



GOVERNMENT OF PUERTO RICO
SAN JUAN, PUERTO RICO

MEMORANDUM OF UNDERSTANDING

APPEAR

AS PARTY OF THE FIRST PART: The **ECONOMIC DEVELOPMENT BANK FOR PUERTO RICO**, an instrumentality of the Government of Puerto Rico created by Act No. 22, enacted on July 24, 1985, as amended, ("Act 22-1985") represented in this Memorandum of Understanding ("MOU") by its President, **Pablo Muñiz Reyes**, of legal age, married, executive and resident of Guaynabo, Puerto Rico, acting in accordance with the provisions of Act 22-1985, herein after referred to as "EDBPR".

AS PARTY OF THE SECOND PART: The **PUERTO RICO DEPARTMENT OF HOUSING**, a public agency of the Government of Puerto Rico created under Act No. 97, dated June 10, 1972, as amended, known as the "Department of Housing Organic Act" ("PRDOH Organic Act"), with principal offices at San Juan, Puerto Rico, represented in this MOU by its Secretary, **Luis C. Fernández Trinchet**, of legal age, single, executive, and resident of Guaynabo, Puerto Rico, herein after referred to as "PRDOH".

I. RECITALS AND GENERAL INFORMATION

1.1: On September 2017, Hurricanes Irma and María made landfall in Puerto Rico causing catastrophic island wide damage, knocking out power, water, and communications for the entire island and its island municipalities. Hurricane María caused major structure and infrastructure damage to family homes, businesses and government facilities triggering the displacement of thousands of residents of the island from their homes and jobs.

1.2: Under Public Laws 115-56 & 115-123, \$1.5 billion and \$8.22 billion respectively, were allocated by the U.S. Department of Housing and Urban Development (HUD) for disaster recovery assistance to the Government of Puerto Rico under the CDBG-DR. These funds are intended to provide financial assistance to address unmet needs that arise and that are not covered by other sources of financial aid. Pursuant to a letter dated February 23, 2018, sent by the former Governor of Puerto Rico to the Hon. Benjamin Carson, Secretary of HUD, the PRDOH is the governmental agency designated as grantee of the CDBG-DR funds allocated to the Government of Puerto Rico.

1.3: On September 20, 2018, the Governor of Puerto Rico and the Secretary of HUD signed the Grant Agreement. According to part of the approved current Action Plan, Puerto Rico intends to undertake a Small Business Financing Program (hereinafter, the "SBF Program"). The focus of this program is to provide Recovery Grants to small businesses and microenterprises, and also to provide Recovery and Expansion Loans for more established Small Businesses. The approved current Action Plan allocated a total budget of two hundred and twenty-five million dollars (\$225,000,000.00) to the SBF Program.

1.4: On March 22, 2020, the PRDOH and the EDBPR executed a Subrecipient Agreement, hereafter referred as the "DOH-EDBPR Subrecipient Agreement". By virtue of this agreement, the PRDOH designated the EDBPR as subrecipient and assigned the sum of twenty-five million dollars (\$25,000,000) of the mentioned funds to the EDBPR who will serve as underwriter, servicer, and production and compliance manager for the SBF Program in partnership with PRDOH and for the services described in the Scope of Work ("SOW") under the DOH-EDBPR Subrecipient Agreement.

1.5: As part of the SOW described on the DOH-EDBPR Subrecipient Agreement, the EDBPR will conduct intake, eligibility and underwriting review, including calculation of unmet needs, duplication of benefit and award amount, and make final determination of approval or denial of applications based on SBF Program policies and procedures. EDBPR will prepare the draw requests for final approval from PRDOH and receive the payments from PRDOH of HUD CDBG-DR funds that provide the capital for funding grants. Finally, once CDBG-DR funding is received from PRDOH, EDBPR will make them available to approved participant.

1.6: The PRDOH has the legal power and authority, in accordance with its enabling statute, the PRDOH Organic Act, as amended, supra, the federal laws and regulations, creating and allocating funds to the CDBG-DR program and the current Action Plan, to enter and perform under this Agreement. Likewise, the EDBPR, in accordance with its organic law, Act 22-1985, has the legal power and authority to enter into this Agreement and has agreed to undertake the corresponding administrative responsibilities under the SBF Program and has duly adopted the Resolution No. 2020-014, dated May 5, 2020, authorizing the EDBPR to enter into this Agreement with the PRDOH.

1.7: The Parties have identified the possibility of expediting the final disbursement of the CDBG-DR funds to the participants. under this Memorandum of Understanding. Therefore, the Parties have agreed that EDBPR, , will advance the approved CDBG-DR funds to the participant, subject to the following;

II. TERMS & CONDITIONS

2.1: The EDBPR will set aside the one time amount of THREE MILLION DOLLARS (\$3,000,000) of EDBPR funds (Budget Account No. 030206227) to be used as a revolving advancement reserve account ("Reserve Account") for the CDBG-DR funds to be disbursed to each approved participant of the SBF Program.

2.2: As part of the SBF Program, EDBPR will inform PRDOH the participants that have been approved to receive the CDBG-DR funds and the amount of each draw.

2.3: The process for approval within PRDOH will be as follows: EDBPR submits the invoice, the PRDOH's Grant Management will review and validate the document and continues the process until the Payer Supervisor approves the amount to be disbursed. PRDOH will then submit the draw requests to HUD and will provide evidence of such request to EDBPR, as part of the authorization to disburse the funds from the Reserve Account. EDBPR will then disburse the funds to the eligible participants.

2.4: EDBPR will disburse the funds to the approved participant once the PRDOH receives the draw authorization from HUD and sends the confirmation to EDBPR. The reimbursements of funds to EDBPR by PRDOH will not exceed ten (10) days, after the request to HUD has been submitted.

2.5: EDBPR will continue to draw from the Reserve Account **only** if funds are available on the Reserve Account.

2.6: The Parties recognize the Reserve Account is not a loan to PRDOH and is not to be treated as such. EDBPR will not charge PRDOH for the administration of the Reserve Account.

2.7: The Parties agree that in case the Reserve Account is depleted, EDBPR will not be required to continue advancing the CDBG-DR funds until more funds are reimbursed by PRDOH to the Reserve Account, but must continue to perform his other duties as agreed on the DOH-EDBPR Subrecipient Agreement.

2.8: However, EDBPR will provide a written notification to the PRDOH when the Reserve Account has reached the amount of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) or less and is close to being depleted.

2.9: Once the SBF Program is terminated and/or completed, the Reserve Account will be settled, closed and any amounts will continue to belong to EDBPR. The PRDOH will reimburse to the EDBPR for any difference from the original amount established in the account (\$3,000,000), only for allowable costs incurred in the SBF Program

2.10: This MOU is binding for the Parties and their respective successors in interest, administrators and/or designated successors. The Parties shall be prevented from assigning or transferring this MOU or any part of it, without the written consent of the other Parties.

2.11: This MOU will be effective from the date it is executed until **March 22, 2022**.

2.12: This MOU shall be subject to and interpreted in accordance with the laws and regulations of the Commonwealth of Puerto Rico, as well as applicable federal laws and regulations.

2.13: If any clause or condition of this MOU is determined judicially or administratively null and illegal by reason of law or public policy, all other clauses will continue to be valid and in full force.

2.14: No compensation or obligation of the parties may be demanded or enforced until this MOU has been duly filed with the Office of the Comptroller of Puerto Rico pursuant to Act No. 18 enacted on October 30, 1975, as amended. Each party shall provide evidence of their respective filing to the other parties within two (2) business days after such filing.

2.15: It is not the intention of the Parties for this MOU to effect or constitute an extinctive novation of the obligations of the Parties under the DOH-EDBPR Subrecipient Agreement.

2.16: Interagency Services Clause: Both Parties acknowledge and agree that services retained may be provided to any entity of the Executive Branch with which the contracting entity makes an interagency agreement or by direct provision of the Office of the Chief of Staff of the Governor (Secretario de la Gobernación). These services will be performed under the same terms and conditions in terms of hours of work and compensation set forth in this Agreement. For purposes of this clause, the term "Executive Branch" entity includes all agencies of the Government of Puerto Rico, as well as public instrumentalities and corporations and the Office of the Governor.

2.17: Chief of Staff Termination Clause: The Chief of Staff (Secretario de la Gobernación) of the Governor shall have the power to terminate this MOU at any time.

2.18: Either Party may terminate this MOU with prior written notice to the other parties by registered mail with acknowledgment of receipt or by courier, thirty (30) days in advance of the date of termination. Any written notification must be sent to the following addresses:

ECONOMIC DEVELOPMENT BANK
FOR PUERTO RICO
P. O. Box 2134
San Juan, Puerto Rico 00922-2134

PUERTO RICO DEPARTMENT OF
HOUSING
606 Barbosa Ave. Juan C. Cordero Building
Río Piedras, Puerto Rico 00918

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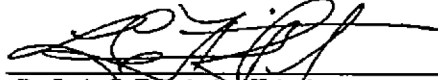
IN WITNESS WHEREOF, the parties hereto subscribe this MOU on this 15 of May, 2020.

**ECONOMIC DEVELOPMENT BANK
FOR PUERTO RICO**

**PUERTO RICO DEPARTMENT
OF HOUSING**



By: **Pablo G. Muziz Reyes**
President



By: **Luis O. Fernández Trinchet**
Secretary of Housing