

CARES Financial Relief for Larger and Distressed Companies

Subtitle A of Title IV of the CARES Act authorizes the Secretary of the Treasury (Secretary) to provide up to approximately \$500 billion in aid to eligible businesses, states, and municipalities that suffer losses or are likely to suffer losses as a result of COVID-19. The financial assistance would be available as follows:

- up to \$454 million to support programs established by the board of governors of the Federal Reserve System to provide liquidity to states, municipalities, and other businesses that the CARES Act does not otherwise adequately assist;
- up to \$25 billion to lend to or guarantee the loans of passenger air carriers, ticket agents, and businesses certified and approved to perform certain inspections, repairs, replacements, or overhaul services;
- up to \$4 billion to lend to or guarantee the loans of cargo air carriers;
- up to \$3 billion to lend to or guarantee the loans of airline contractors; and
- up to \$17 billion to lend to or guarantee the loans of businesses deemed critical to national security.

Note that in addition to the relief above the Federal Reserve announced that it will make available \$600M to fund loans originated by banks and other lenders to eligible businesses in minimum amounts of \$1 million, including specifically, to small and mid-sized businesses with no more than 10,000 employees or that in 2019 earned total revenues of no more than \$2.5 billion. There is not yet, however, much program detail as the Federal Reserve only announced the establishment of the Main Street Financing Program on April 9. We will provide an additional update once more guidance has been published. For more information about the Federal Reserve's announcement, [see here](#).

The Treasury may also provide support for businesses and nonprofits with between 500 and 10,000 employees, but there is as of yet no detail about this program. What we do know at this point is that eligible businesses may obtain loans with an interest rate of no more than 2% per annum and no payment due for at least six months.

What we do know at this point is that eligible business may obtain loans with an interest rate of no more than 2% per annum and no payment due for at least six months. Also, borrowers under this program would need to certify:

- the "uncertainty of current economic conditions" requires a loan to support ongoing operations;
- the funds received will be used to retain 90% of the recipient's workforce, at full compensation and benefits, until September 30, 2020;
- the borrower intends to restore 90 % of the workforce that existed as of February 1, 2020, and intends to restore all compensation and benefits to workers no later than four months after the termination of the current public health emergency;
- the borrower is based in the U.S. and has significant operations and a majority of its employees in the U.S.;
- the borrower is not a debtor in bankruptcy proceedings;
- the borrower will not engage in stock buybacks, unless contractually obligated, or pay dividends until the loan obligation is satisfied;
- the borrower will not outsource or offshore jobs for the term of the loan plus an additional two years;
- the borrower will not abrogate existing collective bargaining agreements for the term of the loan plus an additional two years; and
- the borrower will remain neutral in any union organizing effort for the term of the loan.

As to the \$25 billion allocated for distressed airlines and others identified, guidance has been provided establishing terms borrowers must certify:

- alternative financing is not reasonably available and that the assistance being sought is “prudently incurred”;
- they will maintain until September 30, 2020, employment levels as of March 24, 2020, “to the extent practicable,” and at minimum, employment cannot decrease by more than 10% from the level as of March 24, 2020;
- the borrower is based in the U.S. and has significant operations and a majority of its employees based in the U.S.; and
- the continued operations of the business are jeopardized by losses related to the coronavirus pandemic.

Our Chambliss team will continue to monitor the developments regarding the CARES Act. Please contact [Jim Catanzaro](#), [Justin Furrow](#), or your relationship attorney if you have questions or need additional information.

Visit our COVID-19 Insight Center for our latest legislative and legal updates, articles, and resources.

[View Insight Center](#)

The material in this publication was created as of the date set forth above and is based on laws, court decisions, administrative rulings, and congressional materials that existed at that time, and should not be construed as legal advice or legal opinions on specific facts. In some cases, the underlying legal information is changing quickly in light of the COVID-19 pandemic. The information in this publication is not intended to create, and the transmission and receipt of it does not constitute, a lawyer-client relationship. Please contact your legal counsel for advice regarding specific situations.