

Delaware Revamps Tools Available to Restructure or Wind Up Distressed Businesses with Passage of Delaware’s Version of Uniform Assignment for the Benefit of Creditors Act

by Alessandra Glorioso and Gregory W. Werkheiser

Dorsey Delaware attorneys play key role in helping to craft Delaware’s New ABC Act.

On June 10, 2026, Governor Matt Meyer signed Senate Bill No. 267 (the “New ABC Act”) into law, making Delaware one of the first States to enact the recently promulgated Uniform Assignment for the Benefit of Creditors Act (the “Uniform Act”). The New ABC Act also repeals Delaware’s existing Assignment for the Benefit of Creditors Act, which dates to the 19th Century.

In an Assignment for the Benefit of Creditors (“ABC”), a debtor, usually an insolvent or otherwise financially distressed business (the “assignor”), makes an assignment of substantially all of the debtor’s assets to another person or entity (the “assignee”) to be held in trust, with such assets and the proceeds thereof to be administered by the assignee to satisfy the claims of the assignor’s creditors. Although most states have statutes permitting general assignments, historically, little uniformity has existed from state to state. For example, in Delaware and certain other jurisdictions, ABCs have been conducted under the supervision of a court, whereas other ABC schemes contemplate virtually no judicial involvement.

As the complexity and cost of chapter 11 bankruptcy proceedings and other restructuring alternatives have increased over time, ABCs have become increasingly attractive tools for debtors and their creditors. ABCs, especially in jurisdictions like Delaware with sophisticated courts and experienced practitioners, provide an orderly, efficient, and cost-effective tool to liquidate the assets of a small or mid-sized business. Although publicly available data is not available, over the last two decades Delaware has seen a significant increase in the volume of ABCs filed in the Delaware Court of Chancery. Delaware, of course, is ideally situated to offer this legal solution, both because Delaware’s status as the state of domicile for many corporations and other entities provides ready access to its courts and because of the Delaware Court of Chancery’s long-established and well-earned reputation for predictability and consistency.

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Delaware's New ABC Act adopts the Uniform Act with minor modifications that we anticipate will capitalize on Delaware's existing strengths to provide small and mid-sized distressed businesses with an efficient and effective mechanism for liquidating their assets and winding up their business that meaningfully improves upon Delaware's existing ABC regime. We highlight several of these changes and improvements below:

- While the commencement of an ABC under the New ABC Act still requires the filing of a petition in the Delaware Court of Chancery, the New ABC Act contemplates that the court's involvement in an ABC will be limited unless the assignee or another interested party with standing to do so affirmatively requests relief from the court.
- The New ABC Act permits an assignee discretion whether to seek court approval of an asset sale. Similarly, an assignee may, but is not required to, seek court approval of bidding procedures in connection with a potential sale.
- Similarly, an assignee has the option to seek court approval of the incurrence of secured or unsecured debt in connection with operating or disposition of an existing business that uses an assigned asset.
- The New ABC Act also mostly eliminates some of the more cumbersome aspects of conducting an ABC under the prior statute, including the requirements for the assignee to post a bond, the appointment of an appraiser to value the assigned assets, and the filing of a formal inventory of the property assigned.
- Unlike the prior statute, the New ABC Act outlines processes for the submission, objection to, and allowance of claims.
- Finally, the New ABC Act permits and encourages communication and cooperation between the Delaware Court of Chancery and other courts before which assignment proceedings may be pending for related non-Delaware entities.

If you have questions about Delaware's New ABC Act, please do not hesitate to contact any of the Delaware-based Dorsey attorneys. Both Ms. Glorioso and Mr. Werkheiser served as members of the committee of the Commercial Law Section of the Delaware State Bar Association that helped formulate Delaware's version of the Uniform Act.