

Business Interruption Grant (BIG)

CORONAVIRUS RELIEF FUND

Program Guidelines

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GOVERNMENT OF PUERTO RICO

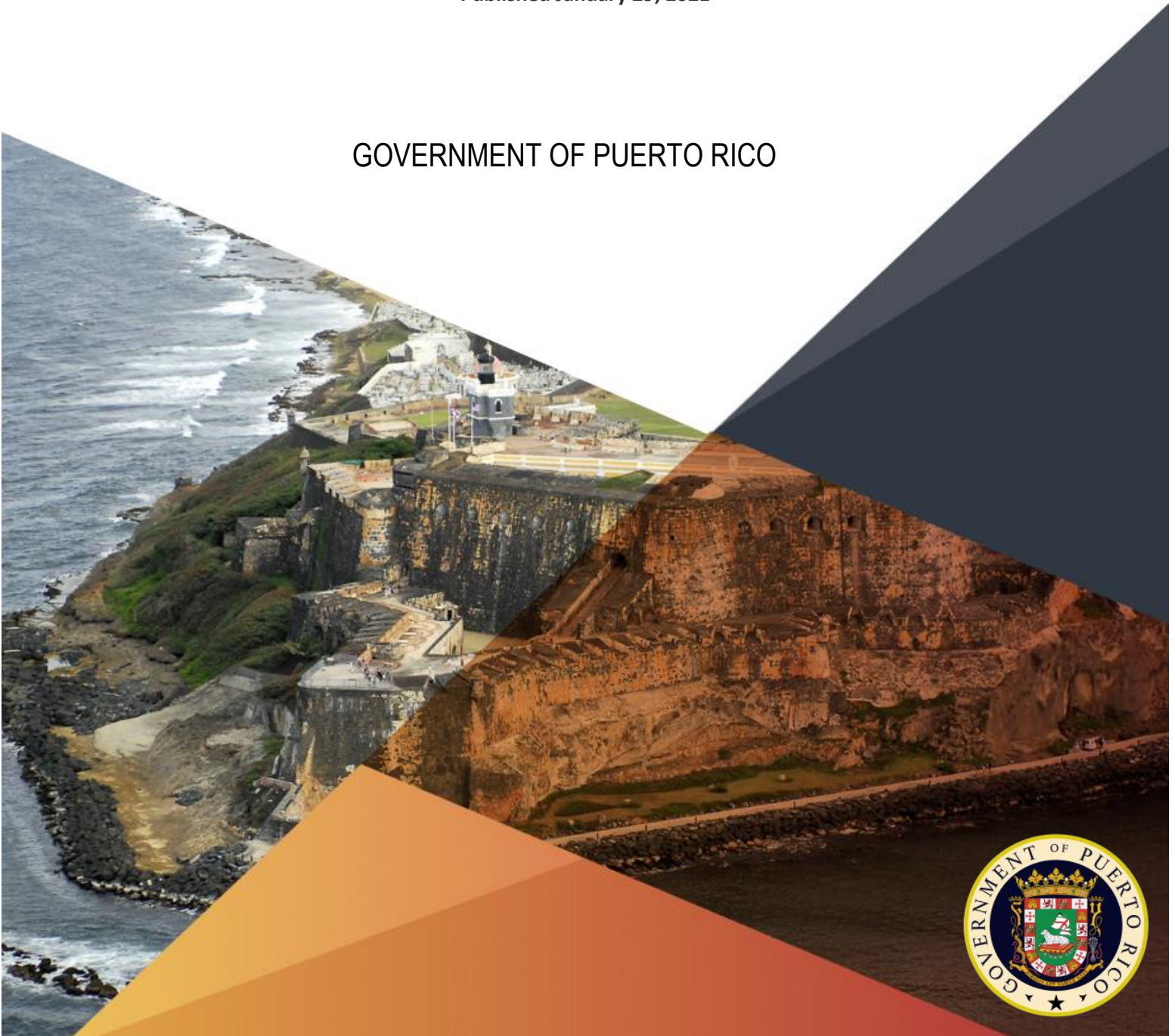


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PROGRAM GUIDELINES

Program Overview

Background

On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. This \$2.2 trillion package created the Coronavirus Relief Fund¹, a \$150 billion effort to provide state and local governments with resources to address unexpected costs incurred due to COVID-19. On April 22, 2020, the Government of Puerto Rico announced that it received over \$2.2 billion from the U.S Treasury Department as part of the CARES Act stimulus package under the Coronavirus Relief Fund (“CRF”) to, among other things, assist the island with emergency expenses and mitigate the effects of the global pandemic and the subsequent economic downturn. The Government of Puerto Rico is fully committed to assisting individuals, businesses, and the municipalities with these funds, while ensuring compliance with the U.S. Treasury Department guidelines and implementing best practices in order to safeguard public funds. The funds received by the Government of Puerto Rico under the CRF program of the CARES Act, need to be used to cover incurred eligible expenditures between March 1, 2020 and December 31, 2021² (“Covered Period”).

On May 15, 2020, the Governor of Puerto Rico issued Executive Order number OE-2020-040 (“EO 2020-040”) establishing Puerto Rico’s Strategic Disbursement Plan for the Coronavirus Relief Fund under the CARES Act (“Plan”). The Plan allocates funding for three main components: (i) testing, contact tracing, isolation and treatment, (ii) reactivating the economy and protecting jobs, and (iii) Government service continuity. To ensure the expeditious processing of apportioned funds from the CRF program of the CARES Act, EO 2020-040 also established a Disbursement Oversight Committee, consisting of the Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) as its Chairman, the Secretary of the Department of the Treasury (“Hacienda”), and the Director of the Office of Management and Budget (“OGP”).

Pursuant to the Plan, as of December 31, 2020 the Government of Puerto Rico has provided an estimated \$800 million in CRF funds to compensate various economic sectors and industries for the business interruption losses experienced as a result of COVID-19 and provide distance learning solutions for students and teachers. Among those targeted by these funds are the healthcare and tourism industries, small and medium sized businesses, and the self-employed. This component included a locally run private sector Payment Protection Program which partially reimbursed employers that continue to pay their employees despite having their operations affected by COVID-19. This locally program supplemented the Payment Protection Program loans issued by the U.S. Small Business Administration (“SBA PPP”) as part of the CARES Act. The SBA PPP had a tremendous impact in Puerto Rico where 37,604 entities and individuals received condonable loans of less than \$150,000.³ These SBA PPP loans represented a stimulus of

¹ Title V of the CARES Act, P.L. 136-116, as amended.

² The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 amended Title V of the CARES Act so as to extend the Covered Period from December 30, 2020 until December 31, 2021.

\$755,8887,405 in condonable loans for Puerto Rico businesses⁴.

On January 5, 2021 Governor Pedro R. Pierluisi Urrutia issued Executive Order OE-2021-010. On Section 29 of said order, the Governor established a program for economic assistance to certain small businesses that have suffered monetary losses due to the business interruption caused by the measures that have been in place since March 15, 2020 due to the COVID-19 pandemic. This new economic assistance program has the objective of providing assistance to small businesses whose operations were interrupted by the ongoing lockdown measures implemented by the Government of Puerto Rico in response to the ongoing COVID-19 pandemic and have not been able to participate of the SBA PPP program.

Program Description

The Program provides emergency assistance to eligible small business that have suffered losses during the COVID-19 emergency because their operations were interrupted and have not received or participated of the SBA PPP program. Grants are awarded based on business interruption losses, as described in the Grant Calculation section of these Guidelines. Businesses receiving a Grant will need to demonstrate that funds will be used to cover necessary expenditures incurred due to the public health emergency with respect to COVID-19.

Disbursement of Program funds will be subject to the strictest standards to ensure compliance with federal regulations and best practices. Therefore, each request for disbursement will be duly documented and subject to control and audit.

Points of Contact

The Program will be supervised by the Disbursement Oversight Committee and administered by the Department of the Treasury of Puerto Rico in conjunction with the Department of Economic Development and Commerce as lead agencies.

Eligibility Criteria

Eligible Applicants must meet all the following criteria:

- Must have been operating one of the following as the main trade or business activity: restaurant or bar, gym or fitness center, event space, concert venue or performing art venue, theater or cinema and other indoor recreation, and/or support services for arts and events;
- Had no more than 6 employees for whom it paid salaries and payroll taxes at any time during the first quarter of the calendar year 2020; or had independent contractors to whom was paid at least \$5,000 during calendar year 2019 and an Informative Declaration for Services Paid (Form 480.6SP) was filed for such payments.

- Have a volume of business of \$3,000,000 or less during the calendar year 2020;
- Have been in operations on March 15, 2020;
- Be duly registered in the Merchants Registry of the Department of the Treasury and be an active business at the moment of applying for the grant and have at least one of the following NAICS Codes: 72251, 71113, 71312, 71399, 71119, 51212, 51213, 71131, 71132, 71394, 72254, 72241, 71111, 71112, 71219, 71311, 71399, 72121 as the main trade or business activity;
- In the case of sales and use tax withholding agents, have filed the Sales and Use Tax Monthly returns for the months of January, February and March 2020, or at least for one of said months if business commenced during year 2020 and had reported taxable sales on such returns;
- Must have filed a 2019 Puerto Rico Income Tax Return;
- Have incurred in monetary losses due to the business interruption caused by the COVID-19 pandemic emergency, that is, volume of business, as reported by the Sales and Use Tax monthly returns (Form SC 2915), during calendar year 2020 was lower than the volume of business generated during calendar year 2019, assuming the business was in operations for the 12 months of calendar year 2019;
- Have not received a loan disbursement under the SBA PPP program;
- Have incurred or planned to incur necessary expenditures related to the COVID-19 emergency and maintain documentation that reliably demonstrates those expenses;
- Commit to abiding by the terms and conditions of the Program, including requests for documentation and auditing requests;
- Agree to return the Grant funds, if it is determined that they did not comply with any of the Program eligibility requirements or if the Grant funds were not spent on eligible expenses by December 31, 2021;
- Agree that while receipt of other funds for COVID-19 related assistance does not preclude an Eligible Applicant from receiving Grant funds under the Program, the expenses to be covered utilizing the funds of the Grant: 1) have not been covered or reimbursed and 2) will not be covered in the future, by other state, federal, private programs, or insurance; and
- Agree and certify to remain in operation within applicable laws, regulations and local ordinances.

Available Awards

Available awards will be distributed to Eligible Applicant in accordance with the CARES Act and other applicable law. Emergency assistance will be provided based on an assessment of each

Eligible Applicant's needs in response to the COVID-19 public health emergency, as described below in the Grant Calculation section of these Guidelines.

Allowable Expenditures

The recipient shall use the proceeds of the Grant under this Program exclusively for costs and losses incurred due to business interruption or other adverse conditions caused by the COVID-19 pandemic. Costs and losses incurred due to the business interruption or other adverse conditions caused by the COVID-19 pandemic include, but are not limited to:

- Costs incurred due a business interruption may be classified as a cost related to COVID-19;
- Reimbursement of costs or losses such as inventory, equipment (including Personal Protective Equipment and other supplies to promote health and safety), payroll costs, rent, technology to facilitate e-commerce, professional services procured (including the design and construction of environments necessary to promote physical and social distancing and cleaning and disinfecting services);
- Other costs of operation in accordance with the applicable administrative rules or the policy directives of the grantor that was incurred during the period that begins on March 15, 2020, and ends on December 31, 2021; and
- Spending that is reimbursable by the Federal Coronavirus Relief Fund, as prescribed by 601(a) of the Social Security Act and added by section 5001 of the CARES Act including all subsequent federal guidance, and amendments. Expenses that have been or will be reimbursed under any other federal program are not eligible for reimbursement through the proceeds of this Program.

Allowable Expenditures must have been incurred during the period that begins on March 15, 2020 and ends on December 31, 2021.

Ineligible Expenditures

Ineligible expenses will be determined by the Department of the Treasury, the Department of Economic Development and Commerce, the U.S. Department of the Treasury, the Office of the Inspector General (OIG), and other regulatory bodies, and under this award include, but are not limited to:

- Necessary expenses that have been covered or reimbursed, or that will be covered in the future, by other state, federal, or private insurance programs that the Eligible Applicant may have;

- Any compensation of an employee whose principal place of residence is outside of the United States;
- The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;
- Federal employment taxes imposed or withheld, including the employee’s and employer’s share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees;
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Pub. L. 116–127);
- Employee bonuses;
- Severance pay; and
- Executive bonuses, debt refinancing, or other expenses that are determined to be unnecessary for continued operations in the COVID-19 environment.

Process Overview

The following is intended to outline the process by which funds from the CRF will be distributed to Eligible Applicants of the Program.

After January 29, 2021	Award Announced
After Week of February 1, 2021	Application Period Opens, and Applications received through SURI will be processed on a first come first served basis
Funds Expended	Application Period Closes
December 31, 2021	Deadline for Award Funds to be Used by Recipient
February 1 – April 30, 2022	The Program Audits Use of Funds Compliance and Recovery
May 1, 2022	Program Close

Application

Applications will be submitted through the SURI system administered by the Puerto Rico Department of the Treasury. Upon submission, Eligible Applicants will receive a confirmation via electronic mail. More information on forms, documents, and eligibility can be found on the web at: <http://www.aafaf.pr.gov/covid-19-resource-center.html>.

The Program is estimated to open for applications after the week of February 1, 2021 and will remain open until funds are expended or as determined by the Disbursement Oversight Committee. All submissions will be accepted on a first come first served basis and evaluated on a rolling basis in accordance with criteria set forth by the Program.

Evaluation

Eligible Applicant will certify eligibility with terms and conditions of the Program at the moment of submitting application through SURI system.

The Disbursement Oversight Committee will receive a final report of Funding award decisions.

Grant Calculation

Grant amounts will be calculated as follows:

Step	Calculation
1. Calculate Total Monetary Loss	2019 Volume of Business – 2020 Volume of Business = Total Monetary Loss
2. Identify Net Monetary Loss	Total Monetary Loss – Economic Relief Received ⁺ – Insurance Compensation = Net Monetary Loss
3. Determine Grant Award	The amount awarded under this Program will be the lesser of Net Monetary Loss or: <ul style="list-style-type: none">• \$5,000, in the case of an Eligible Applicant with no employees at any time during the first quarter ended March 31, 2020, and no independent contractors to whom was paid not less than \$5,000 during calendar year 2019;• \$8,000, in the case of an Eligible Applicant with:<ul style="list-style-type: none">➤ At least one (1) but no more than two (2) employees at any time during the first quarter ended March 31, 2020; or➤ At least one (1) but no more than two (2) independent contractor(s) to whom was paid not less than \$5,000 for services during calendar year 2019;• \$15,000, in the case of an Eligible Applicant with:<ul style="list-style-type: none">➤ At least three (3) but no more than six (6) employees at any time during the first quarter ended March 31, 2020; or➤ At least three (3) but no more than six (6) independent contractors to whom was paid not less than \$5,000 for services during calendar year 2019.

⁺Includes all local and federal government grants or loan subject to forgiveness, such as but not limited to, the grants to self-employed individuals of \$500, grants from the Department of Economic Development to employers of \$1,500, any grant received under the Strategic

Disbursement Plan – Coronavirus Relief Fund, benefits under Section 2102 of the CARES Act, otherwise known as Pandemic Unemployment Assistance (“PUA”), and any amount subject to forgiveness from loans granted by Small Business Administration (for example Economic Injury Disaster Loans (“EIDL”).

Award and Funding

Eligible Applicants will be notified through the SURI system of funding decisions. Subsequent Grant funding opportunities (including expansion of eligible institutions and use of funds) will be determined based on availability of Grant funds remaining after completion of initial awards.

Upon notification of an affirmative funding decision, the Grantee business will have to agree to the Program’s terms and conditions. The acceptance of the terms and conditions as well as the subsequent receipt of the Grant funds will constitute a legally binding agreement between the business and The Government of Puerto Rico and lays out the terms and restrictions for the use of Grant funds.

Compliance

Any Grantee business that receives Grant funds from the Program will be required to retain evidence of eligible expenses reimbursed by the Grant funds for a period of five (5) years. Furthermore, by accepting CRF funds the Grantee business is required to certify proper and legal use of the funds and agrees to cooperate in any audit proceedings requested by The Government of Puerto Rico or other governing entity responsible for the compliant use of Grant funds.