

# BERNSTEIN-BURKLEY, P.C.

*Attorneys at Law*

A BUSINESS APPROACH  
TO LEGAL SERVICE<sup>SM</sup>

## “Ask the Legal Professional”

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### BANKRUPTCY

**Q** What is an inter-creditor agreement?

**A** An inter-creditor agreement is a document that describes the rights and obligations by and among creditors of the same debtor. It is critical that an inter-creditor agreement clearly states which creditor is entitled to specific assets upon a default, and when/how each creditor gets to exercise its rights.

Often these agreements require creditors to give each other notice before they execute on the debtor's assets, and many times they require a “stand-still” period before legal action can be commenced. If an inter-creditor agreement is ambiguous, it can cause substantial delay in a creditor's ability to enforce its rights, as well as expensive litigation among competing creditors. Neither of those are desirable when dealing with an already troubled debtor and deteriorating assets. Make sure to spend the time up front clarifying the terms of an inter-creditor agreement, or it may cost more on the backend.

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