

CLIENT ALERTS

CARES Act Provides Greater Relief for Financially Distressed Small Businesses under the Small Business Reorganization Act

3.30.2020

The CARES Act, signed into law by President Trump on March 27, 2020, provides a significant change for financially distressed small businesses under the recently enacted Small Business Reorganization Act ("SBRA"). The SBRA, which is the subject of a client alert we issued on February 7, 2020 ([click here to view](#)), created an expedited, less cumbersome and less expensive reorganization process under chapter 11 of the Bankruptcy Code for small businesses with aggregate noncontingent liquidated secured and unsecured debt of not more than \$2,725,625. In aid of small businesses impacted by Coronavirus crisis that have debts in excess of the \$2,725,625 cap, the CARES Act raises the debt cap to \$7,500,000 for bankruptcy cases commenced within the next 12 months. At the end of the 12-month period, the debt cap will revert back to \$2,725,625 for cases filed thereafter. This change will greatly expand the number of small businesses able to take advantage of the SBRA.

Please don't hesitate to contact us with any questions you may have in regard to the foregoing.

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