

# **Creditor Coalitions in Bankruptcy**

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## **ABSTRACT**

We provide a first look at the economics of creditor coalitions in U.S. Chapter 11 bankruptcies. Using novel post-petition creditor-level holdings and creditor group membership data, we evaluate the determinants and consequences of creditor coalition formation across 171 major bankruptcy cases from 2016--2021. We find that group formation is driven by variables such as creditor type, creditor holdings dispersion, case size, market liquidity, and creditor familiarity. Bond prices increase significantly following the formation of ad hoc groups, suggesting that markets expect creditor coalitions to improve recovery outcomes. Using an unexpected 2017 court ruling, we also show that weaker creditor protections are associated with increased group formation yet less efficient overall outcomes. Our results shed light on some of the key factors affecting creditor coordination incentives in corporate bankruptcies.