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MODERNIZING ABCs WITH THE UNIFORM ASSIGNMENT FOR BENEFIT OF CREDITORS ACT

This article examines the evolving landscape of Assignments for the Benefit of Creditors as a state-law alternative to federal bankruptcy proceedings. It explores the increasing appeal of ABCs for distressed businesses seeking a faster, more flexible, and less stigmatized liquidation process. In light of the Uniform Law Commission's July 2025 approval of the Uniform Assignment for Benefit of Creditors Act ("ABC Act"), this article provides a comprehensive overview of the ABC process, compares its advantages and limitations relative to bankruptcy, and analyzes the ABC Act's key features — including fiduciary duties, claims procedures, and limited court involvement. The authors assess the anticipated impact of the ABC Act on state practices, highlighting its potential to harmonize disparate legal frameworks, expand access for multi-state debtors, and enhance predictability for creditors. Ultimately, the article argues that the ABC Act offers a modernized, business-friendly restructuring tool that may reshape the future of non-bankruptcy liquidations across the United States.

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Assignments for the Benefit of Creditors ("ABCs") are state-law governed alternatives to federal bankruptcy relief, designed to facilitate the orderly liquidation of a distressed business's assets and the distribution of proceeds to creditors. Unlike bankruptcy, which is governed by federal law (title 11 of the United States Code, 11 U.S.C. sections 101-1532), ABCs are creatures of common law or state statutes, depending on the jurisdiction.

ABCs have become increasingly appealing to distressed companies seeking a quicker, less expensive, and often less public process to wind down operations and liquidate assets. While ABCs share similarities with bankruptcy — such as the involvement of a fiduciary to liquidate assets and distribute proceeds — the process is typically more flexible, with fewer formalities and less court oversight.

In July 2025, the Uniform Law Commission ("ULC") approved the final draft of its Uniform Assignment for

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