,116,349)
Beginning cash and cash equivalents, restricted cash and cash equivalents	12,146,269	16,262,618
Ending cash and cash equivalents, restricted cash and cash equivalents	$ 8,769,499	$ 12,146,269
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for interest	$ 10,230	$ 7,118

The accompanying notes are an integral part of these financial statements.

(1) ORGANIZATION, NATURE OF BUSINESS, AND FINANCING

In accordance with section 13(3) of the Federal Reserve Act and with prior approval from the Secretary of the Treasury, the Board of Governors of the Federal Reserve System (Board of Governors) authorized the Federal Reserve Bank of Boston (FRBB) to establish MS Facilities LLC (the LLC), a limited liability company. The LLC was created to support lending to small and medium-sized businesses and nonprofit organizations that were in sound financial condition before the onset of the COVID-19 pandemic. The Main Street Lending Program (MSLP) was established with five facilities: the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF), the Main Street Expanded Loan Facility (MSELF), the Nonprofit Organization New Loan Facility (NONLF) and the Nonprofit Organization Expanded Loan Facility (NOELF) (collectively the Facilities). Main Street's purpose was to provide credit to eligible borrowers by purchasing participations in eligible loans originated by eligible lenders. An eligible lender is a U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of a foreign bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing (Eligible Lender). Eligible Lenders retained 5% of each loan in which the LLC purchased a participation. Eligible Lenders were able to originate new loans (under MSNLF, MSPLF and NONLF) or increase the size of (or upsize) existing loans (under MSELF and NOELF) made to eligible borrowers. All loan participations purchased for the Facilities are held by the LLC. The authorization to purchase loan participations through the MSLP ended on January 8, 2021. No loans were originated under NOELF.

MS Facilities LLC is a Delaware LLC formed in connection with the implementation of MSLP on May 18, 2020. The LLC has two members: FRBB, which is the LLC's managing member and the U.S. Department of the Treasury (Treasury), which is the preferred equity member. The managing member has the exclusive rights to manage the LLC. The preferred equity member contributed capital to the LLC using funds from the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act.

FRBB also serves as the lender to the LLC. During 2020 and 2021, FRBB extended $16.6 billion in loans to the LLC to fund the purchase of loan participations. The loans made by FRBB are full recourse obligations of the LLC and secured by all assets of the LLC. The LLC records a liability in the Statements of Financial Condition when FRBB funds the loan to the LLC. Interest on the loans is paid on the repayment date of the relevant loan or in order of priority set forth in the credit agreement between the LLC and FRBB.

To be eligible for purchase by the LLC, eligible loans must have met certain requirements specified in program term sheets. These term sheets required loans to have been originated after specified dates, have a maturity of 5 years, charge a specified LIBOR based floating interest rate, defer interest and principal payments on a set schedule, permit prepayment without penalty, maintain a certain level of priority and meet other program-specific eligibility requirements. LIBOR rates were replaced prospectively by new reference rates as LIBOR was discontinued in 2023. Upon the LLC's purchase of a loan participation, the Eligible Lender was required to pay the LLC a non-refundable transaction fee of 100 basis points of the principal amount of the MSNLF, MSPLF, NONLF loan, and 75 basis points of the principal amount of the MSELF increased loan amount at the time of upsizing. No transaction fees were paid to the LLC on loans with an initial principal amount of less than $250,000. In addition, the LLC pays an eligible lender an annual servicing fee on the original principal amount of the loan participation of 25 basis points for loans with an initial principal amount of $250,000 or more and 50 basis points for loans with an initial principal amount of less than $250,000. The servicing fee is paid by the LLC to the Eligible Lender annually in arrears within sixty (60) days of each one-year anniversary of the loan participation agreement date.

All available cash receipts of the LLC are used to pay its obligations as described in Note 7. Distributions of residual proceeds to the members will occur after all loans from FRBB are repaid in full. During the life of the LLC, undistributed net operating income or loss is reported as "Undistributed net operating income (loss)" in the Statements of Changes in Members' Equity.

The LLC invests unused cash receipts from transaction fees and related investment earnings in a government money market fund.

Various service providers for legal, accounting, custodial, credit administrative, and workout advisor services were engaged to provide services to the LLC. State Street Bank and Trust Company (State Street) provides custodian and accounting administrator services for the LLC. Guidehouse, Inc., working in partnership with PricewaterhouseCoopers LLP provides credit administration services and FTI Consulting, Inc. provides workout advisor and administration services to the LLC. A variety of legal firms and other professional services firms, including temporary staffing agencies may also be engaged by the LLC on an as-needed basis to support LLC operations. The LLC does not have any employees and therefore does not bear any employee-related costs.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP), which require the managing member to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of investments and allowance for credit losses. Actual results could differ from those estimates.

Significant accounts and accounting policies are explained below.

a. Cash and Cash Equivalents, Restricted Cash and Cash Equivalents

The LLC defines investments in money market funds and other highly liquid investments with original maturities of three months or less, when acquired, as cash equivalents.

For the LLC, cash is received from fees and interest earnings from purchased loan participations and investments. This cash is used primarily for the payment of operating expenses. The funds are invested in a government money market fund registered under the Investment Company Act of 1940. As of December 31, 2023 and December 31, 2022, the LLC had approximately $745 million and $392 million, respectively, invested in a government money market fund. Investments in money market funds are valued at their closing net asset value (NAV) each business day. Interest earned and not yet received from the government money market fund investment is included in "Other assets" in the Statements of Financial Condition.

In accordance with the terms of the LLC Preferred Equity Investment Agreement, approximately 85 percent of the Treasury's initial equity contribution was invested in overnight non-marketable securities issued by the Treasury to the LLC. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 230-10, *Statements of Cash Flows*, the Treasury's investments are reported as restricted cash and cash equivalents as there are contractual limitations and restrictions on the use of the funds and ability to withdraw the funds. The investments in overnight non-marketable Treasury securities are recorded at amortized cost and shown as "Restricted cash and cash equivalents: Short-term investments in non-marketable securities" on the Statements of Financial Condition and are included in "Net increase (decrease) in cash and cash equivalents, restricted cash and cash equivalents" on the Statements of Cash Flows. The remaining Treasury equity contribution is held in cash on deposit at FRBNY to support the liquidity needs of the LLC and is reported as "Restricted cash and cash equivalents: Cash deposit" in the Statements of Financial Condition and is included in "Net change in cash and cash equivalents, restricted cash and cash equivalents" in the Statements of Cash Flows.

b. Loan Participations

Under the MSLP, the LLC purchased 95 percent participation interests in loans originated by Eligible Lenders. Purchased loan participations are recorded at cost of purchase, plus capitalized interest, less any principal paydowns and charge-offs and treated as loans. The LLC recognizes interest income on loan participations daily based on the underlying contractual terms of the loans. Interest income on the purchased loan participations is reported as "Interest income" in the Statements of Operations.

c. Allowance for Credit Losses

Upon adoption of the Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*, effective January 1, 2023, the LLC changed its allowance methodology to estimate expected credit losses over the contractual life of loan participations. The allowance for credit losses (the allowance) represents management's estimate of expected credit losses in the LLC's loan participations portfolio.

The allowance is established in accordance with the LLC's credit allowance policies and the adequacy of the allowance is reviewed and approved by the LLC Credit Subcommittee on a quarterly basis. The prior methodology, applied by the LLC in 2022, required incurred losses to be probable before they were recognized.

The LLC may approve loan modifications in certain cases when a borrower is experiencing financial difficulty and is unable to meet its financial obligations. These modifications are accounted for in accordance with ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings (TDR) and Vintage Disclosures* and are generally not treated as new loans. All loan participations held by the LLC are the same vintage because they were originated within one year. No new loans have been originated since January 2021.

d. Interest Income

Interest income on short-term investments in non-marketable securities is recorded when earned and received daily based on an overnight rate established by the Treasury's Bureau of the Fiscal Service. Interest income earned on the invested portion of the preferred equity member contributions for the years ended December 31, 2023 and 2022 was approximately $350.0 million and $177.8 million, respectively, and is reported as a component of "Interest income" in the Statements of Operations.

Interest income from investments in a money market fund is recorded when earned and received monthly. Interest income earned from the money market investment for the years ended December 31, 2023 and 2022 was approximately $20.4 million and $6.3 million, respectively, and is reported as a component of "Interest income" in the Statements of Operations.

The LLC recognizes interest income on loan participations based on the underlying contractual terms of the loans. Interest income recognition prospectively ceases when the underlying loan is placed on non-accrual status. A loan is placed on non-accrual status if the instrument becomes due and unpaid for 90 days, or earlier based on credit indicators.

Loan participations are reviewed periodically for restoration to accrual status based on performance and credit indicators. Once a loan is restored to accrual status, foregone interest from the time the loan was on non-accrual is capitalized into principal over the remaining life of the loan participation based on the new expected yield to maturity. Interest income earned on loan participations for the years ended December 31, 2023 and 2022 was approximately $797.0 million and $546.9 million, respectively, and is reported as a component of "Interest income" in the Statements of Operations.

e. Transaction Fees and Other Income

The transaction fee collected upon the purchase of an eligible loan participation from an eligible lender is recorded separately from the loan participation and reported as "Transaction fees, deferred revenue" in the Statements of Financial Condition and as "Transaction fees and other income" in the Statements of Operations when earned. In accordance with FASB ASC 310-20, *Receivables-Nonrefundable Fees and Other Costs*, transaction fees are deferred and amortized over the term of the loan. Transaction fees earned for the years ended December 31, 2023 and 2022 were approximately $37.5 million and $52.1 million, respectively.

Amendment or other similar miscellaneous fees are paid by the borrower with respect to certain consent or amendments pursuant to the terms of the loan participation documents and are reported as "Transaction fees and other income" in the Statements of Operations. In accordance with FASB ASC 310-20, *Receivables-Nonrefundable Fees and Other Costs*, such fees are deferred and amortized over the term of the loan. The deferred portion of income is included in "Other liabilities" in the Statements of Financial Condition. Miscellaneous fee income recognized for the years ended December 31, 2023 and 2022 was approximately $0.2 million and $0.7 million, respectively.

f. Service Fees

Servicing fees are reported as "Service fees payable" in the Statements of Financial Condition and as "Loan participation servicing costs" in the Statements of Operations.

g. Professional Fees

Professional fees consisted primarily of fees charged by the LLC's credit administrator, custodian, and accounting administrator, workout advisor, external legal counsel, lender expense reimbursement, and independent auditors. Professional fees are accrued as incurred and reported as "Professional fees" in the Statements of Operations. Amounts incurred and unpaid are reported as "Professional fees payable" in the Statements of Financial Condition.

h. Taxes

The LLC was formed by FRBB and the Treasury. It is not subject to an entity level income tax. Accordingly, no provision for income taxes is made in the financial statements.

i. Fair Value Measurements

Certain assets of the LLC are measured at fair value in accordance with FASB ASC Topic 820 (ASC 820), *Fair Value Measurement*. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that distinguishes between assumptions developed using market data obtained from independent sources (observable inputs) and the management assumptions developed using the best information available in the circumstances (unobservable inputs). The three levels established by ASC 820 are described as follows:

- Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is based on model-based techniques that use significant inputs and assumptions not observable in the market. These unobservable inputs and assumptions reflect FRBB estimates of inputs and assumptions that market participants would use in pricing the assets and liabilities. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

The inputs or methodologies used for valuing the financial instruments are not necessarily an indication of the risk associated with investing in those financial instruments.

j. Recently Issued Accounting Standards

The following items represent recent accounting standard updates.

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, amended in subsequent related ASUs. ASU 2016-13 introduces the use of Current Expected Credit Losses (CECL) methodology, which requires the recognition of lifetime expected credit losses on financial assets measured at amortized cost. The previous GAAP method of calculating loan losses required incurred losses to be probable before they were recognized. The LLC adopted this standard using the modified retrospective method to report results under ASU 2016-13 for reporting periods after January 1, 2023. The prior balance at December 31, 2022 was reported under the previous GAAP methodology, and an immaterial amount was recorded to increase credit losses with an offset to Members' equity under the CECL methodology upon adoption at January 1, 2023.

In April 2022, the FASB issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructurings (TDR) and Vintage Disclosures.* This update addresses issues related to TDRs and gross write-offs within ASU 2016-13. Reporting periods prior to the adoption of ASU 2022-02 are presented in accordance with FASB ASC 310-10, *Receivables* and FASB ASC 450-20, *Loss Contingencies*. The LLC adopted this update prospectively upon the implementation of ASU 2016-13 for reporting periods after January 1, 2023. The LLC did have loan modifications accounted for under this new standard, but this update did not have a material impact on the LLC's financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*; and in January 2021, ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. This update provided optional expedients to apply to contract modifications and hedging relationships that reference the London Inter-Bank Offered Rate (LIBOR) or another reference rate expected to be discontinued. The LLC elected these expedients through the transition to Secure Overnight Financing Rate (SOFR) and other comparable reference rates. This guidance did not have a material impact on the LLC's financial statements.

(3) FACILITY ASSETS

Facility assets consist of both restricted and unrestricted cash and cash equivalents and loan participations. At December 31, 2023, cash equivalents and short-term investments in non-marketable securities had maturities within 15 days and all loan participations mature within 2 to 3 years. Due to the short-term nature of cash equivalents and short-term investments in non-marketable securities, the cost basis is estimated to approximate fair value.

The fair value of the LLC's holdings is subject to market and credit risk, arising from movements in variables such as interest rates, credit spreads, and credit quality of holdings. Cash equivalents of $745 million and $392 million at December 31, 2023 and 2022, respectively, are included in "Cash and cash equivalents" in the Statements of Financial Condition and are classified within level 1 of the fair value hierarchy. Cash of approximately $48 million and $107 million at December 31, 2023 and 2022, respectively, is also included in "Cash and cash equivalents" in the Statements of Financial Condition.

The estimated fair value for loan participations, which are recorded at the cost of purchase, plus capitalized interest, less any principal paydowns in the Statements of Financial Condition, are $7.4 billion and $10.8 billion at December 31, 2023 and 2022, respectively. Because external price information is not available, a market-based discounted cash flow model is used to value loan participations. Key inputs to the model include market spread data for each credit rating, collateral type, and other relevant contractual features. Because there is lack of observable pricing information, the loan participations are classified within level 3.

The following table presents Main Street's loan participation activity for the years ended December 31, 2023 and 2022, respectively, (in thousands):

	MSELF	MSNLF	MSPLF	NONLF	Total
Principal amount outstanding, December 31, 2021	$ 1,566,867	$ 2,205,011	$ 11,605,899	$ 16,095	$ 15,393,872
Loan participations purchased	-	-	-	-	-
Loan participations principal paydowns	(387,434)	(539,665)	(2,659,521)	(4,918)	(3,591,538)
Charge-offs	-	(23,147)	(56,109)	-	(79,256)
Capitalized interest	1,726	2,113	8,014	1	11,854
Total loan participations, principal amount outstanding[1]	$ 1,181,159	$ 1,644,312	$ 8,898,283	$ 11,178	$ 11,734,932
Allowance for loan losses[2]	(87,320)	(128,282)	(850,125)	(734)	(1,066,461)
Principal and interest receivable	9,080	8,834	76,517	52	94,483
Loan participations, net of allowance, December 31, 2022[3]	$ 1,102,919	$ 1,524,864	$ 8,124,675	$ 10,496	$ 10,762,954
Loan participations purchased	-	-	-	-	-
Loan participations sold	-	-	(33,041)	-	(33,041)
Loan participations principal paydowns	(249,571)	(549,843)	(2,710,825)	(7,922)	(3,518,161)
Charge-offs	-	(38,214)	(400,301)	-	(438,515)
Capitalized interest	1,416	6,451	24,911	-	32,778
Total loan participations, principal amount outstanding[1]	$ 933,004	$ 1,062,706	$ 5,779,027	$ 3,256	$ 7,777,993
Allowance for credit losses[2]	(26,692)	(109,924)	(704,155)	(57)	(840,828)
Principal and interest receivable	8,999	45,930	74,956	21	129,906
Loan participations, net of allowance, December 31, 2023[3]	$ 915,311	$ 998,712	$ 5,149,828	$ 3,220	$ 7,067,071

[1] Reported at principal amount outstanding, including interest capitalized in accordance with contractual schedules and principal paydowns, net of charge-offs.

[2] The allowance for loan losses was reported under the incurred loss model at December 31, 2022. The allowance for credit losses was reported under the new CECL standard adopted as of January 1, 2023.

[3] Reported at principal amount outstanding, net of allowance and including interest receivable.

(4) ALLOWANCE FOR CREDIT LOSSES AND LOAN MODIFICATIONS

a. Allowance for Credit Losses

Management's estimate of expected credit losses over the life of the LLC's loan participations portfolio is recorded in the allowance and certain loan modifications may be granted if a borrower is experiencing financial difficulty.

The evaluation of the adequacy of the allowance is primarily based upon internal risk rating models that assess probability of default, loss given default and exposure at default for each loan. The models are primarily driven by individual borrower financial characteristics, such as measures of profitability, leverage, and interest coverage. The models are validated against historical industry experience. Participations were grouped using North American Industry Classification System (NAICS) codes into Services and Non-services segments for rating purposes. The Services segment includes and is not limited to industries such as accommodation and food services, retail, health care, information, and professional scientific and technical services. The Non-services segment includes and is not limited to manufacturing, construction, and agriculture, forestry, fishing, and hunting. Given significant differences in historical and expected performance, models differ for service and non-service industry loans. Loan participations are segmented into internal risk rating categories. Refer to Note 5 for further discussion on risk ratings in the loan participation portfolio.

To calculate expected credit loss, the allowance considers relevant estimates of probability of default (PD) and loss given default (LGD) factors in light of credit ratings, and other loan characteristics (e.g., collateral positions), which are applied to exposure at default (principal amount outstanding). A formula-based credit evaluation approach is applied primarily by loss factors, which includes estimates of expected losses over the life of the loan participations, assigned to each risk rating segment. Qualitative factors (including changes in economic and business conditions) are evaluated so that loss rates (product of PD and LGD) appropriately reflect risks within the then-current environment. Additional overlays can be made based upon additional factors.

The allowance may be adjusted to reflect the LLC's current assessment of various qualitative factors that are not captured by the quantitative component of the collectively evaluated allowance. These factors include changes in economic conditions over the remaining life of the loan participations, the potential for adverse selection risk in an emergency lending facility, and industry concentrations within the portfolio. The process to determine the allowance requires the LLC to exercise considerable judgment regarding the risk characteristics of the loan participation portfolio and the effect of relevant internal and external factors. Certain key assumptions are reviewed and updated periodically to reflect macroeconomic shifts and observed payment trends. While the LLC evaluates currently available information in establishing the allowance, future adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used.

The allowance represents management's estimate of expected credit losses and consists of an allowance for individually evaluated loan participations and a collective allowance for all other loan participations. Under the lifetime expected credit loss methodology adopted effective January 1, 2023, loan participations with similar risks are collectively assessed for expected credit losses whereas loan participations with different risks are individually assessed. When determining if a loan participation will be individually or collectively assessed, the LLC considers risk characteristics including credit indicators and size of the loan participation. Loan participations that are $10 million or greater and meet specific triggers tied to performance or credit rating are individually evaluated on a quarterly basis. In 2022, the loan participation size threshold was $15 million or greater due to the size of the portfolio. Triggers for individual evaluation include when (1) an individual loan participation is assigned a Ca rating (doubtful classification) or below or, (2) it is placed on non-accrual status due to delinquency status (90 days past due) or management judgment.

When a loan participation is greater than the loan participation size threshold and meets one of the above triggers, a loss allowance is measured at the individual loan participation level. All other loans not subject to individual evaluation are subject to a collectively evaluated allowance equaling the Expected Credit Loss (ECL). The LLC's collectively evaluated allowance includes both quantitative and qualitative components.

The allowance is reported as "Allowance for credit losses" in the Statements of Financial Condition. Changes in the allowance are recorded as "Provision (benefit) for credit losses" in the Statements of Operations. Prior to the adoption of ASU 2016-13, the allowance was reported as "Allowance for loan losses" and changes in the allowance were recorded as "Provision for loan losses."

The following tables show the components of the allowance for credit losses at December 31, 2023 and for loan losses at December 31, 2022, (in thousands):

Allowance for credit losses 2023	Service industry	Non-Service industry	Total
Individually evaluated	$ 467,649	$ 146,439	$ 614,088
Collectively evaluated	131,408	76,494	207,902
Non-accrual interest allowance	10,922	7,916	18,838
Total allowance	$ 609,979	$ 230,849	$ 840,828
Total loan participations, individually evaluated	$ 600,658	$ 203,220	$ 803,878
Total loan participations, collectively evaluated	4,838,271	2,135,844	6,974,115
Total principal and interest receivable	97,050	32,856	129,906
Total evaluated balance	$ 5,535,979	$ 2,371,920	$ 7,907,899
Allowance (percentage of evaluated balance)	11.0%	9.7%	10.6%
Loan charge-offs from principal	$ 289,535	$ 148,980	$ 438,515

Allowance for loan losses 2022	Service industry	Non-Service industry	Total
Individually evaluated	$ 420,131	$ 160,387	$ 580,518
Collectively evaluated	332,402	140,776	473,178
Non-accrual interest allowance	9,175	3,590	12,765
Total allowance	$ 761,708	$ 304,753	$ 1,066,461
Total loan participations, individually evaluated	$ 517,632	$ 228,525	$ 746,157
Total loan participations, collectively evaluated	7,896,273	3,092,502	10,988,775
Total principal and interest receivable	61,882	32,601	94,483
Total evaluated balance	$ 8,475,787	$ 3,353,628	$ 11,829,415
Allowance (percentage of evaluated balance)	9.0%	9.1%	9.0%
Loan charge-offs from principal	$ 66,298	$ 12,958	$ 79,256

The following table presents the changes in the allowance for credit losses (in thousands):

Allowance, December 31, 2021	$	2,029,242
Charge-offs		(79,936)
Recoveries		2,144
Provision for loan losses		(884,989)
Allowance, December 31, 2022	$	1,066,461
CECL adoption adjustment[1]	$	21
Charge-offs		(452,535)
Recoveries		8,440
Provision (benefit) for credit losses		218,441
Allowance, December 31, 2023	$	840,828

1 The LLC recorded an immaterial amount to increase credit losses upon the adoption of the CECL standard.

A loan participation is placed on non-accrual status if it is 90 days past due, or earlier based on credit indicators. As of December 31, 2023 and 2022, there were approximately $1.3 billion and $2.0 billion, respectively, in loan participations in non-accrual status.

As of December 31, 2023, there were approximately $222 million in loan participations that were past due 61 - 90 days. Loan participations are generally charged off once the loan has become 180 days past due or is otherwise deemed uncollectible by management. All related losses are charged-off against the allowance and are included in the “Provision (benefit) for credit losses” reported on the Statements of Operations.

When a loan participation is charged off, any accrued but uncollected interest from both current and prior periods is charged against the allowance for credit losses as remaining interest receivable is specifically considered in the determination of the allowance for credit loss.

The following table presents the charge-off losses recognized by the LLC (in thousands):

	2023	2022
Charge-offs, realized losses		
Principal	$ 438,515	$ 79,256
Interest receivable	14,020	680
Total charge-offs, realized losses	$ 452,535	$ 79,936

If a borrower is experiencing financial difficulty, the LLC may sell the loan participation if the sale meets certain criteria established by the LLC. When a loan participation is sold, the credit loss allowance that was allocated to that loan participation is reversed through the “Provision (benefit) for credit losses” on the Statements of Operations and the full amount of the loss is recognized in “Loss on sale of loan participations” in the Statements of Operations.

b. Loan Modifications

In certain cases, when a borrower experiences significant financial difficulties and is unable to meet its financial obligations, the LLC may approve modifications to contractual terms. The LLC considers many factors when approving modifications including whether (1) the debtor is or is likely to be in payment default in the foreseeable future without the modification, (2) if the debtor declared or will declare bankruptcy, (3) there is substantial doubt that the debtor will continue as a going concern, (4) the debtor's entity-specific projected cash flows will not be sufficient to service its debt, or (5) the debtor cannot obtain funds from sources other than the existing creditors at market terms for debt with similar risk characteristics. Modifications may include changes in payment structure and timing such as principal or interest payment deferral and other actions intended to minimize economic loss and avoid foreclosure or repossession of collateral. Loan participations are evaluated based on the revised contractual terms after a modification and performance against the new contractual terms when determining credit loss allowance.

The LLC has not approved loan extensions beyond 2026 nor have there been reductions in interest rates. Principal forgiveness is not permitted under the terms of the Main Street Lending Program and there have been no commitments by the LLC to lend additional funds to borrowers experiencing financial difficulty.

The following table presents the LLC's outstanding principal balances for loan participations that were modified at December 31, 2023, by type of modification (in thousands):

Loan Participations Modifications	December 31, 2023					
	Services		Non-Services			
	Principal balance	% of Segment	Principal balance	% of Segment	Number of loan participations	Deferral period
Interest payment deferral	$ 5,187	0%	$ -	0%	1	12 months
Principal payment deferral	309,842	6%	77,863	3%	26	3 to 24 months
Principal and interest payment deferral	27,901	1%	27,251	1%	2	7 to 27 months
Maturity extension and principal payment deferral[1]	11,843	0%	-	0%	1	24 to 36 months
Total loan participations modified	$ 354,773		$ 105,114		30	

[1] The loan participation maturity was extended by one year.

Previously, in 2022, modifications to contractual terms that would not otherwise have been approved if the loan were performing were classified and accounted for as a troubled debt restructuring (TDR) loan. Due to the adoption of ASU 2022-02, in 2023 new modifications are no longer accounted for as a TDR. Additional details on modifications for both periods are included below, including those that were previously classified as a TDR.

The following table presents the LLC's outstanding principal for loan participations in accrual or non-accrual status by segment that were modified as of December 31, 2023 and 2022, respectively (in thousands):

	December 31, 2023		December 31, 2022	
	Accrual	Nonaccrual	Accrual	Nonaccrual
Services	$ 177,838	$ 176,935	$ -	$ 80,028
Non-Services	79,396	25,718	-	-
Total loan participations modified	$ 257,234	$ 202,653	$ -	$ 80,028

The following table presents the aging analysis of receivables for modified loan participations as of December 31, 2023 (in thousands):

	December 31, 2023			
	Current	30-60 Days Past Due	61-90 Days Past Due	90+ Days Past Due
Services	$ 349,586	$ -	$ -	$ 5,187
Non-Services	105,114	-	-	-
Total loan participations modified	$ 454,700	$ -	$ -	$ 5,187

Changes in modified loan participation balances were as follows (in thousands):

	December 31, 2023	December 31, 2022
Balance at beginning of year	$ 80,028	$ -
Additions[1]	433,967	80,028
Net charge-offs	(24,629)	-
Repayments	(29,479)	-
Balance at end of year	$ 459,887	$ 80,028

[1] Based on principal amount outstanding as of beginning of year, plus capitalization during the year.

(5) RISK PROFILE

As of December 31, 2023, the LLC's portfolio of investments consisted primarily of cash equivalents and short-term investments. The fair value of the LLC's cash equivalents and short-term investments with overnight maturities totaled approximately $7.5 billion and $10.3 billion as of December 31, 2023 and 2022, respectively.

The average internal risk rating for loan participations held as of December 31, 2023 and 2022 were equivalent to a Moody's rating of B2. The following table shows rating distribution using internally derived risk ratings on a scale comparable to a Moody's rating scale as of December 31, 2023 and 2022:

	% of Loan participations, principal amount	
Rating	2023	2022
Ba or higher	37%	37%
B	33%	38%
Caa	17%	14%
Ca	13%	11%
Total	100%	100%

As of December 31, 2023 and 2022, cash equivalent holdings of approximately $745 million and $392 million, respectively, are not rated. As of December 31, 2023 and 2022, short-term investments in non-marketable securities of approximately $6.8 billion and $9.9 billion, respectively, are rated as government/agency. These holdings are reflected in the Statements of Financial Condition.

(6) LOANS PAYABLE TO THE FEDERAL RESERVE BANK OF BOSTON

FRBB has extended loans to the LLC and the loan proceeds financed the LLC’s purchase of eligible loan participations. In addition to loans for the purchase of eligible assets, the LLC is permitted to borrow from the FRBB for temporary operating liquidity needs.

The assets of the LLC are used to secure the loans from FRBB. These assets include the equity that the Treasury has contributed to the LLC to function as credit protection for FRBB’s loans to the LLC.

Each loan made by the FRBB to the LLC bears interest, accrued daily, at a rate per annum equal to the interest rate on excess reserves in effect on such day that the loan originated. Repayment of the principal and interest on the loans is made from proceeds of prepayments or maturity payments of the purchased assets. The amount of interest expense during the periods is reported as “Loans interest expense” in the Statements of Operations.

The LLC’s loans payable to FRBB is reported as “Loans payable to FRBB” in the Statements of Financial Condition. The related interest payable is reported as “Interest payable” in the Statements of Financial Condition. Loans payable to FRBB as of December 31, 2023 and 2022, respectively, were (in thousands):

	2023			
Loan Type	Loans payable to FRBB	Interest Payable	Interest Rate	Maturity Dates
Funding	$ 7,434,174	$ 22,496	0.1%	12/31/2025 to 01/05/2026
Operating	-	-		
Total	$ 7,434,174	$ 22,496		

	2022			
Loan Type	Loans payable to FRBB	Interest Payable	Interest Rate	Maturity Dates
Funding	$ 11,352,526	$ 23,161	0.1%	12/31/2025 to 01/05/2026
Operating	-	-		
Total	$ 11,352,526	$ 23,161		

(7) CONTRIBUTIONS AND DISTRIBUTIONS

The following table presents contributions and distributions of capital and current year undistributed net operating income (loss) as of December 31, 2023 and 2022, which are reported as “Members' contributions (distributions)” and “Undistributed net operating income (loss)”, respectively, in the Statements of Changes in Members' Equity (in thousands):

	Managing member	Preferred equity member	Total members
Members' equity, December 31, 2021	$ -	$ 14,059,992	$ 14,059,992
Capital contribution	-	-	-
Capital (distributions)	-	(4,221,705)	(4,221,705)
Current year undistributed net operating income (loss)	-	1,601,621	1,601,621
Members' equity, December 31, 2022	$ -	$ 11,439,908	$ 11,439,908
CECL adoption adjustment	$ -	$ (21)	$ (21)
Capital contribution	-	-	-
Capital (distributions)	-	(4,014,221)	(4,014,221)
Current year undistributed net operating income (loss)	34,713	870,180	904,893
Members' equity, December 31, 2023	$ 34,713	$ 8,295,846	$ 8,330,559

The following table presents cumulative capital contributions and undistributed net operating income (loss) as of December 31, 2023 and 2022 (in thousands):

	Managing member	Preferred equity member	Total members
Cumulative capital contributions	$ -	$ 11,452,701	$ 11,452,701
Cumulative undistributed net operating income (loss)	-	(12,793)	(12,793)
Members' equity, December 31, 2022	$ -	$ 11,439,908	$ 11,439,908
Cumulative capital contributions	$ -	$ 7,438,480	$ 7,438,480
Cumulative undistributed net operating income (loss)	34,713	857,366	892,079
Members' equity, December 31, 2023	$ 34,713	$ 8,295,846	$ 8,330,559

a. Contributions and Distributions of Capital

The preferred equity member initially contributed $37.5 billion in capital as credit protection to the LLC for loans needed to fund purchases of loan participations or operations of the LLC, and the managing member was deemed to have contributed $10 in capital. The preferred equity member, subject to the consent and agreement of the managing member in its sole discretion, may make additional contributions to the capital of the LLC.

Preferred equity member contributions are held in cash deposits and non-marketable securities, as mutually agreed upon by the managing member and the preferred equity member and consented to by FRBB. The LLC returned $4.0 billion and $4.2 billion of the preferred equity member’s capital contribution in 2023 and 2022, respectively. Effective November 17, 2021, the LLC Agreement was amended to implement semi-annual interim distributions to continue to return portions of the Treasury’s equity investment based on outstanding excess equity thresholds.

b. Undistributed and Distributed Net Operating Income

Amounts available for distribution, due to interest, fees, payments on investments and other receipts of income are applied on the dates and in the order of priority set forth in the credit agreement between the LLC and FRBB.

Prior to the conclusion of the program, and when all obligations of the LLC are repaid, the remaining net assets will be allocated and distributed in accordance with the limited liability company agreement of the LLC. That agreement contemplates the distribution, upon the LLC's liquidation, 1) to the Treasury of the preferred equity account balance, inclusive of all investment earnings on non-marketable securities, and 2) 90 percent of remaining net assets to the preferred equity member and 10 percent of remaining net assets to the managing member.

(8) COMMITMENTS AND CONTINGENCIES

The LLC has agreed to pay the reasonable out-of-pocket costs and expenses of certain service providers incurred in connection with their duties. The LLC has also agreed to indemnify its service providers for losses, expenses, or other liabilities under the agreements it has with those service providers, subject to customary exceptions such as for losses caused by the service providers' misconduct. These indemnity obligations survive termination of those agreements. As of December 31, 2023, the LLC did not have any prior claims or losses pursuant to these agreements. The risk of loss was remote.

(9) SUBSEQUENT EVENTS

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2023.

Subsequent events were evaluated through March 18, 2024, which is the date that these financial statements were available to be issued.