



CARES Act Mid-Sized Business Program

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The biggest component of the stimulus to be provided under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is the approximately **\$454 billion for businesses with between 500 and 10,000 employees**. This program will provide targeted direct lending, loan guarantees and investments by the U.S. Treasury with such businesses in connection with the Federal Reserve's Section 13(3) lending powers.

Limited details on this program are currently available, and we expect to see substantial guidance from Treasury in the coming weeks.

What we know at this time is that direct loans under the program will have an interest rate no higher than 2% with interest and principal payments not being due for at least six months.

To be eligible for the program a recipient must show that, (i) it is a U.S. entity with significant operations and a majority of its employees located in the U.S. and (ii) no alternative funding is otherwise available.

Funding under this program will require the applicant to certify at the time of application that it intends to:

- Retain at least 90 percent of the recipient's workforce, with full compensation and benefits, through September 30, 2020.
- Restore at least 90% of the recipient's workforce that existed as of February 1, 2020 with full compensation and benefits within four months of the termination of the national health emergency.
- Not outsource or offshore jobs for the term of the loan plus two years.
- Not repeal any collective bargaining agreements for the term of the loan plus two years.
- Remain neutral in any union organizing effort for the term of the loan.
- Not implement any stock buybacks, dividends or capital distributions for the term of the loan plus one year.
- Implement a limitation on compensation increases to officers or employees whose total compensation exceeds \$425,000, with further limitations on officers or employees making over \$3 million, until one year after the loan is no longer outstanding.

Williams Mullen will continue to monitor these developments and will be prepared to share our analysis as soon as details become available.

Please note: This alert contains general, condensed summaries of actual legal matters, statutes and opinions for information purposes. It is not meant to be and should not be construed as legal advice.

Readers with particular needs on specific issues should retain the services of competent counsel.

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