

ASSIGNMENT FOR THE BENEFIT OF CREDITORS

An Assignment For The Benefit of Creditors is a state recognized form of liquidation, which is equivalent to the protection that a debtor is afforded under federal bankruptcy. The “assignor” is the entity that is transferring assets to the “assignee.” The debtor is the “assignor” and a qualified liquidator is the assignee. Assignees must be bonded and meet all the requirements stipulated under state law. The same guidelines must be followed as statutorily prescribed under a corporate dissolution. The assignee takes charge of all debtor assets and is immune from legal pursuit by creditors. The same rules of bankruptcy are followed with secureds being satisfied first in the order of their security with priority classifications such as taxes, etc. being next and finally unsecureds on a collective pro-rata basis. The assignee, if requested, will provide creditors with a final accounting.

In the assignment, the assignor transfers all of the assets of the company to the assignee. A creditor has the right to proceed against the assignor but a judgment cannot be satisfied because there are no assets to levy upon (they have all been transferred to the assignee). The assignee is protected under law to liquidate assets according to the assignee’s discretion and satisfy creditors in the order consistent with what is prescribed under dissolution. Assignees usually require that all creditors file a Proof of Claim form. Assignments are generally over very quickly and are popular amongst businesses where assets can be readily and quickly liquidated. This would not be a good method of an orderly liquidation involving many layers of secured creditors, real estate and any other type of business where it would require a long time to liquidate assets.