

Development Bank of Wales (DBW)

Wales Micro Loan Fund- Social Enterprise Sub Fund

Delivered by Landsker Business Solutions Ltd.

Overview and Objectives	Fund Name	Wales Micro Loan Fund (“WMLF”)- Social Sector Sub Fund (“SESF”)
	Fund Size	£2m
	Key Objectives	To provide finance to social enterprises located Pan- Wales.
Investment parameters and fees	Fees and interest	<p>Fees- To be determined in line with market rate.</p> <p>Interest- To be determined in line with appropriate margin over EC reference rate with regard to credit score and level of security.</p>
	Investment type	Loans
	Loan size	£1k - £50k
Other	Legislation and statutory obligations	<p>The Fund must adhere to the standard legislation and regulation compliance applicable to all DBW Fund delivery.</p> <p>Loans to sole traders and partnerships are subject to the Consumer Credit Act and can only be administered by Service Providers who are registered or authorised and regulated by the Financial Conduct Authority for regulated consumer credit activities.</p>

Section 1

1.1 Overview

The Wales Micro Loan Fund (“WMLF”) is a £30m Fund comprised of Financial Transaction Capital. Included within this is a £2m ring fence of funding to support social sector investment this is call the Social Enterprise Sub Fund (“SESF”).

Landsker Business Solutions Ltd. invest in a professional, commercial and responsible manner whilst also providing positive outcomes, in line with the Fund objectives, to its investors and stakeholders. DBW Investments 10 Ltd (“DBW 10”) will provide discretionary investment services to the Fund.

This document sets out the operating parameters for delivering the Fund.

1.2 Objectives

The Fund aims to support Wales based businesses by:

- Maintaining and grow the availability and accessibility of finance to social enterprises across Wales
- Ensuring a responsive vehicle is put in place that can flex quickly according to the needs of the market as the impacts of Brexit are felt
- Increasing economic output leading to more employment and economic growth;
- Seeking to achieve the targets set out in Section 4 and its performance will be formally monitored on a quarterly basis.

1.3 Investment policy

By its very nature the Fund is a risk-taking venture. In order to grow and create a sustainable fund reasonable rates of return must be earned on the investments made as well as securing a range of recovery options for those less successful investments. Unless there was some element of risk in placing such investments there would be no justification for the levy of charges to generate acceptable returns, to cover the Fund's costs, or satisfy the requirements of fund stakeholders. However, risk taking must always be balanced against the need for the long-term sustainability of the Fund.

Section 2

2.1 Ineligible activities

The following activities are expressly ineligible for support:

- Party political purposes;
- The promotion of particular secular, religious or political views;
- Gambling;
- Pornography;
- Tobacco manufacturing, processing or distribution;
- Any kind of illegal activities;
- Any kind of activity which could bring DBW or the Welsh Government into disrepute;

The guidelines surrounding these sectors can be complex and in certain instances while an activity may appear ineligible further research may determine that for a specific business eligibility can be proven.

2.2 Additional eligibility constraints

In addition, Landsker Business Solutions Ltd. shall **not** invest where:

- the business is as an “undertaking in difficulty”
- investment involves the Fund giving warranties, indemnities and/or guarantees
- The application of funds is to repay existing debt
- the Fund is accepting the liability for the debts and obligations of any Investee Company or any other person
- the entity is subject to an outstanding recovery order following a decision by the European Commission declaring an aid to it as illegal and incompatible with the internal market
- the business or company which does not deliver economic benefit to Wales, achieved through business presence, operations, people or trading in Wales
- the business or company, in the reasonable opinion of the Service Provider, does not have a viable business plan
- investment from the Service Provider would displace or distort existing market provision

2.3 State Aid Compliance

WMLF will operate under the Market Economy Operator Principle (“MEOP”) and does not confer State Aid. This is satisfied as follows:

- Interest must be charged to the recipient at the prevailing UK Reference Rate plus a minimum of the appropriate margin (based on the recipient credit rating and the collateral available), determined in accordance with the Communication from the European Commission on the revision of the method for setting the reference and discount rates (EC 2008/C 14/02) (‘Reference Rate Communication’).

All loans must comply with the requirements of MEOP. Failure to do so may result in clawback and potential termination of the Fund.

2.4 Location

Investments will only be made in businesses that have a material part of their operations, people or trading based within Wales (the eligible area). Should the business fail to do so, the investment will become immediately repayable and Landsker Business Solutions Ltd. will pursue all methods to recover the original investment.

2.6 Eligible business definitions

The SESF may invest in social enterprises, including cooperatives/mutuals, and employee-owned businesses, as an entity with primarily social objectives, the surpluses of which are principally reinvested for that purpose in the business or in the community rather than being driven by the need to maximise profit for shareholders and owners.