

# PRIME ADVOCATES

<b>IMPACT LOCK FRAMEWORK: TERM SHEET FOR UNSECURED TERM LOAN FACILITY TO A UK SOCIAL SECTOR ORGANISATION</b>			
<b>Enforcer: Impact Investor (contractual enforcement)</b>			
<b>Element of Impact</b>	<b>Question</b>	<b>Contractual protective provisions in term sheet</b>	<b>Protected by</b>
<b>Impact performance</b>	Did the social business actually deliver the quality, depth and scale of outcomes that was intended?	<p>Borrower’s articles must protect impact performance in accordance with the Social Objects (Paragraph 8(a)).</p> <p>Borrower to provide an independent social impact report on the agreed social outcomes before it can borrow (Paragraph 8(k)).</p> <p>Borrower to provide Lender with information in respect of its Social Objects as follows (Paragraph 28):</p> <ul style="list-style-type: none"> <li>• regular progress reports, if applicable in the format provided by the independent social metric measurement auditors;</li> <li>• budget and financial model;</li> <li>• meetings with senior management; and</li> <li>• site visits.</li> </ul>	<b>Performance Lock</b>

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		<p>Borrower bound by social covenants as follows:</p> <ul style="list-style-type: none"> <li>• restriction on changes to the Borrower’s constitutional documents relating to the impact performance in accordance with the Social Objects (Paragraph 30(n));</li> <li>• maintenance of proper records and effective governance (Paragraph 30 (s) and (t));</li> </ul> <p>Lender may nominate one director/observer at board meetings of the Borrower who can monitor impact performance (Paragraph 31). It is an event of default if this person is removed without good cause (Paragraph 32(j)).</p>	
<b>Social mission</b>	Does the social business act in accordance with its original commitment to a defined outcome for a defined beneficiary?	<p>Borrower’s articles must protect the social mission in accordance with the Social Objects (Paragraph 8(a)).</p> <p>Borrower gives representation on its status as a social enterprise (Paragraph 26(a)).</p> <p>Social Objects of the Borrower to be clearly defined (Paragraph 6).</p> <p>Lender may nominate one director/observer at board meetings of the Borrower (Paragraph 31) who can help to protect the mission. It is an event of default if this person is removed without good cause (Paragraph 32(j)).</p> <p>Borrower bound by social covenants as follows:</p> <ul style="list-style-type: none"> <li>• restriction on changes to the Borrower’s constitutional documents that would change or alter the Social Objects or relating to the protection of the social mission (Paragraph 30(n));</li> <li>• specific key management to remain in full-time key management of Borrower</li> </ul>	<b>Mission Lock</b>

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		<p>(Paragraph 30(r).</p> <p>Events of default are tied to the social mission. Lender can demand immediate repayment of the facility if:</p> <ul style="list-style-type: none"> <li>• Borrower no longer carries on the social impact business in accordance with the Social Objects (Paragraph 32(n)); or</li> <li>• Borrower acts in breach of the Social Objects (Paragraph 32(o)).</li> </ul>	
<b>Distribution of financial value</b>	Does the social business deliver the financial value of the business to the intended beneficiaries?	<p>Facility may only be used for the promotion and/or support of the Social Objects (paragraph 4).</p> <p>Compulsory early repayment on share/asset sale or equity or capital market issues (Paragraph 14 (b) and (c)).</p> <p>Borrower bound by social and negative covenants as follows:</p> <ul style="list-style-type: none"> <li>• restriction on changes to the Borrower’s constitutional documents relating to the distribution of financial value in accordance with the Social Objects (Paragraph 30(n));</li> <li>• restriction on distributions/payments to shareholders to reflect the Social Objects (Paragraph 30(p));</li> <li>• controls on payments to officers and employees (Paragraph 30(q))</li> <li>• restrictions on mergers, acquisitions, change of business, financial indebtedness, making loans, disposals, use of loans (Paragraph 30).</li> </ul> <p>Borrower’s articles must protect the distribution of financial value in accordance with the Social Objects (Paragraph 8(a)).</p>	<b>Asset Lock (partial)</b>