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What Is the New Value Defense to a Preference Action?

Creditor's Rights Toolkit

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Creditors face many risks when a company files for bankruptcy. One such risk is preference exposure, which is where the company seeks to claw back funds paid to a creditor before the company files for bankruptcy. The Bankruptcy Code provides affirmative defenses that give a creditor an opportunity to reduce its preference exposure or liability.

This article addresses the new value defense (sometimes called the subsequent new value defense) in a bankruptcy case. To access this article and read other insights from our Creditor's Rights Toolkit, [please click here](#)

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