# In the News

## Institutional Investor: 'Creditor-on-Creditor Violence' Lands Big Managers in Court

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*Institutional Investor* cited an O'Melveny analysis in this article, which discussed the increase in lawsuits stemming from the methods distressed companies have used to free up balance sheets or buy more time and evade default. "Trap door" transactions—such as transferring a company's intellectual property to a different subsidiary in order to place it out of creditors' reach—can aid debtors in avoiding defaults, but can also result in existing lenders seeing their debt subordinated to new tranches of debt, the publication reported.

In such transactions, "a familiar pattern emerges: a company will utilize a new method to incur or refinance existing debt and other lenders in the market will react by trying to close those corresponding loopholes in their credit documentation," O'Melveny lawyers wrote in the alert *Covid-19: Prime Time for Priming*. "While lenders attempt to stay ahead of the curve, as liquidity and refinancing options become even more important to pandemic-challenged borrowers, new trap doors keep opening."

Read the full article here.