

Covenant Lite: The Rise of a Fallen Angel

What is...

Covenant-Lite?	European Market Interpretation	US Market Interpretation
Covenant-Loose?	<ul style="list-style-type: none"> □ No financial maintenance covenants in relation to any Term Loan. □ “Springing” financial maintenance covenant in relation to a Revolving Credit Facility (typically leverage). □ May include High Yield-Style Negative Covenants (see below). 	<ul style="list-style-type: none"> □ No financial maintenance covenants in relation to any Term Loan. □ “Springing” financial maintenance covenant in relation to a Revolving Credit Facility (always leverage). □ Includes High Yield-Style Negative Covenants (see below).
High Yield-Style Negative Covenants	<ul style="list-style-type: none"> □ Up to two financial maintenance covenants in relation to any Term Loan and Revolving Credit Facility (leverage and possibly interest cover). □ May include High Yield-Style Negative Covenants (see below). <ul style="list-style-type: none"> □ No hard cap on debt incurrence (i.e. an unlimited amount of additional debt can be raised subject to compliance with an applicable ratio incurrence test), which may be <i>pari passu</i> secured debt incurred pursuant to the facilities agreement (as incremental debt) or other debt (which may be senior secured notes or junior secured, subordinated or unsecured debt) incurred outside of the facilities agreement (subject to a non-guarantor cap). □ “Grower” baskets set by reference to the greater of a fixed amount and a percentage of Total Assets or EBITDA. □ “Available Amount” (or “Builder”) basket for permitted /restricted payments (which builds with either a percentage of Consolidated Net Income or a percentage of Retained Excess Cash Flow, plus certain equity contributions and returns on investments made using the Available Amount basket). □ No restriction on asset disposals as long as the Borrower Group receives 75% cash consideration and fair market value. □ “Unrestricted Subsidiaries” concept. □ No hard cap on Permitted Acquisitions (save for a non-guarantor cap). 	

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