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## ReSearch Memo

### Material Adverse Change/MAC

MAC clauses act as a “catch all” provision and aim to allow a lender to call a default if there is an adverse change either in the borrower’s position or circumstances or in the wider environment after a defined date.

It is extremely difficult to rely on a MAC clause in practice, in particular when the relevant event or occurrence affects not only the borrower but other companies more generally. The Takeover Panel have said that:

*“meeting [its material significance] test requires an adverse change of very considerable significance striking at the heart of the purpose of the transaction in question, analogous ... to something that would justify frustration of a legal contract”* (Panel Statement 2001/15 of 6th November, 2001).

Very few lenders would contemplate seeking to rely on a MAC clause because the risk of litigation for a lender relying on that provision, either as a drawstop or an acceleration event, is high.

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