

## Delaware Bankruptcy Law Update

Thursday, March 26, 2026

### Uniform Assignment for the Benefit of Creditors Act Introduced in Delaware General Assembly

On March 25, 2026, the Delaware General Assembly introduced for consideration [Senate Bill No. 267](#) which, if adopted, would constitute Delaware's enactment of the recently adopted Uniform Assignment for the Benefit of Creditors Act (the "Uniform Act"). It simultaneously would repeal Delaware's existing Assignment for the Benefit of Creditors Act, which was enacted in 1875.

To date, the Uniform Act has been enacted in two states and has been introduced in six other states. Enactment in Delaware would be a significant development because the Uniform Act permits the making of an assignment for the benefit of creditors ("ABC") in a company's state of organization, and Delaware is the state of organization for a large number of entities. Thus, many entities would have the choice of availing themselves of this process.

An ABC is an efficient and flexible state law mechanism to wind up a distressed business. For smaller and mid-sized businesses, it can be far more economical than a federal bankruptcy case, and thus is an important tool in the toolkit for an insolvent entity in the right circumstances.

The proposed legislation in Delaware would adopt the Uniform Act with minor modifications. Two modifications are most salient. First, the proposed Delaware legislation would build upon and expand a key feature of the Uniform Act which provides the assignee with the option, but not a requirement, to seek court approval of key issues such as the sale of assets. The proposed Delaware act specifies that the assignee also has the option, but not the requirement, of seeking approval of, for example, bidding procedures for the sale of assets and the incurrence of debt. Second, the proposed Delaware legislation requires the assignee to file a petition with the Delaware Court of Chancery within 14 days of the assignment. This mechanism (a) provides transparency, (b) provides the assignee a specific court filing to show creditors who are threatening legal action and might otherwise question a company's statements that it cannot pay its debts, and (c) ensures that when the assignee needs court intervention on an issue, a case already is open in the Court of Chancery.

The proposed legislation also would repeal the 1875 act, thereby eliminating the need for an expensive bond and obtaining two appraisals at a cost to the estate.

If passed, the legislation is likely to be viewed as a favorable and fair tool for winding up insolvent small and mid-sized companies.



If you have any questions about the proposed ABC Act, please contact [Russ Silberglied](#), a director in Richards, Layton & Finger, P.A.'s Reorganization and Bankruptcy Department. Mr. Silberglied was involved in the Uniform Law Commission's enactment of the Uniform Act and chaired the Commercial Law Section of the Delaware State Bar Association's committee to review and propose a Delaware version of the legislation.