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Scott Greenberg Speaks to Debtwire About Liability Management Exercises and Third-Party Financings

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Debtwire

Partner Scott Greenberg, Global Chair of our Business Restructuring and Reorganization Practice Group, was recently interviewed by *Debtwire* (subscription required) about the growing trend of companies paying work fees to third-party lenders in anticipation of potential "deal aways." Scott explained that while third-party financings are threatened in nearly every liability management transaction, they are rarely executed. Sponsors typically prefer to reach agreements with existing creditors, especially when a maturity is approaching. He also noted that subordination protection in credit agreements can help align drop-down proposals between existing lenders and third-party financing providers. "However, in the absence of subordination protection, existing lenders can typically offer a priming facility and be more competitive in pricing given their attachment point." While third-party financings are on the rise, Scott emphasized that they remain uncommon. "It sounds like there may be a few cases here or there, but it is certainly the exception and not the rule," he said. "Perhaps we are poking the bear, but I think until you see it really tick up in practice, [third-party financings] will continue to be a bit of a hammer for negotiations rather than a real alternative." *Debtwire* noted that Gibson Dunn is "known for engineering some of the market's most complex and high-profile transactions."

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