

Assistance Program to Small and Medium Businesses *CORONAVIRUS RELIEF FUND*

Program Guidelines

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GOVERNMENT OF PUERTO RICO



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PROGRAM GUIDELINES

Program Overview

Background

In response to the sudden decline in economic output following the Coronavirus disease 2019 (COVID-19) outbreak, Congress signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on March 27, 2020. The CARES Act established the Coronavirus Relief Fund (CRF), which provides \$150 billion in direct assistance for domestic governments, territories, and tribal areas to disburse in accordance with its provisions.

To ensure the expeditious processing of apportioned funds from the CARES Act, the Government of Puerto Rico established the Disbursement Oversight Committee, consisting of a representative of the Secretary of the Department of the Treasury, a representative of the Director of the Office of Management and Budget (OGP), and a representative of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF).

Program Description

On May 14, 2020, Governor Wanda Vázquez Garced announced the Assistance Program to Small Businesses and Assistance Program to Medium Businesses (Program), which makes funds immediately available to businesses impacted by the COVID-19 emergency. The Program makes up to \$250 million in immediate CRF funds available to small businesses or micro-enterprises as well as up to up to \$100 million in immediate CRF funds available to medium-sized companies. This Program is based on a first come, first served basis, in the form of a grant. Businesses are eligible to apply for more than one CRF program so long as the business does not submit the same line item expense through multiple programs.

The Program provides emergency assistance of up to \$5,000 to small businesses for losses caused by the interruption of operations related to the COVID-19 emergency and/or for necessary expenditures related to the COVID-19 emergency, thereby providing supplemental financial support to small businesses beyond what was included by other assistance opportunities, including the Small Business Administration (SBA) Payroll Protection Program (PPP).

The Program also provides emergency assistance of up to \$10,000 to medium-sized companies for losses caused by the interruption of operations related to the COVID-19 emergency and/or for necessary expenditures related to the COVID-19 emergency, thereby providing supplemental financial support to medium-sized companies beyond what was included by other assistance opportunities, including the Small Business Administration (SBA) Payroll Protection Program (PPP).

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.

Small Business Eligibility Criteria

Eligible Applicants must meet all the following criteria:

- Be a small business, or micro-enterprise, with between 2 and 49 employees, including non-profit organizations that provide direct assistance or services to the citizenry;
- Be duly registered in the Merchants Registry of the Department of the Treasury;
- Have incurred or planned necessary expenditures related to the COVID-19 emergency and maintain documentation that reliably demonstrates the 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 30, 2020;
- Agree that while receipt of other funds for COVID-19 related assistance does not preclude an Applicant from receiving Grant funds under the Program, only expenses that, 1) have not been covered or reimbursed, and 2) will not be covered in the future, by other state, federal, or private programs;
and
- Agree and Certify that receipt of these funds will not be used for payroll expenses if Applicant has received, will receive, or plans on applying and receiving aid under the Payment Protection Program administered by the Small Business Administration or a state administered Payment Protection Program funded through a State or territory Coronavirus Relief Fund disbursement plan.

Medium Business Eligibility Criteria

Eligible Applicants must meet all the following criteria:

- Be a medium-sized company, with between 50 and 500 employees, including non-profit organizations that provide direct assistance or services to the citizenry;
- Be duly registered in the Merchants Registry of the Department of the Treasury;
- Have incurred or planned necessary expenditures related to the COVID-19 emergency and maintain documentation that reliably demonstrates the 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 30, 2020;
- Agree that while receipt of other funds for COVID-19 related assistance does not preclude an Applicant from receiving Grant funds under the Program, only expenses that, 1) have not been covered or reimbursed, and 2) will not be covered in the future, by other state, federal, or private programs;
and
Agree and Certify that receipt of these funds will not be used for payroll expenses if Applicant has received, will receive, or plans on applying and receiving aid under the Payment Protection Program administered by the Small Business Administration or a state administered Payment Protection Program funded through a State or territory Coronavirus Relief Fund disbursement plan.

Other CRF Programs

In addition to the Small and Medium Business programs detailed above, the Governor allocated funds for additional programs to address both government needs (mainly associated with attending to the public health emergency and continuing government operations) and those of the private sector, which has been severely affected by interruption of operations. Please visit <http://www.aafaf.pr.gov/covid-19-resource-center.html> for additional information about these programs.

Allowable Expenditures

Allowable expenses under this award include, but are not limited to:

- Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government;
- and
- Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

For further guidance please refer to the Guidance published by the U.S. Treasury at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments> and the Frequently Asked Questions published by the U.S. Treasury at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>.

Ineligible Expenditures

Ineligible expenses will be determined by AAFAF, 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 Applicant may have, including funds received through the CARES Act's Public Health and Social Services Emergency Fund;
- Employee bonuses;
- Expenses arising from an improper procurement process, as well as those that are deemed unreasonable or fraudulent.
- Severance pay; and
- Executive bonuses, debt refinancing, or other expenses that are determined to be unnecessary for continued operations in the COVID-19 environment.
- For further guidance please refer to the Guidance published by the U.S. Treasury at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments> and the Frequently Asked Questions published by the U.S. Treasury at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>.

Process Overview

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

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|---------------------------------|--|
| May 14, 2020 | Award Announced |
| Estimated: Week of May 25, 2020 | Application Period Opens |
| Beginning May 25, 2020 | Applications Received by SURI program on a first come first served basis |
| Funds expended | Application Period Closes |
| December 30, 2020 | Deadline for Award Funds to be Used by Recipient |
| February 1 – April 30, 2021 | The Program Audits Use of Funds Compliance and Recovery |
| May 1, 2021 | Program Close |

Application

Applications will be submitted by electronic form using the SURI Program administered by the Puerto Rico Department of the Treasury. Upon submission, 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>.

It is estimated that the Program will open for applications around the week of May 25, 2020 and will remain open until funds are expended. 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

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.

Award and Funding

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.