Enclosure 3:

Distribution Criteria and Formula

Maine Economic Recovery Grants will be distributed based on a business's/organization's demonstrated January – June 2020 losses due to COVID-19 as a pro-rated percentage of the total losses due to COVID-19 reported by all qualified applicants for the same time period. All grant amounts are subject to review and adjustment pending applicant volume and magnitude of reported losses. Depreciation is excluded from expenses.

The process and an example are demonstrated below:

1. Calculate the business's/organization's Three Year Average 6mo. Total revenue by adding 2017, 2018, 2019 gross receipts (revenue) and dividing by 6 (or the number of full years available X 2):

$$Avg\ 6mo.\ Receipts = \frac{2017\ Gross\ Receipts\ + 2018\ Gross\ Receipts + 2019\ Gross\ Receipts}{6}$$

2. Calculate the business's/organization's Three Year Average 6mo. expenses by adding 2017, 2018, 2019 expenses and dividing by 6 (or the number of full years available X 2):

$$Avg\ 6mo.\ Expenses = \frac{2017\ Expenses\ + 2018\ \ Expenses + 2019\ Expenses}{6}$$

3. Subtract the Avg. 6mo. Expenses from the Avg. 6mo. Receipts to get an Average 6mo. Income

$$Avg\ 6mo.\ Income = Avg.\ 6mo.\ Receipts - Avg.\ \ 6mo.\ Expenses$$

4. Determine the business's/organization's income for the first 6 months of 2020 by subtracting expenses from gross receipts:
    a. For Businesses
    $$JanJun\ Income = Gross\ Receipts - Expenses$$
    b. For Non-Profits
    $$JanJun\ Income = \frac{2020\ Expected\ Revenue - 2020\ Expected\ Functional\ Expenses}{2}$$

5. Calculate the business's/organization's anticipated gross loss, by subtracting the Average 6-month Income from Jan – Jun Income and then multiplying by % loss due to COVID-19. (Your JanJun Income may be negative, your AGL should be negative).

$$Anticipated\ Gross\ Loss\ (AGL) = \%COVID\ Loss * (JanJun\ Income - Avg\ 6mo.\ Income)$$

6. Reduce the anticipated gross loss by any unaccounted (unexpended) Paycheck Protection Program (UPPP) received amount, unexpended amount of all other federal funds received, and, for sole-proprietors, total unemployment compensation received from March 1, 2020 – June 30, 2020 ("qualified loss").

$$\textbf{Qualified Loss (QL)} = (\textit{AGL}) + \textit{UPPP} + \textit{All other federal funds received} + \textit{Unemployment}$$

7. Sum the qualified losses of all businesses/organizations that applied and meet the eligibility criteria ("total qualified loss").

$$\textbf{Total Qualified Loss (TQL)} = \Sigma \, \textit{QL} \, (\textbf{For each qualified business or organization})$$

8. Divide the total fund of $200M by the total qualified loss ("pro rata percentage").

$$\textbf{Pro Rata Percentage (PRP)} = \frac{\textit{Total Fund Balance (USD)}}{\textit{Total Qualified Loss (USD)}}$$

9. Multiply the pro rata percentage by a business's/organization's qualified loss.[2]

$$\textbf{Grant Amount} = \textbf{PRP} * \textbf{QL}$$

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[2] The maximum grant amount an applicant can receive under this program is $100,000. A minimum grant amount will be determined upon conclusion of the application period. Therefore, if the amount calculated at Step 9 is above $100,000, an applicant will only receive a maximum of $100,000. If the amount calculated at Step 9 is less than the minimum grant amount, an applicant will not receive any funds. In all other cases, an applicant will receive the amount calculated in Step 9.

EXAMPLE:

The Wicked Good Diner is a small restaurant and bar that had a Gross Revenue of $650,000 in 2019, $600,000 in 2018, and $580,000 in 2017. The Wicked Good Diner reported expenses of $560,000 in 2019, $540,000 in 2018, and $505,000 in 2017. The owner received a Paycheck Protection Loan of $30,000 dollars to help in the early stages of the pandemic, of which they have $12,500 left to expend. Through June 30, 2020, The Wicked Good Diner is down 28% in Gross Revenue from last year, with gross receipts of $234,000. The Wicked Good Diner's expenses through June 2020 are $248,000. The owner estimates that 95% of the loss is due to the COVID-19 Pandemic. How will the equation work for The Wicked Good Diner?

1. $$Avg\ 6mo.\ Receipts = \frac{2017\ Gross\ Receipts\ + 2018\ Gross\ Receipts + 2019\ Gross\ Receipts}{6}$$

$$Avg\ 6mo.\ Receipts = \frac{\$580,000 + \$600,000 + \$650,000}{6}$$

$$Avg\ 6mo.\ Receipts = \$305,000$$

2. $$Avg\ 6mo.\ Expenses = \frac{2017\ Expenses\ + 2018\ \ Expenses + 2019\ Expenses}{6}$$

$$Avg\ 6mo.\ Expenses = \frac{\$505,000 + \$540,000 + \$560,00}{6}$$

$$Avg\ 6mo.\ Expenses = \$267,500$$

3. $$Avg\ 6mo.\ Income = Avg.\ 6mo.\ Receipts - Avg.\ 6mo.\ Expenses$$

$$Avg\ Operating\ Income = \$305,000 - \$267,500$$

$$Avg\ Operating\ Income = \$37,500$$

4. $$Jan - Jun\ Income = Gross\ Receipts - Expenses$$

$$Jan - Jun\ Operating\ Income = \$234,000 - \$248,000$$

$$Jan - Jun\ Operating\ Income = -\$14,000$$

5. $$Anticipated\ Gross\ Loss\ (AGL) = \%COVID\ Loss * (JanJun\ Income - Avg\ 6mo.\ Income)$$

$$Anticipated\ Gross\ Loss\ (AGL) = 0.95 * ((-\$14,000) - \$37,500)$$

$$Anticipated\ Gross\ Loss\ (AGL) = -\$48,925$$

6. $$Qualified\ Loss\ (QL) = (AGL) + UPPP + All\ other\ federal\ funds\ received$$

$$Qualified\ Loss\ (QL) = (-\$48,925) + \$12,500$$

$$Qualified\ Loss\ (QL) = (\$36,425)$$

7. $$Total\ Qualified\ Loss\ (TQL) = \Sigma\ QL\ \text{(For each qualified business or organization)}$$

$$Total\ Qualified\ Loss\ (TQL) = 15,000\ Businesses * \$75,000\ Average\ Loss$$

$$Total\ Qualified\ Loss\ (TQL) = \$1,125,000,000$$

8. $$Pro\ Rata\ Percentage\ (PRP) = \frac{Total\ Fund\ Balance\ (USD)}{Total\ Qualified\ Loss\ (USD)}$$

$$Pro\ Rata\ Percentage\ (PRP) = \frac{\$200,000,000\ (USD)}{\$1,125,000,000\ (USD)}$$

$$Pro\ Rata\ Percentage\ (PRP) = 0.18$$

9. Grant Amount $= PRP * QL$
   Grant Amount $= .18 * (\$36,425)$
   Grant Amount $= \$6,557$