

Delaware Bankruptcy Law Update

Tuesday, May 19, 2026

Uniform Assignment for the Benefit of Creditors Act Passes Both Chambers of Delaware General Assembly

On May 19, 2026, the Delaware House of Representatives passed [Senate Bill No. 267](#), which contains Delaware’s version of the recently adopted Uniform Assignment for the Benefit of Creditors Act (the “Uniform Act”) and repeals Delaware’s existing assignment for the benefit of creditors act, which was enacted in 1875. SB 267 previously passed the Delaware Senate on May 5, 2026, and now goes to Governor Matt Meyer for consideration.

Upon signature by Governor Meyer, Delaware will become the fifth state to adopt the Uniform Act. Enactment in Delaware is 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 now will 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.

Delaware’s SB 267 adopts the Uniform Act with minor modifications. Two modifications are most salient.

First, the Delaware legislation builds upon and expands 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. SB 267 expands the non-exhaustive list of such actions for which an assignee has the option, but not the requirement, of seeking approval by adding, for example, bidding procedures for the sale of assets, the incurrence of debt, and estimation of claims.

Second, SB 267 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. It appears likely that many such cases might be assigned to newly sworn in Magistrate in Chancery Timothy J. Fox, a former trial attorney with the office of the United States Trustee (which focuses on bankruptcy cases). In the press release announcing Magistrate Fox’s appointment, Chancellor Kathaleen St. J. McCormick stated that Magistrate Fox’s

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“experience in insolvency proceedings brings a helpful skillset to the court and will enhance the court’s ability to handle ... petitions for the assignment for the benefit of creditors.”

SB 267’s repeal of the 1875 ABC Act eliminates the requirement of an expensive bond and of obtaining two appraisals of the estate’s assets at a cost to the estate.

The act is likely to be viewed as a favorable and fair tool for winding up insolvent small and mid-sized companies and provides far more predictability than the prior scheme while simultaneously increasing flexibility and decreasing costs.

If you have any questions about SB 267 or the Uniform 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, chaired the Commercial Law Section of the Delaware State Bar Association’s committee to review and propose a Delaware version of the legislation, and provided testimony about the legislation to the Delaware Senate and House.