# How the CARES Act Helps Small Businesses in Bankruptcy

Small businesses continue to grapple with a mix of cautious optimism and apprehension about the long-term impact of the COVID-19 pandemic. According to a poll conducted by the U.S. Chamber of Commerce, more than 70% of small business owners are concerned about financial hardship due to prolonged closures, while 58% are worried about having to permanently close their business.

As small businesses continue to evaluate how to remain profitable long-term, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides expanded bankruptcy relief for small business owners seeking to re-organize under the Small Business Reorganization Act (the "SBRA").

The SBRA provides small businesses a streamlined process for restructuring that is:

- **Quicker:** A Debtor must file a plan of reorganization within 90 days of filing, meaning that the bankruptcy process progresses quickly.

- **Less Expensive:** The bankruptcy process under the SBRA is less expensive than a traditional Chapter 11 because administrative fees do not need to be paid to a Trustee, a creditors' committee does not need to be funded, and a disclosure statement does not need to be prepared.

- **Allows the Owner to Retain an Ownership Interest:** A small business owner can retain its interest in the business so long as the plan of reorganization does not unfairly discriminate and it is fair and equitable to each class of claims.

Under the CARES Act, relief under the SBRA is now available to small businesses that have **up to $7,500,000** of debt. However, this increased debt limit only applies to cases filed after enactment of the CARES Act, and is currently set to expire in March 2021.

If you have questions about the CARES Act, or how to re-organize your company in this challenging time so that it can reemerge as a profitable business, please reach out to the bankruptcy team at Andrews Myers.

**For more information please contact Patrick Kelly.**