



April 22, 2020

Re: Business Protection Program (BPP) & CMBS Market Relief

Dear Senator Rubio,

We want to start by thanking you for supporting small business owners who are facing an unprecedented existential threat, while attempting to keep their livelihoods afloat amidst the coronavirus pandemic. You have been a true champion for our cause.

Reform Lodging is a newly formed lodging industry and hotel owner advocacy organization being fueled by the youthful exuberance of millennial hoteliers and backed by the wisdom of accomplished luminaries from all across the hospitality industry. While our focus remains on the hospitality industry, it is our objective to support endeavors that directly or indirectly provide support to our fellow Americans from outside our industry too. This united front is more important now than ever before.

A major liquidity crisis is looming and we humbly request more specifically targeted assistance for small business owners from all sectors. Businesses do not have adequate cash flow to remain solvent in the near and long term. The Small Business Administration's PPP (Paycheck Protection Program) loans will provide short-term relief by covering 8 weeks of payroll costs and some ancillary expenses such as utilities and mortgage interest payments. However, there still remains a significant need for additional funds to support ongoing overhead costs currently accruing in addition to future expenses that will not be met until our businesses reach a breakeven point and/or profitability. Despite neighboring states forming coalitions to plan an ultimate reopening, the effects of our nationwide shutdown are going to be felt for far longer.

In order to provide business owners more capital access, we are in desperate need of creating a loan facility, which we have named the BPP or Business Protection Program, designed to provide working capital to save America's small to middle market companies.

Below is a snapshot of several small business owners spanning from the hotel industry to manufacturing to a dental practice. The PPP funds, while providing short-term relief, do not fully account for the sustained losses to come, as indicated by the revenue loss exposure from 2019's historical figures. The additional loan funds needed to cover accruing expenses highlight a major shortfall.

Business Description	SBA PPP Loan Funds Received	Additional Loan Funds Needed	2019 Revenues at Risk of Losing	# of Jobs At Risk of Being Eliminated
Hotel in Florida	\$87,500	\$667,659	\$2,008,016	19
Hotel in Pennsylvania	\$104,167	\$485,883	\$3,068,831	18
Manuf/Exporter Ohio	\$133,750	\$335,940	\$2,100,000	9
Dental Practice Illinois	\$154,927	\$228,987	\$1,863,574	13

Here are the mechanics of the proposal:

- Modify the current SBA 7(a) program to create a temporary “Business Protection Program” (BPP) loan with the following terms.
 - Loan amount up to \$2,000,000 (similar to the SBA Direct EIDL Emergency Disaster Loan Program) to fully cover operating expenses not covered under the SBA “PPP” loan program for a period from February 15, 2020 through September 30, 2021.
 - SBA 7(a) Eligible Lender to receive a 95% U.S. Small Business Administration Full Faith and Credit Guaranty on BPP loans. The 5% credit risk exposure to the lender will offset by the yield enhancement over the 90 day U.S. Treasury Rate or a Secondary Market Premium that will allow the SBA Lender to fully reserve against the 5% at risk portion of the loan. The remaining spread or premium is needed to provide the financial resources to the bank to make and service these loans.
 - Loan term to be amortized over 30 years (same as SBA Direct EIDL Emergency Disaster Loan Program terms).
 - Pre-payment penalty of 5% for years 1 through 5. This will provide the Secondary Market Investors the motivation to purchase these loans without risk of pre-payment and in turn, providing the liquidity for the SBA Lenders that will be needed.
 - No loan fee(s) to borrowers.
 - No loan fee(s) to lender.
 - Interest Rate: Maximum allowed interest rate currently allowed by SBA of Prime + 2.75%. This will allow lenders to have a rate and term marketable to the Secondary Market to create the liquidity to fund the loans and a yield to support the risks and costs of the loans. It will also limit funds to borrowers that truly are in need of funding.
 - Collateral Requirements: None
 - Personal Guaranty: All owners of 20% or more of the business must personally guarantee the loan.
- The loan program would be set up similarly to the SBA PPP Loan Program processed through Etran with an assigned loan number and a similarly arranged loan application, note, and SBA Guaranty signed by borrower.

- The loan program should include a Federal Tax Credit to the business and or owners (K-1 to S Corp and Partnerships) for the SBA BPP payments for a 10 year term. The tax credit can be carried over during the 10 year period.
- The loan program would also provide relief to Commercial Mortgage Backed Securities (CMBS) borrowers, whose dire issues have not been addressed. There is \$87 billion worth of hospitality CMBS exposure in the United States, of which \$56 billion is tied to single asset, single borrower (SASB) hotel properties, in other words, small business owners who cannot even apply for existing PPP or EIDL loans without triggering default provisions. In order to successfully achieve this, Master and Special Servicers would need to be given an emergency injunction order by the FDIC to allow CMBS borrowers access to these relief funds without triggering default, since the terms of CMBS loans do not allow for any other debt to be supported besides the first mortgage interest.

There are millions of business owners across our country that are in urgent need of additional funding above and beyond the highly effective, but short-term SBA PPP program to not only protect their employees, but to ensure continuity of their operations after this pandemic is behind us

It is our sincere hope that we can work together with you in moving this program forward to protect America's small and middle market companies, who without additional financial aid, will surely meet their demise. The Business Protection Program will ensure that our collective futures remain bright as we slowly navigate our way out of uncharted territory in an eventual post-COVID world.

We would welcome the opportunity to discuss the particulars of this program in additional detail with you. We wish you and your family well during these extraordinary times.

Yours in hospitality,

Sagar V. Shah

President

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