Financial Statements:

MS Facilities LLC

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

For the years ended December 31, 2022 and 2021
and Independent Auditors' Report

MS Facilities LLC

Contents

KPMG LLP
Two Financial Center
60 South Street
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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, 2022 and 2021, the related statements of operations, changes in members' equity, and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and the results of its operations and its cash flows for the years ended December 31, 2022 and 2021 in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the LLCs 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 Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates 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 it relates.

Allowance for loan losses related to loan participations collectively evaluated for impairment

As discussed in Notes 2 and 4 to the financial statements as of December 31, 2022, the LLC's total allowance for loan losses was $1,066 million, of which $474 million related to the allowance for loan losses for loans collectively evaluated for impairment (the general allowance). The LLC's general allowance includes both a quantitative and qualitative component. The LLC estimates the quantitative component of the general 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 incurred losses over an estimated loss emergence period. 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 general allowance.

We identified the assessment of the general 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 general allowance methodology, including the methods and model used to estimate (1) the PD factors, LGD factors, risk ratings and their significant assumptions, including portfolio segmentation and the loss emergence period 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 general allowance, including controls over the:

- development of the general 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 general allowance results and ratios.

We evaluated the LLC's process to develop the estimate of the general 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 general allowance 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
- determining whether the loan portfolio is appropriately segmented by risk characteristics by considering the LLC's business environment and relevant industry practices

- evaluating the length of the loss emergence period by comparing it to portfolio risk characteristics and relevant industry practices
- evaluating the methodology used to develop qualitative factor adjustments and the effect of those factors on the general allowance by comparing them with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying quantitative component of the general allowance methodology.

We also assessed the sufficiency of the audit evidence obtained related to the estimate of the general 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 14, 2023

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, 2022 and 2021
(Amounts in thousands)

		2022	2021
ASSETS			
Cash and cash equivalents	Note 3	$ 498,585	$ 571,887
Restricted cash and cash equivalents			
Cash deposit	Note 3	1,741,239	2,358,527
Short-term investments in non-marketable securities	Note 3	9,906,445	13,332,204
Loan participations			
Loan participations, at principal amount outstanding, net of charge-offs	Note 3	11,734,932	15,393,872
Principal and interest receivable		94,483	79,518
Allowance for loan losses	Note 4	(1,066,461)	(2,029,242)
Loan participations and interest, net of allowance and charge-offs		10,762,954	13,444,148
Other assets		1,198	6
Total assets		22,910,421	29,706,772
LIABILITIES AND MEMBERS' EQUITY			
Liabilities			
Loans payable to FRBB	Note 6	11,352,526	15,477,798
Interest payable	Note 6	23,161	16,791
Service fees payable		23,623	29,631
Transaction fees, deferred revenue	Note 2	66,653	118,784
Professional fees payable		4,023	2,596
Other liabilities	Note 2,8	527	1,180
Total liabilities		11,470,513	15,646,780
Commitments and contingencies	Note 8		
Members' equity	Note 7	11,439,908	14,059,992
Total liabilities and members' equity		$ 22,910,421	$ 29,706,772

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

Statements of Operations

For the years ended December 31, 2022 and 2021
(Amounts in thousands)

		2022	2021
INCOME			
Interest income		$ 730,969	$ 442,154
Transaction fees and other income		52,857	47,908
Total operating income		783,826	490,062
EXPENSES			
Loans interest expense	Note 6	13,489	16,165
Loan participation servicing costs		34,833	40,719
Provision for loan losses	Note 4	(884,989)	(367,286)
Professional fees		18,872	22,802
Other non-interest (income) expense	Note 8	-	(10,329)
Total operating (income) expense		(817,795)	(297,929)
Net operating income	Note 7	$ 1,601,621	$ 787,991

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

Statements of Changes in Members’ Equity

For the years ended December 31, 2022 and 2021
(Amounts in thousands)

		Members' contributed equity	Net operating income (loss)	Total members' equity
Members' equity, December 31, 2020		$ 37,500,000	$ (2,402,405)	$ 35,097,595
Members' contributions (distributions)	Note 7	(21,825,594)	-	(21,825,594)
Undistributed net operating income (loss)	Note 7	-	787,991	787,991
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

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

Statements of Cash Flows

For the years ended December 31, 2022 and 2021
(Amounts in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	$ 1,601,621	$ 787,991
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:		
Provision for loan losses	(884,989)	(367,286)
Capitalization of interest on loan participations	(11,854)	(374,624)
Recoveries and interest charged-off, net	1,464	(195)
Increase in interest payable	6,370	15,069
Increase (decrease) in service fees payable	(6,008)	25,300
(Decrease) in transaction fees, deferred revenue	(52,131)	(46,853)
(Increase) in principal and interest receivable and other assets	(16,157)	(29,436)
Increase (decrease) in professional fees payable and other liabilities	774	(15,057)
Cash (used in) provided by operating activities	639,090	(5,091)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of loan participations	-	(84,369)
Proceeds from loan participations repayments	3,591,538	1,558,526
Cash provided by investing activities	3,591,538	1,474,157
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions of contributed capital	(4,221,705)	(21,825,594)
Proceeds from loans payable to FRBB	-	84,369
Repayment of loans payable to FRBB	(4,125,272)	(1,108,161)
Cash used in financing activities	(8,346,977)	(22,849,386)
Net decrease in cash and cash equivalents, restricted cash and cash equivalents	(4,116,349)	(21,380,320)
Beginning cash and cash equivalents, restricted cash and cash equivalents	16,262,618	37,642,938
Ending cash and cash equivalents, restricted cash and cash equivalents	$ 12,146,269	$ 16,262,618
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for interest	$ 7,118	$ 1,097

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 is 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. 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 are in the process of being replaced by new reference rates prospectively. 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 loan 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, 2022 and December 31, 2021, the LLC had approximately $392 million and $520 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. Credit Impairments / Allowance for Loan Losses and Charge-Offs

The allowance for loan losses (the Allowance) and charge-offs consist of loan participations collectively evaluated for impairment and specific reserves for impaired loan participations and reflects management's estimate of probable loan losses inherent in the loan participations portfolio at reporting date and calculated in accordance with FASB ASC 310-10, *Receivables* and FASB ASC 450-20, *Loss Contingencies*.

Loan participations that meet a certain materiality threshold and meet triggers tied to performance or credit rating are evaluated for impairment under FASB ASC 310-10, *Receivables*. A loan is considered impaired when it is determined to be probable that the LLC will be unable to collect all of the contractual interest and principal payments scheduled in the loan agreement. For purposes of the MSLP, a loss is generally deemed probable when (1) an individual loan participation is assigned a doubtful classification or below or, (2) it is placed on non-accrual status due to delinquency status (90 days past due) or management judgment. For loan participations purchased by the LLC that have been deemed impaired and meet a certain materiality threshold, a loss allowance is measured at the individual loan level. Loan participations reviewed through this process deemed not to be impaired and all other loans not subject to individual evaluation are subject to a general reserve under FASB ASC 450-20, *Loss Contingencies*. The LLC's general reserve includes both quantitative and qualitative components.

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, 2022 and 2021 was approximately \$177.8 million and \$3.6 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, 2022 and 2021 was approximately $6.3 million and fifty thousand dollars, 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 nonaccrual status. The accrual of interest income on a MSLP loan is suspended when it is probable that the LLC will be unable to collect all or some of the amounts due, including both the contractual interest and principal payments under the loan agreement. A loan is placed on non-accrual status if the instrument becomes due and unpaid for 90 days, or earlier if management determines that full collection of all amounts due is not probable, such as when a loan is deemed impaired. 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 nonaccrual 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 periods ended December 31, 2022 and 2021 was approximately $546.9 million and $438.5 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, 2022 and 2021 were approximately $52.1 million and $47.7 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, 2022 and 2021 was approximately $0.7 million and $0.2 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. For the years ended December 31, 2022 and 2021, the LLC also reimbursed the

FRBB for external legal counsel fees related to LLC activities totaling zero and approximately $1.6 million, respectively. 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 Current Expected Credit Losses (CECL) methodology which replaced the previous GAAP method of calculating credit losses. While the prior methodology required incurred losses to be probable before they were recognized, ASU 2016-13 requires the use of a lifetime expected loss methodology, which requires earlier recognition of credit losses on financial assets measured at amortized cost. The new standard modifies the methodology for measuring credit losses by incorporating future forecast assumptions while it does not change the determined credit risk on the underlying financial assets. 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 will be recorded to increase credit losses under the CECL methodology upon adoption at January 1, 2023.

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 provides 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 has decided to elect these expedients through the transition to Secure Overnight Financing Rate (SOFR) and other comparable reference rates. This guidance is not expected to have a material impact on the LLC's financial statements.

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. The LLC will adopt this update upon implementation of ASU 2016-13 and it is not expected to have a matieral 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, 2022, cash equivalents and short-term investments in non-marketable securities had maturities within 15 days and all loan participations mature within 2 to 4 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 $392 million and $520 million at December 31, 2022 and 2021, 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 $107 million and $52 million at December 31, 2022 and 2021, 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 $10.8 billion and $13.8 billion at December 31, 2022 and 2021, 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 tables present Main Street’s loan participation activity for the years ended December 31, 2022 and 2021, respectively, (in thousands):

	MSELF	MSNLF	MSPLF	NONLF	Total
Principal amount outstanding, December 31, 2020	$ 1,715,203	$ 2,548,678	$ 12,206,160	$ 39,927	$ 16,509,968
Loan participations purchased	-	14,032	70,337	-	84,369
Loan participations principal paydowns	(188,709)	(403,702)	(941,777)	(24,338)	(1,558,526)
Charge-offs	-	(7,427)	(9,136)	-	(16,563)
Capitalized interest	40,373	53,430	280,315	506	374,624
Total loan participations, principal amount outstanding[1]	$ 1,566,867	$ 2,205,011	$ 11,605,899	$ 16,095	$ 15,393,872
Allowance for loan losses	(211,392)	(343,272)	(1,474,208)	(370)	(2,029,242)
Principal and interest receivable	6,444	10,284	62,760	30	79,518
Loan participations, net of allowance, December 31, 2021[2]	$ 1,361,919	$ 1,872,023	$ 10,194,451	$ 15,755	$ 13,444,148
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	(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[2]	$ 1,102,919	$ 1,524,864	$ 8,124,675	$ 10,496	$ 10,762,954

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

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

(4) ALLOWANCE FOR LOAN LOSSES AND TROUBLED DEBT RESTRUCTURINGS

a. Allowance for Loan Losses

Management's estimate of probable losses in the LLC's loan participations portfolio is recorded in the Allowance and certain concessions or loan modifications may be granted through troubled debt restructurings if a borrower is experiencing financial difficulty. On a quarterly basis, the LLC evaluates the adequacy of the Allowance by performing reviews of certain individual loan participations; analyzing changes in the composition, size, and delinquency of the portfolio; reviewing previous loss experience; and considering current and anticipated economic factors.

The Allowance is established in accordance with the LLC's credit reserve policies and the adequacy of the reserve is reviewed and approved by the LLC Credit Subcommittee. The Allowance is maintained at a level that the LLC considers reflective of probable losses and is established through charges to earnings in the form of a provision for loan losses.

The evaluation of the adequacy of the Allowance and loan loss reserve for unfunded commitments 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. 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 incurred losses over an estimated loss emergence period (LEP), assigned to each risk rating segment. Qualitative factors (including changes in economic and business conditions) are assessed 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 when internal and external factors are identified that are not captured by the quantitative component of the general allowance, with consideration being given to changes in economic conditions, 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 portfolios 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.

For loan participations with an outstanding balance of $15 million or greater and meeting certain triggers tied to performance or credit rating, the LLC conducts further analysis to determine the probable amount of loss and establishes a specific allowance for the loan participation, if appropriate. A specific allowance is generally set for those loan participations that meet the threshold and fall in the Ca rating category, indicating that collection is doubtful. However, other factors such as payment history, may also lead to an impairment assessment. When a loan participation is deemed to be impaired, the LLC estimates the impairment amount by comparing the loan participation's carrying amount to the estimated present value of its future cash flows, the fair value of its underlying collateral, or some combination as appropriate. Refer to Note 5 for further discussion on risk ratings in the loan participation portfolio.

A loan is considered to be impaired when, based on current information and events, it is probable that the LLC will be unable to collect all amounts due (both interest and principal) according to the contractual terms of the loan agreement. Smaller-balance, homogeneous loans that are evaluated collectively for impairment are specifically excluded from the impaired loan portfolio except where the loan is classified as a TDR. A specific allowance for losses on TDR loans is determined by comparing the net carrying amount of the TDR loan with the restructured loan's cash flows discounted at the original effective rate. Amounts determined to be uncollectible and charged off are deducted from the Allowance and subsequent recoveries, if any, are added to the Allowance.

The Allowance is reported as "Allowance for loan losses" in the Statements of Financial Condition. Provision for loan losses related to the portfolio is reported as "Provision for loan losses" in 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 loan losses as remaining interest receivable is specifically considered in the determination of the allowance for loan loss.

The following tables show the components of the allowance for loan losses at December 31, 2022 and 2021, respectively, (in thousands):

Allowance for loan losses 2022	Service industry	Non-service industry	Total
Individually evaluated	$ 420,131	$ 160,387	$ 580,518
General allowance	332,402	140,776	473,178
Non-accrual interest reserve	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, general allowance	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

Allowance for loan losses 2021	Service industry	Non-service industry	Total
Individually evaluated	$ 915,771	$ 186,260	$ 1,102,031
General allowance	681,346	224,105	905,451
Non-accrual interest reserve	16,634	5,126	21,760
Total allowance	$ 1,613,751	$ 415,491	$ 2,029,242
Total loan participations, individually evaluated	$ 1,519,206	$ 298,385	$ 1,817,591
Total loan participations, general allowance	9,698,128	3,878,153	13,576,281
Total principal and interest receivable	56,948	22,570	79,518
Total evaluated balance	$ 11,274,282	$ 4,199,108	$ 15,473,390
Allowance (percentage of evaluated balance)	14.3%	9.9%	13.1%
Loan charge-offs from principal	$ 8,266	$ 8,297	$ 16,563

As of December 31, 2022 and 2021, there were approximately $2.0 billion and $3.0 billion, respectively, in loan participations in non-accrual status.

The following table presents the losses recognized by the LLC:

(in thousands)	December 31, 2022		December 31, 2021	
Charge-offs, realized losses				
Principal	$	79,256	$	16,563
Interest receivable		680		195
Total charged-offs, realized losses	$	79,936	$	16,758

All related losses are charged-off against the Allowance and are included in the "Provision for loan losses" reported on the Statements of Operations.

The following table presents the changes in the allowance for loan losses:

(in thousands)		
Allowance, December 31, 2020	$	2,413,286
Charge-offs		(16,758)
Recoveries		-
Provision for loan losses		(367,286)
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

b. Troubled Debt Restructurings

In certain cases, when a borrower experiences signifcant financial difficulties and is unable to meet its financial obligations, the LLC may approve concessionary modifications to contractual terms that it would not otherwise have approved if the loan were performing. In such cases, the loan is classified as a TDR loan. In determining whether a debtor is experiencing financial difficulties, the LLC considers many factors. These factors may include 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. The LLC evaluates all TDRs for impairment on an individual loan basis regardless of loan type. 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.

The following table presents the LLC's outstanding principal balances for loan participations with troubled debt restructurings that were modified at December 31, 2022 and 2021, respectively, by type of modification (in thousands):

Troubled Debt Restructuring	December 31, 2022		December 31, 2021	
Interest payment deferral	$	30,684		-
Principal payment deferral		49,344		-
Total loans modified	$	80,028	$	-

The total principal balance of loan participations classified as troubled debt restructurings was $80 million and zero at December 31, 2022 and 2021, respectively. All loan participations classified as troubled debt restructuring were within the Services segment and in non-accrual status.

Changes in troubled debt restructured loan participation balances were as follows (in thousands):

Troubled Debt Restructuring	December 31, 2022		December 31, 2021	
Balance at beginning of year	$	-	$	-
Additions		80,028		-
Net Charge-offs		-		-
Repayments[1]		-		-
Balance at end of year	$	80,028	$	-

[1] Includes loans that were removed from TDR status.

(5) RISK PROFILE

As of December 31, 2022, 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 $10.3 billion and $13.9 billion as of December 31, 2022 and 2021, respectively.

The average internal risk rating for loan participations held as of December 31, 2022 and 2021 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, 2022 and 2021:

	% of Loan participations, principal amount outstanding	
Rating	2022	2021
Ba or higher	37%	29%
B	38%	35%
Caa	14%	16%
Ca	11%	20%
Total	100%	100%

As of December 31, 2022 and 2021, cash equivalent holdings of approximately $392 million and $520 million, respectively, are not rated. As of December 31, 2022 and 2021, short-term investments in non-marketable securities of approximately $9.9 billion and $13.3 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, 2022 and 2021, respectively, were (in thousands):

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		

2021				
Loan Type	Loans payable to FRBB	Interest Payable	Interest Rate	Maturity Dates
Funding	$ 15,477,798	$ 16,791	0.1%	12/31/2025 to 01/05/2026
Operating	-	-		
Total	$ 15,477,798	$ 16,791		

(7) CONTRIBUTIONS AND DISTRIBUTIONS

The following table presents contributions and distributions of capital, current year undistributed net operating income (loss), and current year distributed net operating income (loss) as of December 31, 2022 and 2021, 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, 2020	$ -	$ 35,097,595	$ 35,097,595
Capital contribution	-	-	-
Capital (distributions)	-	(21,825,594)	(21,825,594)
Current year undistributed net operating income (loss)	-	787,991	787,991
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

The following table presents cumulative capital contributions and undistributed net operating income (loss) as of December 31, 2022 and 2021 (in thousands):

	Managing member	Preferred equity member	Total members
Cumulative capital contributions	$ -	$ 15,674,406	$ 15,674,406
Cumulative undistributed net operating income (loss) contributions	-	(1,614,414)	(1,614,414)
Members' equity, December 31, 2021	$ -	$ 14,059,992	$ 14,059,992
Cumulative capital contributions	$ -	$ 11,452,701	$ 11,452,701
Cumulative undistributed net operating income (loss) contributions	-	(12,793)	(12,793)
Members' equity, December 31, 2022	$ -	$ 11,439,908	$ 11,439,908

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 $4.2 billion and $21.8 billion of the preferred equity member's capital contribution in 2022 and 2021, 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

As of December 31, 2020, the LLC entered into commitments to purchase loan participations that had not yet been funded or fully purchased by the LLC. In accordance with ASC 825-10, *Financial Instruments* and ASC 450-20, *Loss Contingencies*, the LLC recorded a contingent liability for possible credit losses associated with these unfunded loan commitments. Total contingent liabilities as of December 31, 2020 were approximately $10.3 million associated with total unfunded commitments of approximately $38.6 million. Once funded, the contingency was reversed through "Other non-interest expense" in the Statement of Operations for the year ended December 31, 2021. As of December 31, 2022 and 2021, there were no unfunded commitments and no contingent liability was recorded. All loans are now funded and credit losses are accounted for in the Allowance for Loan Losses as outlined in Note 4.

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, 2022, 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, 2022.

Subsequent events were evaluated through March 14, 2023, which is the date that these financial statements were available to be issued.