

Document 2 – Specification

Fair4All Finance overview and debt fund specification

Debt Fund – Fund Management services

Date: November 2021

Fund Management Services for a new Affordable Credit Debt Fund

Fair4All Finance is seeking an organisation(s), to provide Fund Management services, including regulatory host Alternative Investment Fund Management (AIFM) services as well as Fund Administration and any other services required to implement, launch and manage our affordable credit debt fund. This initial contract will be for a minimum period of 18 months with an option to extend based on mutual agreement.

About Fair4All Finance

Fair4All Finance is a not for profit organisation founded in early 2019 to increase the financial wellbeing of people in vulnerable circumstances. This will enable individuals to overcome shocks, enrich their lives and enable them to pursue opportunities.

For customers struggling to access mainstream provision, fair and affordable lenders like credit unions and CDFIs provide a vital service. Responsible credit can help customers to meet unexpected costs, smooth incomes or make essential purchases that are otherwise unaffordable upfront, as well as saving hundreds or thousands of pounds a year compared with high-cost credit. Yet responsible lending makes up only a fraction of short-term lending in the UK – each year, affordable credit providers make just £250m of loans to this group, while over the same period, high-cost short-term credit providers lend £3bn. Fair4All Finance's first area of focus is to support the scaling of affordable providers and prove that this customer group can be served in a sustainable and ethical way. We will do this by providing support and funding for the affordable credit market as part of meeting the 10x challenge in ensuring that fair and affordable credit is available for all that need it.

As per the FCA's "Financial Lives 2020 Survey", the number of people with characteristics of vulnerability due to low financial resilience was 14.2m in October 2020.

Introduction

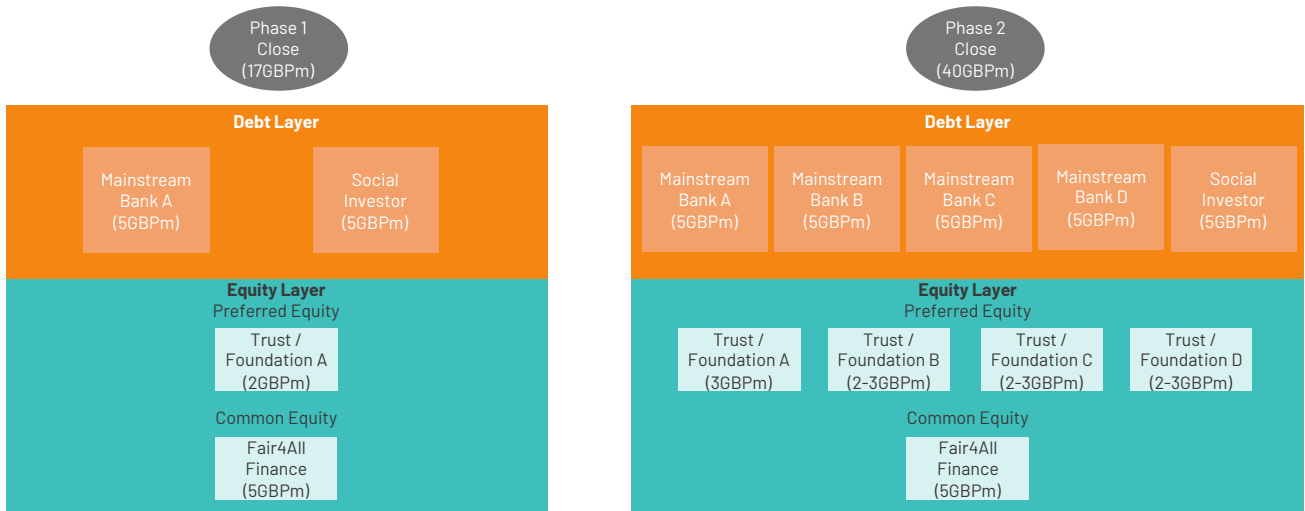
The Affordable Credit Debt Fund has two primary objectives:

- 1) Significantly increase the provision of much-needed affordable credit to customers in need
 - This will enable Community Development Financial Institutions (CDFIs), social fintechs and other social lenders to access the capital needed to grow their loan books
- 2) Creating the conditions for banks to lend directly to community finance providers in the future
 - Most banks do not typically serve this sector due to perceived risks and a lack of profitability
 - The Debt Fund is an opportunity for banks to address the recommendation raised by the FCA in The Woolard Review (2021). Specifically, to overcome the barriers to serving this market
 - Investment from the debt fund will allow CDFIs, social fintechs and other social lenders to build greater scale, profitability and track record of taking on finance. This should therefore enable banks to be confident about investing in CDFIs and social lenders

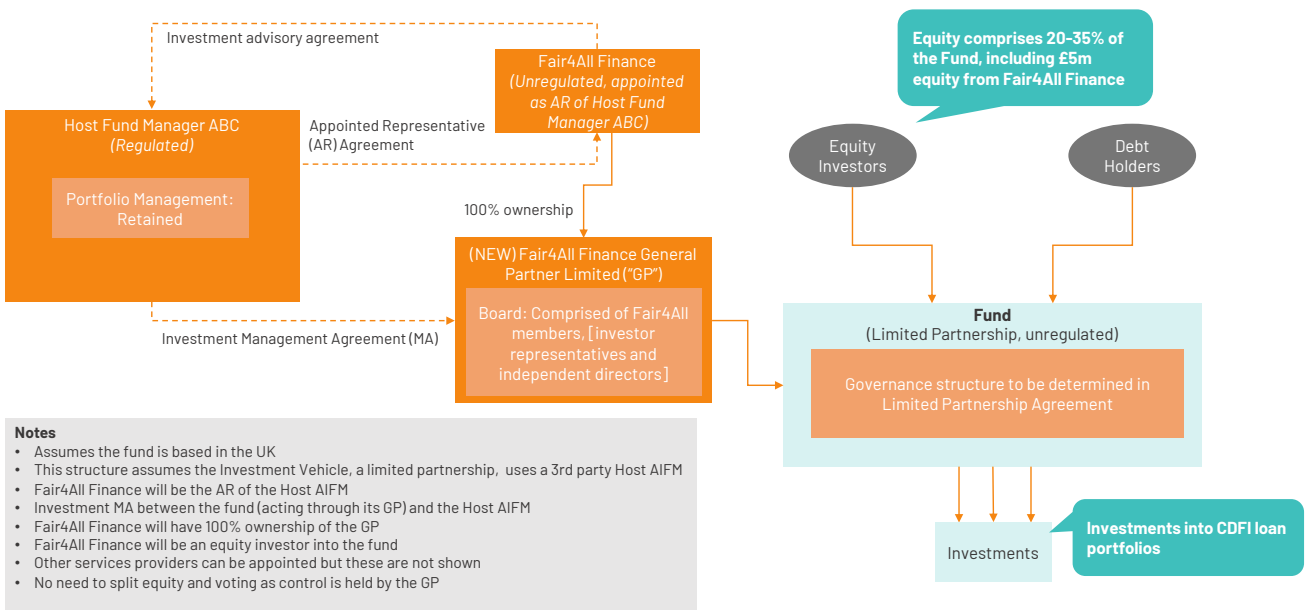
Proposed debt fund closes

To achieve this outcome, we are targeting for an:

- 1) Initial launch of £16-17m in Q2 2022. This will consist of a pioneering commitment from a major retail bank, a matched commitment from a social investor, a potential commitment from a trust / foundation and a £5m equity commitment from Fair4All Finance
- 2) Additional £23-24m by the end of 2022 / early 2023 (thereby £40m in total). We expect that following the fund's initial launch, other mainstream banks will have appetite to follow suit. In addition to this, we will seek funding from foundations and mission-aligned family offices



Proposed debt fund structure



Summary debt fund specification

Function	Details
Structure and Fund Administration	
Anticipated fund vehicle structure	Limited Partnership
Domicile	UK
Fund Investment Type (for investments made out of the fund to investee organisations)	Bilateral loan agreement <u>Note</u> : not tradeable
Currency	GBP
Number of anticipated closes	2
Number of investors at each closing	Phase 1: 3-4 Phase 2: 2-6 (TBC)
Anticipated Assets under Management	Phase 1: £16-17m Phase 2: £23-24m (£40m in total)
Total number of anticipated investors	5-10
Investor Type	Mainstream banks, large social investment funds, trusts & foundations, large private family offices
Number of investments	Per annum: 3-6 between £2-10m
Total number of anticipated investees	8-12
Investee Type	CDFIs, social fintechs and other social lenders
Investee Geography	Great Britain, predominantly England
Valuation Frequency	Quarterly
Financial Year End	December
Capital Calls (expected per year) <ul style="list-style-type: none"> For management fees & expenses For Investments Follow on Investments 	2 per annum (TBC)
Distributions (expected per year)	Quarterly (TBC)
Accounting	
Reports to investors – <ul style="list-style-type: none"> Full unaudited reports including notes and investment commentary; or Investment commentary update 	Quarterly reporting, including social impact reporting prepared with Fair4All Finance. Plus year-end audited financial statements
Capital Statements <ul style="list-style-type: none"> (Monthly/Quarterly/Semi-Annual/Annual) 	Monthly / Quarterly (TBC)
Accounting Standards	FRS 102
Corporate Governance – GP/LP	
Investment advisory committee	Up to 5 including some Fair4All Finance board members
Investment officers	3-5
Regulatory Services	
Provision of Compliance Officer	No
Provision of Money Laundering Reporting Officer	No
Depositary Services	Not required with sub-threshold AIFM otherwise required
Operator Services	No
AIFMD – Annex IV Reporting	Yes
Tax Reporting	
FATCA/ CRS services (which might include classification of entities, ongoing due	Yes

diligence, reporting and provision of responsible officer)	
Assistance with K1	No
Jurisdictional Tax Returns (please specify jurisdictions and frequency)	UK only
Asset Holding Structure	
Expected location and number of SPVs	UK – 1

Further material (including our draft term sheets and other supporting material) can be made available to appropriate interested parties following the signing of an NDA. A template of the NDA will be located on Market Dojo. Interested parties should email stefan@fair4allfinance.org.uk outlining their organisation’s interest to sign the NDA. They should also give the name and email addresses of the person at their organisation authorised to sign the NDA. Fair4All Finance will then initiate the NDA signing process with these recipients.

Specification of services

Fair4All Finance is seeking an organisation or organisations who provide Fund Management services required to implement, launch and manage our Affordable Credit Debt Fund. Scope of services will include:

- 1) Host AIFM (including Appointed Representative)
- 2) Fund Administration
- 3) Depository / Trustee – note: not required with sub-threshold Host AIFM