

CARES ACT SUMMARY

In these unprecedented times, we understand the very real and urgent financial concerns our customers have, as bakeries and restaurants around the world are feeling the economic impact of COVID-19.

To help you navigate what resources may be available for your business, we've put together a summary of the United States Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act includes significant provisions to help maintain and/or boost the economy by supporting both large and small businesses, as well as individuals. Highlights of the package that may be of interest to you, our valued Customers, include:

Paycheck Protection Program Loans (emergency SBA 7(a) loans):

Creates an emergency loan program providing loans of up to \$10 million for eligible small businesses, permitting them to cover costs of payroll, operations, and debt service, and provides that the loans will be forgiven in whole or in part under certain circumstances. Section 1102.

- **General Eligibility:** Program provides for \$349 billion to be used to guarantee loans to small businesses and other entities that have 500 employees or less. Available to businesses that existed on February 15, 2020 and had paid employees or paid independent contractor.
- **No Personal Guarantee:** No personal guarantee or collateral will be required in securing a loan.
- **Loan Amount:** The lesser of \$10 million or 2.5 times the average total monthly payroll (including benefits) costs from the one-year period prior to the date of application.
- **Loan Use:** Loan funds can be used to make payroll and associated costs, including health and retirement benefits, facilities costs, and debt service.
- **Loan Forgiveness:** Employers that maintain employment for the eight weeks after the origination of the loan, or rehire employees by June 30, would be eligible to have their loans forgiven, essentially turning the loan into a grant. Section 1106.

Economic Injury Disaster Loans (EIDL):

Creates emergency grants for eligible small businesses with 500 or fewer employees enabling them to receive checks for \$10,000 within three days. Section 1110.

Employee Retention Payroll Tax Credit:

Creates a refundable payroll tax credit of up to \$5,000 for each employee on the payroll when certain conditions are met. The business had to be an ongoing concern at the beginning of 2020, experienced a whole or partial shutdown, and had seen a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019. The availability of the credit would continue each quarter until the businesses revenue exceeds 80 percent of the same quarter in 2019. Notably, employers receiving Paycheck Protection Program loans would not be eligible for these credits. Section 2301.

Delayed Payment of Payroll Taxes:

Allows employers to delay payment of the employer portion payroll taxes in 2020; payable in equal halves at the end of 2021 and 2022. Section 2301

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Economic Stabilization Fund:

Creates a loan and loan guarantee program that sets aside \$454 billion for “eligible business” which is defined as “a United States business that has not otherwise received economic relief in the form of loans or loan guarantees provided under” the legislation. Mid-sized businesses that have between 500 and 10,000 employees are expressly eligible for loans under this provision. Although there is no loan forgiveness provision in this section, the mid-size business loans would be charged an interest rate of no higher than two percent and would not accrue interest or require repayments for the first six months. Companies accepting the mid-size business loans must retain at least 90 percent of their staff at full compensation and benefits until September 30. In addition:

- The recipient intends to restore not less than 90 percent of the workforce of the recipient that existed as of Feb. 1, 2020, and to restore all compensation and benefits to the workers of the recipient no later than 4 months after the termination date of the public health emergency;
- The recipient will not outsource or offshore jobs for the term of the loan and 2 years after completing repayment of the loan
- The recipient will not abrogate existing collective bargaining agreements for the term of the loan and two years after completing repayment of the loan
- That the recipient will remain neutral in any union organizing effort for the term of the loan

Section 4003.

Other Significant Provisions:

- **Direct Payments** to adults of \$1,200 or less and \$500 per child (\$3,400 for a family of four) to be sent out in weeks. The amount of the payments phases out based on earnings of between \$75,000 and \$99,000 (\$150,000 / \$198,000 for couples). Section 2201.
- **Expanded Unemployment Insurance:** Includes coverage for workers who are furloughed, gig workers, and freelancers. Increases payments by \$600 per week for four months on top of what state unemployment programs pay. Section 2104.
- **Amendments to the New Paid Leave Mandates:** Confirms the amounts that employers must pay for paid sick and family leave under the Families First Coronavirus Response Act are limited to the amounts covered by the refundable payroll tax credit – i.e., \$511 per day for employee sick leave or \$200 per day to care for another quarantined individual and for family leave (to care for a child due to school closures). Sections 3601 and 3602.

Legislative Resources:

- <https://www.congress.gov/116/bills/hr748/BILLS-116hr748eas.pdf>
- <https://www.help.senate.gov/imo/media/doc/CARES%20Section-by-Section%20FINAL.PDF>

Other Resources:

- Learn more about Dawn’s COVID-19 resources <https://www.dawnfoods.com/covid-19>
- Learn more about [Barnes & Thornburg’s COVID-19 Resources](#)

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