

## **Extension of the coronavirus aid and Bridging Aid III Plus: grant to cover the cost of restructuring advice**

### **Article by Daniel and Christine Frosch**

Managing directors are caught between preserving their company and avoiding personal liability. Under these circumstances, it is important to avoid key errors and do the right thing when your company finds itself in dire straits, taking advantage of currently available government aid.

In a press release of 9 June 2021, the [Federal Ministry of Economic Affairs and Energy](#) announced that coronavirus aid will be extended through 30 September 2021, as well as the new government aid to cover the cost of restructuring advice. The Covid-19 Insolvency Suspension Act, which was extended on 1 February 2021, expired on 30 April 2021.

#### **Current legal situation**

When the Covid-19 Insolvency Suspension Act expired on 30 April 2021, the former legal situation once again entered into effect. In other words, managing directors of limited liability companies are now once again required to file for insolvency right away should they ascertain that their company is insolvent and/or over-indebted.

#### **Avoiding managing director's liability**

In practice, the first person that the managing director contacts in such a case is typically the company's accountant. As of 1 January 2021, these professionals are required to adhere to stricter due diligence requirements in accordance with the provisions of the Corporate Stabilization and Restructuring Act (cf. LLC law essay: "[Impact of the Act on the Reform of Restructuring and Insolvency Law on the going concern premise in accordance with § 252\(1\) No. 2 of the Commercial Code?](#)") (only in German).

#### **Challenges posed by shortages of raw materials and rising energy costs**

Companies have additional challenges to overcome right now aside from the lingering impact of coronavirus: they are facing shortages of raw materials and outsourced items, and even some raw materials which are (still) available have seen their prices rise at an extremely fast pace since the start of 2021. The same is true for energy prices, which represent a decisive factor, particularly for companies with high energy requirements. This

increase in procurement costs needs to be taken into account in company planning, regardless of whether it can be passed on to customers or not.

### Reimbursement of legal expenses

With extension of the "[BridgingAid III Plus](#)" (only in German) package, companies facing the threat of insolvency will be reimbursed for up to € 20,000.00 a month in legal fees which they incur in order to undergo the restructuring necessary to avert insolvency. The specific eligibility requirements for this aid will be known only after the amended [FAQs](#) (only in German) become available, which is to be expected by mid-July at the latest, based on past experience. But for the time being, it may be assumed that only companies which retain the services of a competent attorney will be eligible for aid.

If you would like more information on this subject, please contact our partner firm [dphg](#) and ask for [Christine Frosch](#) (an attorney specializing in insolvency law and a certified restructuring officer), who is also a co-author of this article. We are currently planning an informational event in conjunction with dphg. See our [newsletter](#) and our [event page](#) for news about this event.

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