



## Lowenstein Bankruptcy Lowdown Video 42 – Delaware’s New ABC Act: A Powerful Tool for Distressed Companies

By [Christopher A. Ward](#) and [Michael V. DiPietro](#)

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**Christopher A. Ward:** On June 11, 2026, Delaware Governor Matt Meyer signed the new Delaware ABC Act into law, making Delaware the sixth state to adopt the Uniform Assignment for Benefit of Creditors Act. That may sound technical, but it’s a big deal in the restructuring industry.

Since over 60% of publicly traded companies in the U.S. are organized in Delaware, this change is likely to have an outsized, practical impact on distressed company workouts all across the country. So, let’s start with the basics. Namely, what exactly is an “ABC”?

**Michael V. DiPietro:** An “ABC” is short for an “assignment for the benefit of creditors.” It’s a voluntary, debtor-initiated insolvency process governed by state law.

People often think of it as a cheaper, faster, and more flexible alternative to a bankruptcy filing. However, the uncertainty of the process under the previous Delaware statute led some prominent practitioners to refer to ABCs as the “Wild West of bankruptcy law”.

**Christopher A. Ward:** Well, I was once quoted for saying that. But the new law really changes that game. The Uniform Act replaces outdated procedures with a streamlined, predictable framework, while still keeping flexibility and allowing, but not requiring, court involvement throughout the ABC process.

First, the assignee has to be truly independent; not a creditor, an insider, or an affiliate of the company. That independence is what builds creditor confidence and cooperation.

Second, there’s a clear, defined order for how creditors get paid. The distribution waterfall starts with secured creditors and works through administrative costs, federal priority claims, employee wage claims, and unsecured claims.

**Michael V. DiPietro:**

And there's a structured claims administration process as well with a set bar date for creditors. Additionally, the assignee is given broad statutory powers. They can operate the business, sell assets, settle claims, and even pursue avoidance actions to recover certain transfers.

There are also a few Delaware-specific wrinkles worth flagging. Specifically, the new Delaware Act requires the assignee to file a petition with the Court of Chancery within 14 days of the assignment. And it allows the Court to enter orders approving pre-defined auction or sale procedures and protects good-faith purchasers of ABC assets.

**Christopher A. Ward:**

So why does this matter for distressed businesses? As you just heard, an ABC can be much more than a liquidation proceeding. There is now an attractive, streamlined option for Delaware companies that do not have the liquidity to fund a Chapter 11.

The defined duties and clear waterfall also reduce the "black box" criticism of out-of-court liquidations, which should make sponsors, secured lenders, customers, and vendors more willing to cooperate with the process.

**Michael V. DiPietro:**

And for companies operating in multiple states, the act's interstate recognition tools are designed to cut down on duplicative proceedings, litigation, and the risk of inconsistent rulings. But there is one important caveat; an ABC is not a substitute for bankruptcy in every situation. It doesn't provide an automatic stay, and it isn't well suited to companies facing broad, multi-faceted litigation pressure or mass-tort exposure.

**Christopher A. Ward:**

For the right company, the Uniform ABC Act—which as of today has been adopted in Alabama, Arizona, Iowa, Nebraska, and Utah in addition to Delaware—is a meaningful upgrade and a powerful new tool.

If you'd like to talk through whether an ABC makes sense for your situation, do not hesitate to reach out to our team.

And we look forward to seeing you on the next [Lowenstein Bankruptcy Lowdown](#). Thank you.