

# What Is a Creditors' Committee?

## Creditor's Rights Toolkit

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This article discusses the key benefits and drawbacks of serving on a creditors committee.

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The official committee of unsecured creditors, referred to as a “creditor’s committee,” is a committee comprised of unsecured creditors who represent the interests of the unsecured creditor body as a whole. The Office of the U.S. Trustee determines which creditors get to serve on the creditor’s committee.

### BENEFITS OF SERVING ON THE CREDITOR’S COMMITTEE

#### ACCESS TO INFORMATION

Members of the creditor’s committee get a front row seat to the bankruptcy case, including increased access to information not provided to the general creditor body.

#### INPUT INTO THE BANKRUPTCY CASE

The creditor’s committee has a say in nearly all aspects of the case. As a fiduciary representing the interests of all unsecured creditors, the bankruptcy court relies heavily on the views and recommendations of the creditor’s committee. By serving on the creditor’s committee, a creditor can play a meaningful role in the outcome of the Chapter 11 case.

#### SHARED LEGAL COSTS

The creditor’s committee retains its own counsel and advisors, with the debtor paying the costs and fees of such professionals. A creditor whose interests align with the interests of the creditor’s committee can save costs since the creditor’s committee can take the lead on such issues.

### DRAWBACKS OF SERVING ON THE CREDITOR’S COMMITTEE

#### TIME COMMITMENT

The time commitment to serve on a creditor’s committee varies from case to case. Members are expected to attend committee meetings, participate in meetings with the debtor, review and provide comments to documents related to the bankruptcy case, etc.

- **NO COMPENSATION**

Creditors are not compensated for serving on the creditor's committee, although certain expenses are reimbursable (like travel costs related to attending a meeting).

## **TAKEAWAY**

Careful consideration should be given to the amount owed to the creditor, how important it is to have an ongoing business partner in the debtor, and the anticipated time commitment when determining whether to serve on the creditor's committee. Even if a creditor decides to serve, the creditor's committee does not represent the individual interests of any creditor, and as such, the creditor should consult its own counsel to address issues unique to it.

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