

Sticking Together Social Impact Bond

Information Memorandum
1 October 2018



Important notices

This Information Memorandum (the **IM**) relates to the issue of limited recourse Sticking Together Social Impact Bonds (the **Sticking Together SIBs** or **Notes**) by SVA Nominees Pty Ltd (ACN 616 235 753) (the **Issuer**) in its capacity as trustee for the Sticking Together SIB Trust (ABN 26 847 926 356) (the **Trust**). The Trust is managed by Social Ventures Australia Limited (ACN 100 487 572, AFSL 428865) (the **Trust Manager**).

Capitalised terms in this IM are defined terms and they are listed in Section 11 (Glossary) or defined elsewhere in the IM.

No disclosure to investors

This IM is not a prospectus or other disclosure document for the purposes of the Corporations Act. Neither this IM nor any other disclosure document in relation to the Notes has been, or will be, lodged with ASIC. The offering of the Notes has not been, nor will be, examined or approved by ASIC.

The Notes are only being offered for issue to Australian residents who are not acquiring interests in the Notes through a permanent establishment outside Australia and in circumstances where disclosure to investors under Part 6D.2 or 7.9 of the Corporations Act is not required to be made.

The distribution and use of this IM, including any related advertisement or other offering material, and the offer or sale of Notes may be restricted by law and intending purchasers and other investors should inform themselves about them and observe any such restrictions. In particular, no action has been taken by any Relevant Party which would permit a public offering of any Notes or distribution of this IM in any jurisdiction.

A person may not (directly or indirectly) offer for issue, subscription or sale, or issue an invitation to subscribe for, or purchase, any Notes, nor distribute or publish this IM or any other offering material or advertisement relating to the Notes except if the offer or invitation complies with all applicable laws and directives.

Responsibility

The Issuer accepts responsibility for the information contained in this IM, other than for (1) the information included in Sections 4 (*Sticking Together Project details*), 5.3 (*SYC*) and 5.4 (*Key SYC personnel*), which have been furnished to the Issuer by SYC, and (2) the details of the other persons named in the '*Directory*' section and on the back cover of this IM.

The State has not had any role in the preparation of this IM nor has it independently verified the information contained in this IM. Accordingly, no representation, warranty or undertaking, express or implied is made, and no responsibility or liability is accepted by the State for the issue of this IM, including as to the accuracy, authenticity, origin, validity or completeness of, or any errors, or omissions from, or any information or statement contained in the IM. The State does not guarantee the performance of any Notes, the interest rate, the return of capital to investors, any particular rate of return or any taxation consequences of any investment made in any Notes.

Intending purchasers to make independent investment decision and obtain professional advice

This IM contains only summary information concerning the Issuer, the Sticking Together Project and the Notes. It should be read in conjunction with the documents which are expressed to be incorporated by reference in it, in particular, the SIB Deed Poll and the Purchase Deed. The information contained in this IM is not intended to provide the basis of any credit or other evaluation in respect of the Issuer or any Notes and should not be considered or relied on as a recommendation or a statement of opinion (or a report of either of those things) by any Relevant Party that any recipient of this IM should subscribe for, purchase or otherwise deal in any Notes or any rights in respect of any Notes.

An investment in the Notes is subject to risks, including loss or delay in the repayment or payment of principal and coupons. Please refer to Section 8 (*Risk Factors*) for more information.

Contents

This IM does not describe all the risks of an investment in any Notes or the exercise of any rights in connection with them. Prospective Investors should consult their own professional advisers about risks associated with an investment in any Notes and the suitability of investing in the Notes in light of their particular circumstances.

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STICKING
TOGETHER
PROJECT

Social Impact Bond

Foreword

Dear Investor,

Thank you for considering an investment in the Sticking Together Social Impact Bond (**Sticking Together SIB**), Australia's first social impact bond (**SIB**) to address the pressing social issue of youth unemployment.

The Sticking Together SIB offers Investors the opportunity to earn a competitive, risk adjusted financial return while improving the lives of young people experiencing disadvantage in NSW. As an Investor, you will be funding the expansion of the Sticking Together Project, which will work with young people experiencing multiple barriers to employment, providing them with a dedicated work coach for 60 weeks. The Sticking Together coaches support young people into employment and then bridge the gap between the young person and their employer, helping them to 'stick together'. Importantly, the Sticking Together Project also looks at the young person's wellbeing and finds ways to improve their connectedness, motivation and personal self-worth through the lens of home, health and relationships.

The Sticking Together Project will be delivered by SYC Ltd (**SYC**), a not-for-profit organisation focused on employment, training and youth services. SYC was established in 1958 and has helped three generations of people to find a safe place to sleep, develop new skills, gain and sustain employment, finish school and reconnect with their families.

It is anticipated that approximately 870 young adults will be enrolled in the Sticking Together Project over three years. Eligible participants are already registered in the Australian Government's employment services program, jobactive, and referrals will come through SYC's relationships with jobactive providers.

The Sticking Together SIB is expected to increase participants' time spent in productive activities and their overall engagement with the workforce, ultimately resulting in reduced reliance on welfare, greater lifetime earnings and a reduction in the utilisation of State services. The savings accruing to the State will be shared with SYC to fund the delivery of the Sticking Together Project, and with Investors to provide a financial return on their investment.

If the Sticking Together Project delivers the target outcome performance scenario agreed by the NSW Government, SVA and SYC over the term of the transaction, overall Investor returns are expected to be approximately 7% per annum.

I encourage you to read this Information Memorandum in its entirety in order to understand the potential benefits and risks of this investment opportunity.

A handwritten signature in black ink, appearing to read 'Michael Lynch', written in a cursive style.

Michael Lynch
Executive Director, Impact Investing
Social Ventures Australia

1. Key Terms and Dates

Important Note: The table below provides a summary only of the key terms of the Sticking Together SIB and related contractual arrangements. You should read this IM (including any document incorporated by reference, in particular the SIB Deed Poll and the Purchase Deed) in full prior to deciding to invest in any Notes.

1.1 Key Terms: Entities and Contracts

Key Terms	Descriptions
Sticking Together SIBs or Notes	<p>Medium-term notes offered by the Issuer which are direct, unsubordinated and unsecured debt obligations, limited in recourse to the assets of the Sticking Together SIB Trust.</p> <p>The Notes will be issued in registered, uncertificated form on the terms and conditions of the SIB Deed Poll together with the Note Issue Supplement.</p>
Sticking Together SIB objectives	<p>The proceeds from the issue of the Notes will be used to fund the delivery of the Sticking Together Project. The Sticking Together Project aims to improve employment outcomes for young people experiencing barriers to employment in three key NSW service areas, namely, the Southern Highlands and Shoalhaven, the Illawarra, and the City and Inner South in Sydney.</p>
Sticking Together Project	<p>The Sticking Together Project utilises an intensive coaching model to build rapport with participating young people and their employers over a 60-week period. The coach focuses on non-vocational skills development and provides assistance to address the barriers to employment a young person might face, for example home, health or relationship challenges.</p>
Sticking Together SIB Trust or Trust	<p>A charitable trust (ABN 26 847 926 356) established under the Trust Deed for the sole purpose of offering the Notes and on-lending the funds raised to SYC to enable SYC to establish and operate the Sticking Together Project in NSW, and fund the costs and expenses of the Trust and its administration.</p>
Issuer	<p>SVA Nominees Pty Ltd (ACN 616 235 753), a company incorporated in Victoria that is wholly owned by SVA, in its capacity as trustee of the Sticking Together SIB Trust.</p> <p>The Issuer is a corporate authorised representative of SVA (AFSL No. 428865).</p>
Trust Manager	<p>Social Ventures Australia Limited (ACN 100 487 572) in its capacity as manager of the Sticking Together SIB Trust.</p>
SYC	<p>SYC Ltd (ABN 27 167 737 144) is the party contracted to deliver the Sticking Together Project under the Implementation Agreement.</p>
NSW Government	<p>The Government of NSW acting through the Department of Industry.</p>
Investors	<p>'Wholesale investors' (as described in Section 10.3 (<i>Investor eligibility</i>)) may subscribe for the Notes.</p>

Key Terms	Descriptions
Implementation Agreement	A contract between the NSW Government and SYC dated 12 September 2018 which is the framework agreement for the Sticking Together SIB arrangement, and which incorporates the Operations Manual by reference. Payments to SYC under the Implementation Agreement are based upon the Cumulative Incremental Hours that program participants spend in productive activities. See Section 6.2 (<i>Implementation Agreement</i>) for details.
Loan Deed	A loan agreement between the Issuer and SYC dated on or about 18 September 2018 under which the issuer will advance the proceeds it receives from the issuance of the Notes to SYC for the purpose of operating the Sticking Together Project.
SIB Deed Poll	The Sticking Together SIB Deed Poll dated on or about 18 September 2018 made by the Issuer in favour of each Noteholder from time to time. The SIB Deed Poll sets out the terms and conditions of the Notes and the obligations of the Issuer in relation to them and includes the form of the Note Issue Supplement to be made by the Issuer at or around the time of the issue of the Notes.
Purchase Deed	The Sticking Together SIB Purchase Deed dated on or about 18 September 2018 made by the Issuer and the Trust Manager and to be entered into by each Investor purchasing Notes upon acceptance of its Application by the Issuer.
Other documents	In addition to the above documents, the documentation for the Sticking Together SIB arrangement also includes (1) the Trust Deed, which establishes the Trust, (2) the Management Deed, which provides for the management of the Trust by the Trust Manager, and (3) the Arranger Deed.



1.2 Key Terms: Implementation Agreement

Key Terms	Descriptions
Intervention Group	All eligible individuals who are enrolled in the Sticking Together Project, expected to total around 870 people. See Section 4.4 (<i>Eligibility and enrolment</i>) for details.
Cumulative Productive Hours	The number of hours that the members of the Intervention Group collectively spend in work and work-like activities ¹ during their measurement period. The measurement period is the 60-week period commencing on each individual's enrolment in the Intervention Group.
Cumulative Counterfactual Hours	The number of productive hours that it is expected Intervention Group members would have recorded in the absence of the Sticking Together Project. The agreed weekly rate is 3.0 hours, which was determined through an analysis of the employment experience of young people in the targeted service areas.
Cumulative Incremental Hours	The outcome measure that will be used to determine the success of the Sticking Together Project. It is calculated as the number of Cumulative Productive Hours less the Cumulative Counterfactual Hours.
Outcome Payments	The payments made by the NSW Government to SYC based on the calculated Cumulative Incremental Hours. Outcome Payments will be made around 30 June in 2021, 2022 and 2023.
Early Termination	The Implementation Agreement may be terminated prior to expiry of its term in various circumstances as further described in Section 6.2 (<i>Implementation Agreement</i>). In the event of an Early Termination, a final payment is payable to SYC based on the terms of the Implementation Agreement.

1.3 Key Terms: Loan Deed and Notes

Key Terms	Descriptions
Aggregate Issue Amount	\$5,000,000 in principal amount of the Notes. The denomination of each Note is \$100. The Aggregate Issue Amount is equal to the Principal to be loaned to SYC under the Loan Deed.
Subscription Amounts	Investors must apply to subscribe for a minimum of 500 Notes, i.e. \$50,000 in principal amount.
Interest Payments under the Loan Deed	Interest Payments will be made by SYC to the Issuer on each Interest Payment Date under the terms of the Loan Deed. <ul style="list-style-type: none"> On each of Interest Payment Dates 1 and 2, the Fixed Interest Payment is determined using an effective rate of 3% per annum. On Interest Payment Dates 3 to 5, the Variable Interest Payment is calculated using the Variable Interest Rate. On average over the three payments, the Variable Interest Rate will be between 0% and 18% per annum. <p>See Section 7.2 (<i>Interest Payments under the Loan Deed</i>) for further details.</p>

¹ Work-like activities include volunteering, training and work experience. Recorded hours are capped at 25% of hours in paid employment.

Key Terms	Descriptions
Coupon Payments to Noteholders	An amount payable within 10 Business Days of each of Interest Payment Date which is determined as each Noteholder's pro rata share (being equal to the ratio of their Subscription Amount to Aggregate Issue Amount) of the Interest Payment on the relevant date.
Redemption on Maturity	<p>Principal repaid on the Maturity Date by SYC under the terms of the Loan Deed (the Principal Repayment) will be used by the Issuer to redeem the Notes within 10 Business Days of the Maturity Date.</p> <p>The proportion of outstanding Principal repaid by SYC is calculated as:</p> <ul style="list-style-type: none"> ● A base of 50%, plus ● 50% multiplied by the Cumulative Incremental Hours above a threshold of 80,000 hours, divided by a factor of 140,000², ● with a maximum of 100%. <p>Investors should be aware that repayment of the entire Principal by SYC is not guaranteed. If the Principal Repayment is less than 100% of Principal, the Subscription Amount that is repaid to Noteholders will be reduced by the same proportion.</p> <p>See Section 7.3 (<i>Maturity Repayment under the Loan Deed</i>) for further details.</p>
Redemption and final payments on Early Termination	<p>An early redemption of the Notes must occur within 10 Business Days of an early repayment under the Loan Deed.</p> <p>An early repayment under the Loan Deed will be triggered by either the Early Termination of the Implementation Agreement (for any reason) or an event of default or illegality.</p> <p>The amount payable on any early repayment is dependent upon the nature and timing of the repayment trigger. In many scenarios 100% of Principal will be repayable, while in others the proportion repaid is determined by the performance of the Sticking Together Project.</p> <p>In addition, a final payment will be made in respect of interest, at a rate that relies upon the reason for and timing of the early repayment.</p> <p>The maximum potential loss of Principal increases linearly from 0% to 50% over the first 2.5 years of the Loan Deed term.</p> <p>The amount received by the Issuer on early repayment under the Loan Deed will be used to redeem the Notes and make final payments on them on a pro rata basis.</p> <p>For details of Early Termination triggers and the calculation of Early Termination Payments see Section 6.2 (<i>Implementation Agreement</i>), Section 6.3 (<i>Loan Deed</i>) and Section 7.5 (<i>Payments on Early Termination</i>).</p>
Limited recourse	<p>The assets available to the Issuer to be applied to the payment or repayment of amounts owing on the Notes are limited to the assets of the Trust.</p> <p>Investors should note the limitation of liability of the Issuer and indemnity set out in clause 12.5 (<i>Limited recourse</i>) of the SIB Deed Poll.</p>
Transfers	Investors should note the transfer restrictions for the Notes, including, without limitation, those set out under clause 4 (<i>Title and transfer</i>) of the SIB Deed Poll.

2. 100% of Principal is repaid if Cumulative Incremental Hours exceed 220,000.

Key Terms	Descriptions
Taxes and stamp duty	<p>The Notes do not provide for any additional amounts to be paid in respect of any withholdings or deductions from amounts payable on the Notes that may be required by law.</p> <p>Investors should obtain their own taxation, stamp duty and other revenue advice regarding an investment in any Notes.</p>
Fees and expenses	<p>An arranger fee payable to SVA will be paid by SYC. All Trust expenses will be paid by SVA out of its Arranger Fee. Details of the fees can be found in Sections 6.6 (<i>Arrangement Deed</i>).</p>
Investor Reporting	<p>Annual performance and social impact reporting will cover Sticking Together Project outcomes and payments to Noteholders.</p>
Key Risks	<p>Details concerning certain key risks of investing in the Sticking Together SIB are set out in Section 8 (<i>Risk factors</i>).</p>

1.4 Key Dates

Key Terms	Descriptions
Applications open	<p>From 1 October 2018 to such date as the Issuer may determine.</p> <p>Applications will close once aggregate accepted subscriptions reach \$5,000,000 or earlier if determined by the Issuer.</p>
Financial Close	<p>Target 1 December 2018.</p> <p>The date upon which the Principal is drawn down by SYC under the Loan Deed.</p>
Subscription Amounts payable	<p>Date of application.</p> <p>Subscription Amounts will be held in a proceeds account until the Notes are issued. If the Implementation Agreement is terminated due to non-fulfilment of Conditions Precedent, all monies will be returned (without interest) to Investors.</p>
Interest Payment Dates	<p>Payment 1: 31 December 2019</p> <p>Payment 2: 31 December 2020</p> <p>Payment 3: 30 June 2021</p> <p>Payment 4: 30 June 2022</p> <p>Payment 5: 30 June 2023</p>
Maturity Date	<p>30 June 2023</p>

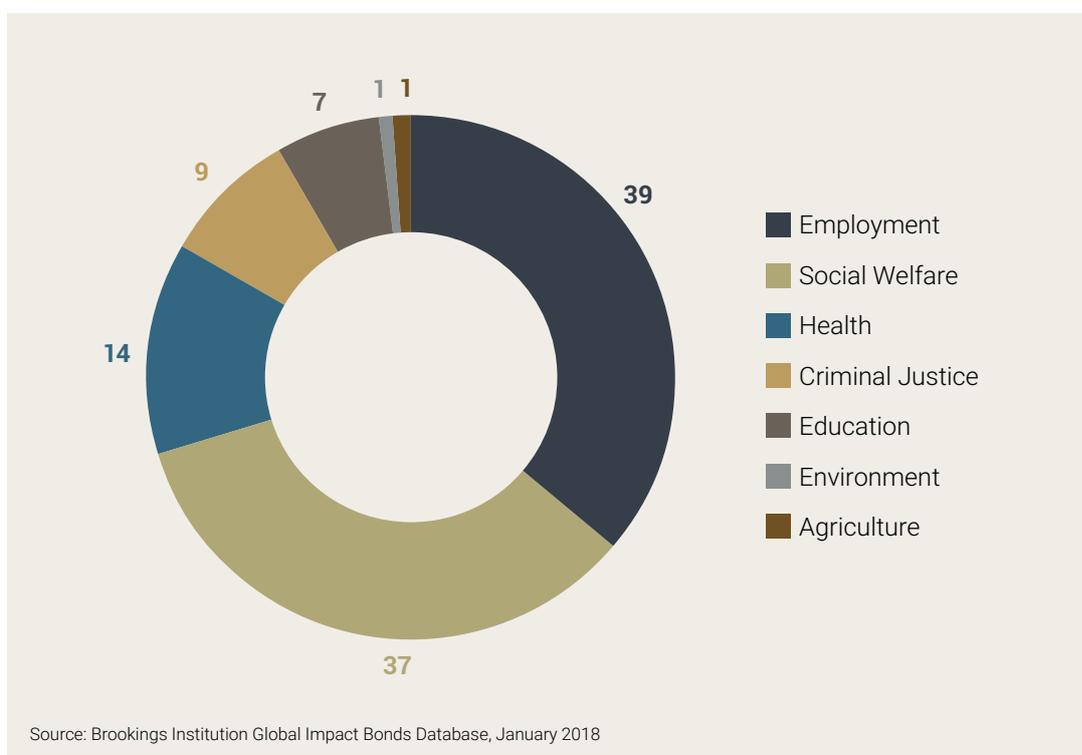


2. The Sticking Together SIB in context

2.1 Social impact bonds globally

SIBs are among the first and most widely adopted social impact investment arrangements to combine outcome-based payments and market discipline to address areas of pressing social need. The prevalence of SIBs globally has steadily increased since they were first developed in the UK in 2010.

At the end of 2017, there were 108 contracted impact bonds in existence globally. SIBs now span 25 countries and are spread across seven key development sectors, with a strong prevalence in social welfare and employment (70% of the total). The total upfront capital invested is approximately \$300 million (USD).



2.2 Social impact investment in NSW

The State has played an instrumental role in leading the way in the development of the social impact investing market in Australia. In 2013, the State worked collaboratively with Uniting and SVA to develop the first SIB in Australia, the Newpin Social Benefit Bond, which focuses on the safe restoration of children in care to their families and on preventing the entry of children to the out-of-home care system.

Since 2013, the State has implemented five additional social impact investments in the areas of mental health, out-of-home care, recidivism, homelessness and palliative care. SVA has supported two of those initiatives, the Resolve Social Benefit Bond (launched in 2017) and Foyer51, which is currently in a property development phase.

The State has a clear commitment to supporting the broader social impact investment market to develop new and innovative ways to deliver services to individuals and communities. In February 2015, the State launched its *Social Impact Investment Policy* which outlined the State's aim to deliver two new social impact investments to market each year.

In July 2017, the State released a Request for Proposals calling for innovative social impact investment proposals targeting the area of youth unemployment, with a key focus on improving employment outcomes for high need groups that may not be served by existing Federal and State programs. SYC and SVA partnered to develop and submit a proposal and were subsequently invited to participate in a joint development phase.



"The NSW Government is pleased to be partnering in the delivery of the Sticking Together Social Impact Bond, which is designed to help young people find long-term employment."

"This vital program will offer skills, mentoring and support to almost 900 young people keen to transform their lives and build a brighter future."

The Hon. Dominic Perrottet
Treasurer and Minister for Industrial Relations
New South Wales Government

3. Investment overview

3.1 Introduction

The Sticking Together SIB provides Investors with an opportunity to fund a program that aims to improve the employment outcomes for hundreds of young people in NSW who are experiencing disadvantage, whilst earning an appropriate financial return on their investment. This impact investment will raise private sector capital to fund the delivery of the Sticking Together Project, which utilises an intensive coaching model to improve participants' engagement with the workforce, through increasing time spent in productive activities. This results in reduced reliance on welfare, greater lifetime earnings and a reduction in the utilisation of other government services.

The national youth unemployment rate is persistently high, generally double the adult rate³. Within the general population of unemployed young people, some experience greater barriers to work, including mental health issues, low educational attainment and lack of a stable home. This more complex cohort is the target of the Sticking Together Project.

An investment in the Sticking Together SIB is expected to deliver competitive risk-adjusted financial returns to Noteholders over its term. Coupon Payments and the repayment of Subscription Amounts are linked to the performance of the Sticking Together Project, which is measured by the increase in program participants' engagement in the workforce and other productive activities.

Sticking Together SIB: targeted financial and social outcomes



- Approximately 870 young adults enrolled in the Sticking Together Project across the Southern Highlands and Shoalhaven, the Illawarra, and the City and Inner South in Sydney



- Approximately 46,000 weeks of coaching delivered to program participants



- Additional 290,000 hours spent in productive activities, of which at least 80% will be spent in paid employment
- An 18% reduction in participants' unproductive time⁴



- \$9.7 million in payments to SYC from the NSW Government under the terms of the Implementation Agreement

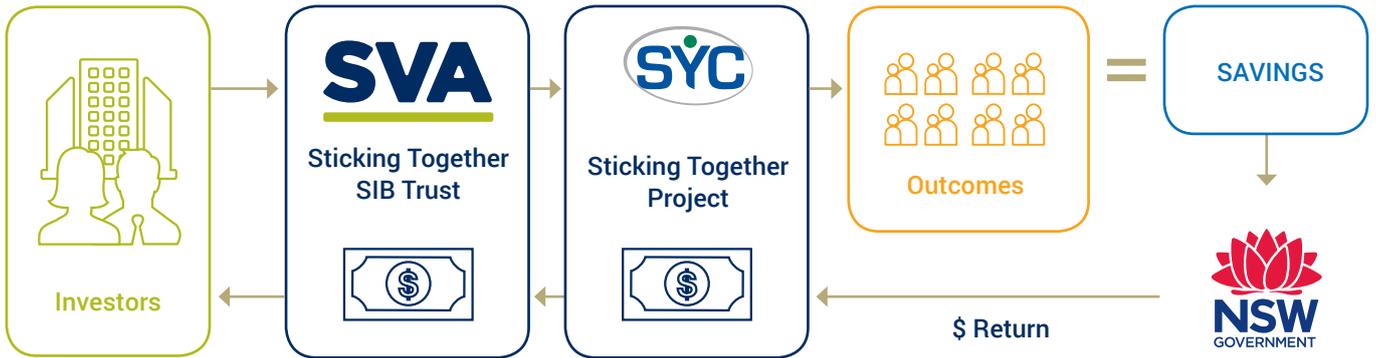


- \$1.6 million coupon payments to Noteholders, comprising \$0.3 million Fixed Coupons and \$1.3 million Variable Coupons
- Internal Rate of Return over the Note term of 7.1% per annum

3. ABS, 2018

4. Based upon a potential 38 hour working week

3.2 Structure overview



The NSW Government has entered into a contract (the Implementation Agreement) with SYC that will, if successful, reduce future costs to the State through a reduction in the utilisation of government services, and have a positive impact on those receiving assistance and the broader community.

Payments from the NSW Government to SYC are based upon the benefits generated by the measured participant outcomes, as agreed between the parties under the Implementation Agreement.

In order to fund the Sticking Together Project prior to the receipt of Outcome Payments from the NSW Government, SYC will borrow \$5 million from the Sticking Together SIB Trust, which has been created solely for the purpose of this funding arrangement. The terms of the loan are set out in a contract known as the Loan Deed. Interest Payments and Principal Repayment under the Loan Deed are based upon the performance of the Sticking Together Project. Details of how these payments are calculated can be found in Section 7 (*Calculation of payments*).

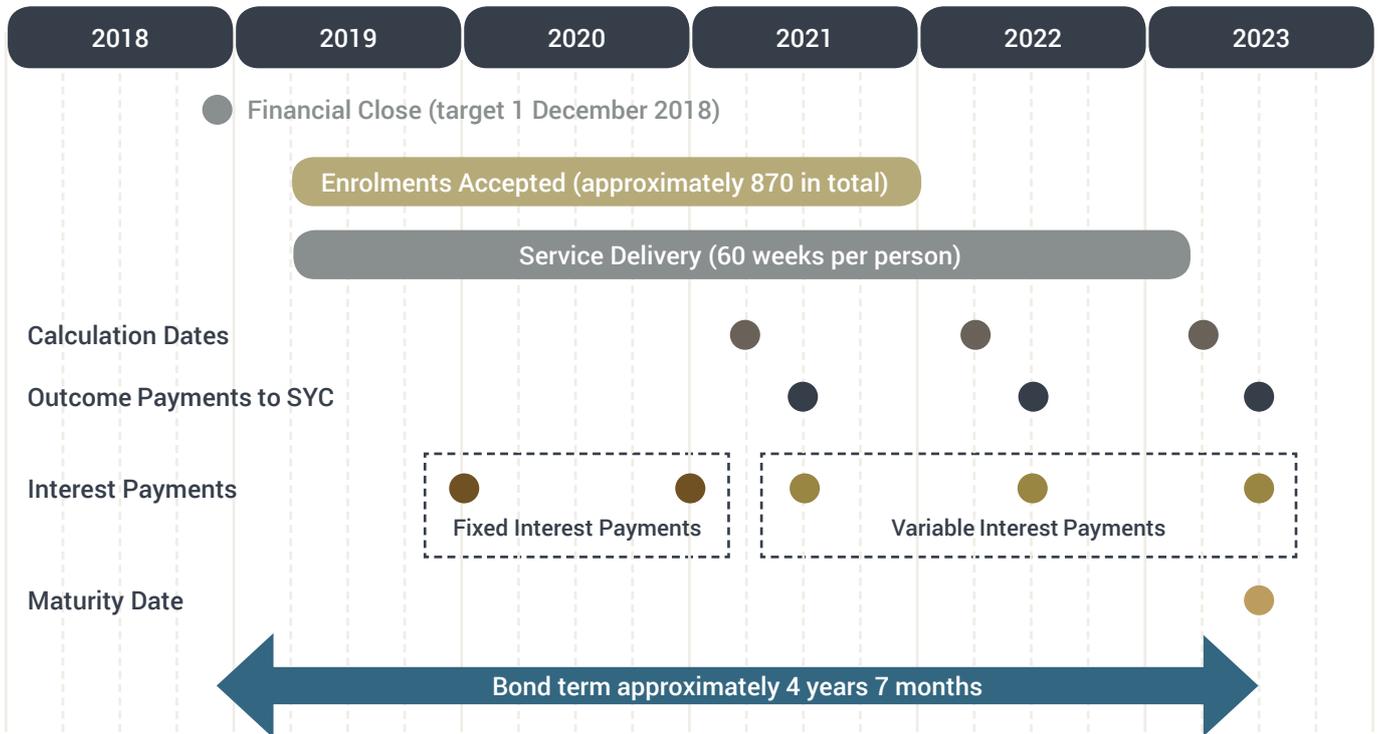
The Issuer will raise the \$5 million to be lent to SYC by issuing Sticking Together SIB Notes to Investors. The Notes will be issued pursuant to the terms and conditions of the SIB Deed Poll.

The details of the contracts underpinning these arrangements can be found in Section 6 (*Transaction structure and key documents*).



3.3 Timeline overview

Assuming a Financial Close of 1 December 2018, the term of the Sticking Together SIB is approximately 4 years and 7 months, and key dates are set out below:



"The benefits of having my coach is having someone encouraging me to reach my potential, improve myself and my circumstances. I have also been having more interviews, and have been getting better at them thanks to my coach. The best thing about the service is that it does help and make a difference. If I wasn't a part of the program, I wouldn't have had the opportunities and growth I have experienced."

Andrew, Sticking Together Project pilot participant



4. Sticking Together Project details

4.1 Social context

The economic and social imperative to support young people experiencing disadvantage to find and stay in work is clear. All too often young people who are unsuccessful in transitioning to work after leaving school become long-term welfare dependent. Young people now make up 26.6% of the people experiencing long-term unemployment, up from 22.6% in 2008⁵.

The national youth unemployment rate in Australia has been persistently high for the past 25 years and is often double the adult rate. In July 2018 the national youth unemployment rate was 11.1% compared to the national adult rate of 5.3%⁶.

Young people under the age of 25 are typically less experienced and are more exposed to precarious jobs than adults. Casual and seasonal employment is common, providing lower long-term job security and career development opportunities. Some young people experience additional barriers to employment, including mental health issues, lack of stable accommodation, disability and criminal justice system involvement.

Job retention is a challenge for many young people. SYC employment services data shows that on average, only around 25% of people under 25 who obtain a job stay in that job for three months, and only 15% go on to reach a six-month milestone. The primary reasons for poor retention include a lack of supports for young employees to sustain work, and for employers to manage them. Young people often lack the skills, experience and support to help them keep a job after they've been able to secure one.

Apart from the direct cost of government welfare benefits, a young person disengaged from education and employment is more likely to interact with the health, justice, housing and social services systems, resulting in poor outcomes for the individual and further costs to the State. Low worker retention rates also burden employers in terms of loss of productivity and high recruitment and induction costs.⁷

Any action that helps improve employment outcomes for young people will bring economic, social and wellbeing benefits to the individual, their family and the community.

5. *Australian Jobs 2018*, Department of Jobs and Small Business, Australian Government (2018)

6. ABS, 2018

7. Counting the costs of lost opportunity in Australian education, Mitchell Institute (2017)



4.2 Sticking Together Project background

Part of SYC's mission is to find and create better ways to support young people in their transition to independent lives, in which long-term employment plays a crucial role.

The Sticking Together Project was inspired by SYC's My First Job initiative, which was in turn created to drive change towards the provision and support of genuine entry level jobs for workplace entrants. Through My First Job, post placement support for young people was identified as a key component of helping them retain employment for the long term. The Sticking Together Project addresses this need, supporting young people to develop work readiness skills and capabilities to enable them to 'stick' in work.

The Sticking Together Project coaching model was developed in collaboration with Queensland University of Technology (QUT) and The Australian Centre for Social Innovation (TACSI), and co-designed with young people themselves.

In 2016, SYC developed the Project and commenced the implementation of a pilot program in Victoria and South Australia⁸. During 2017 and 2018, the Sticking Together Project pilot supported 100 young people experiencing disadvantage, who on average had been unemployed for over two years prior to commencing their coaching support. The outcomes of the pilot group were assessed against a control group who did not receive coaching⁹.

After considering the positive results achieved in the pilot program, SYC contracted with the Queensland Government to extend the pilot to that state. The 60-week pilot period in Queensland will conclude in December 2018.

8. The Victoria and South Australia based pilot programs were supported by the Melbourne Lord Mayor's Charitable Foundation, the Wyatt Trust in South Australia and the Federal Government.

9. See section 4.6 for further information about the results of the pilot programs

4.3 The Sticking Together Project

Sustained, intensive support

The Sticking Together Project utilises an intensive coaching model to build rapport with participating young people and their employer(s) over a 60-week period. The evidence for this sustained coaching timeframe is derived from the NZ Benefit System Performance Report¹⁰, which identified 14 months as the optimal time to work with vulnerable people to help them move away from the welfare system.

Each Sticking Together Project coach works with no more than 25 participants at any given time.

Multi-faceted support

In addition to employment-related skills, support is provided by the coach in non-vocational skills development and overcoming other barriers to employment a young person might face, including home, health and relationship challenges. Support is provided when the young person is in work and during periods of unemployment.

Support is provided to employers to help them manage the employment relationship and 'stick with' the young person.

Each service delivery region will have a dedicated Relationship Manager who will work with employers, jobactive partners, training organisations and other partners.

Coaching principles

The coaching model for the Sticking Together Project is underpinned by five Project principles.

Figure 1: Sticking Together Project Principles



10. 2016 Benefit System Performance Report: <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/investment-approach/2016-benefit-system-performance-report-final.pdf>

Service delivery phases

The Sticking Together Project coaching service is summarised in five key phases:

1. **Navigating the world of work** – The coach and young person meet regularly to address work readiness. Specialised tools help the young person identify skill strengths and areas for improvement and develop goals and actions. Wellbeing is a primary focus in this stage.
2. **Surviving week one** – The first few days and weeks in work is a critical time. The young person is supported to prepare for work and understand the job/employer's requirements.
3. **Rising to challenges** – As challenges arise, the coach assists with soft skills development, resilience strategies, employer communication and feedback.
4. **Bouncing back** – When job fallouts occur, the coach and young person prepare a plan to maintain momentum and get the young person back into work quickly.
5. **Staying on track** – The goal throughout coaching is to develop skills and resilience to ensure young people can sustain employment post service. The coach works with the young person to identify longer term goals they can bring to life on their own.

It is important to note that this is not a linear model; evidence from the pre-design research by QUT¹¹ and the pilot suggest that many young people will have periods in and out of work over the 60 weeks of coaching. Participants may also commence working with their coach at different stages on their work-readiness and employment journey.

Practical coaching tools

Sticking Together Project coaching tools have been co-designed and tested with young people and employers through the pilot programs. Tools are used directly with the young person to facilitate and record discussion, set goals and progress skill development. Data is collected on a weekly basis from the tools to evidence progress.

Young people participating in the tools co-design process



11. Moore, K., Grant-Smith, D., & McDonald, P. 'Sticking Together': Addressing the Employability of Australian Youth, Queensland University of Technology, 2016

It is anticipated that First Australians will be overrepresented in the Sticking Together Project cohort. SYC supports Aboriginal young people to find and sustain employment through:

- employment of staff who identify as First Australian to create a more informed, culturally appropriate and responsive service environment;
- partnerships with community-controlled service providers for co-servicing to address non-vocational issues, including meeting spiritual needs;
- state based Indigenous Liaison Officers to identify jobs, and develop pre-employment programs and partnering opportunities for First Australian young people;
- culturally welcoming sites and visible statements acknowledging traditional land owners;
- acknowledgement of the importance of family and kinship in service delivery; and
- development and delivery of tailored employment programs. For example, SYC delivers the Coles First Steps Aboriginal employment and mentoring program.

4.4 Eligibility and enrolment

To be enrolled in the Intervention Group, individuals must meet the following eligibility criteria:

- aged 18 to 24 years;
- unemployed or employed for less than 12 consecutive weeks immediately prior to enrolment;
- classified by Centrelink as a stream B or C jobseeker¹²;
- live in the Southern Highlands, Shoalhaven, Illawarra, or the city and inner south areas of Sydney;
- not a Disability Welfare Recipient;
- not participating in Work for the Dole;
- does not have suspended or reduced Centrelink mutual obligations;
- not participating in the Smart, Skilled and Hired Youth Employment Program¹³; and
- not been previously enrolled in the Intervention Group.

SYC will work with a range of jobactive providers who will identify eligible individuals and refer them to SYC. SYC is one of Australia's largest jobactive providers, serving around one in 25 job seekers, and has a deep understanding of the operations and interests of partnering jobactive providers.

An analysis of eligible job seekers in the targeted regions in recent years was conducted during the development of the Sticking Together SIB. This analysis found that there are approximately five eligible individuals for each planned annual enrolment.

Participants who agree to be enrolled into the program enter the Intervention Group and are included for measurement purposes regardless of whether they subsequently continue to engage with the program, unless they exit the program for agreed reasons. A total of approximately 870 young people are expected to be enrolled over 2019 to 2021.

12. Stream B and C jobseekers require greater levels of support to achieve and maintain employment. As at September 2017, 58% of unemployed people were classified as Stream B or C. Department of Jobs and Small Business, Jobactive Employment Services Outcomes Report October 2016 – September 2017.

13. Smart Skilled and Hired is a NSW Government initiative that supports un- or underemployed young people who are not registered for unemployment benefits.

4.5 Program management

The Sticking Together Project is managed by a dedicated senior program manager who has accountability for staff and program performance. The Head of Sticking Together Project reports to SYC's Director of Work who is the executive team leader for all SYC employment services.

The program manager is supported by a Practice Team Leader who manages coaching quality standards and clinical coach care. Each service area will also have a dedicated Relationship Manager who will build rapport and engage with jobactive partners, employers and training organisations.

The Sticking Together Project coaches are fully mobile to maximise the time with each participant in suitable locations including training, work experience and the employer's workplace.

SYC has developed an extensive data collection and analysis method to capture employability, activity and wellbeing measures from participants on a weekly basis. Protocols for data collection and reporting to manage performance outcomes are established and use tested processes.

Performance will be monitored by the Joint Working Group, a governance committee established with representatives from the State, SYC and SVA.



4.6 Program performance

The measure of success of the Sticking Together Project is the number of Cumulative Incremental Hours. This is the increase in the number of hours that participants collectively spend in 'productive' activities, relative to the agreed baseline of three hours per week. Participants' hours spent in work or work-like activities such as volunteering, work experience or training are recorded over the 60-week period commencing on their enrolment. Work-like activities are capped at 25% of hours in paid employment.

Collectively, participants are expected to spend a total of approximately 46,000 weeks on the program, of which:

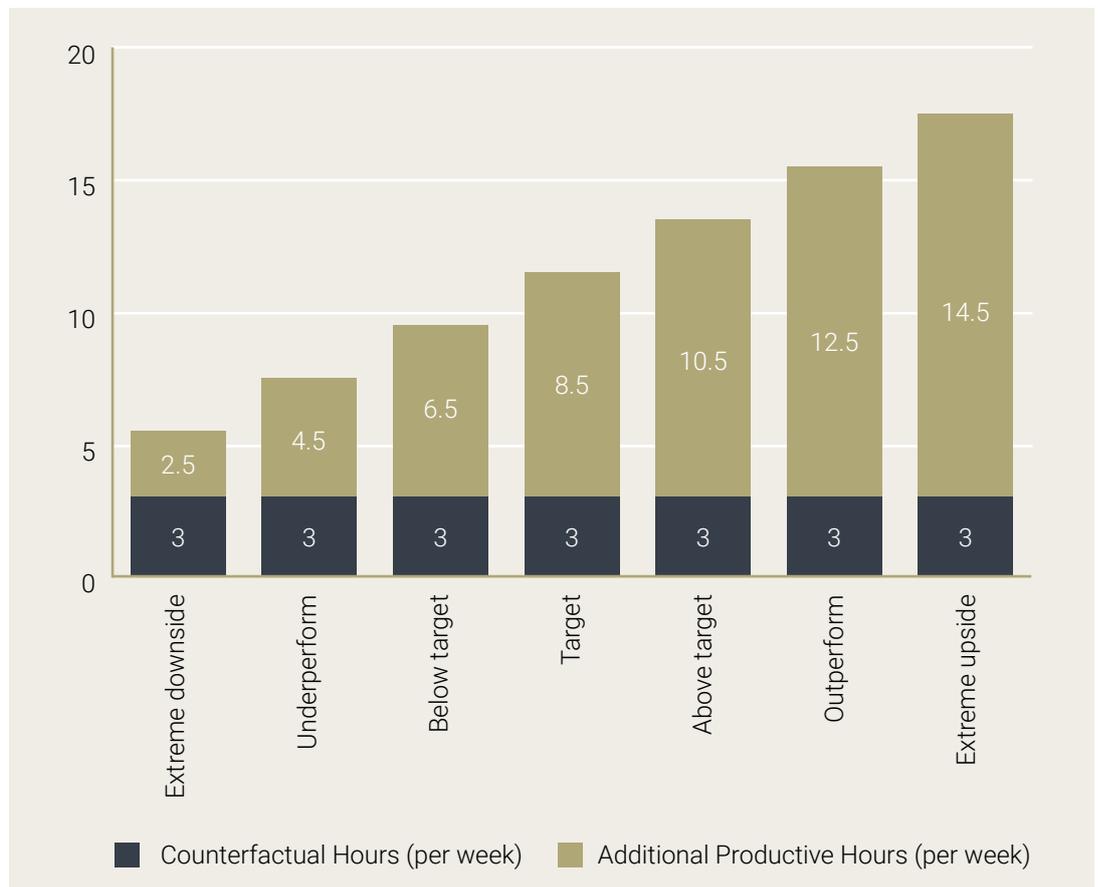
- 80% is expected to be spent actively engaged in coaching, enabling productive time to be recorded.
- 20% is expected to be spent disengaged from coaching, and the productive time will be recorded as Nil.

Participants exiting the program due to agreed reasons, such as moving out of the service area, incarceration and commencement of work for the dole obligations, will not be included in the Intervention Group for measurement purposes after their exit date. 20% of participants are expected to exit before the end of their 60-week support period.

A range of outcome performance scenarios for the Sticking Together Project have been developed and agreed between SVA, the State and SYC. Investors should note that there is no guarantee that the target objectives will be met.

The key driver of the performance of the Sticking Together Project is the number of productive hours each participant records each week, which for the target scenario is set at an average of 11.5 hours per active participant, or 8.5 hours per week above the counterfactual of 3.0 hours. As noted above, inactive or disengaged participants will record Nil hours, or 3.0 below the counterfactual.

Average Productive Hours per Active Participant per Week



Performance scenario	Extreme downside	Under-perform	Below target	Target	Above target	Out-perform	Extreme upside
Incremental productive hours per week per Intervention Group member ¹⁴	1.4	3.0	4.6	6.3	7.9	9.5	11.1
Reduction in unproductive hours ¹⁵	4%	9%	13%	18%	22%	27%	32%
Cumulative Incremental Hours	66,000	140,000	214,000	288,000	363,000	437,000	511,000

These targets are based on the outcomes of the independently evaluated 60-week pilot programs in Victoria and South Australia. These pilots involved 100 young people and a control group of 50. The service delivery model is also currently being piloted in Queensland and has to date produced similar outcomes to the South Australian and Victorian pilots, demonstrating that the model can produce similar positive results in a range of labour market settings.

Outcomes of the Sticking Together Project pilot work (in Victoria and South Australia) include:

- 86% of the participant group experienced work, with 96 jobs commenced;
- 81% of the young people who completed the project were in work at the end of the coaching period;
- an average increase in the number of productive hours of 10.6 hours per week¹⁶;
- job placement results were 92% higher and job retention results up to 186% higher for the young people receiving coaching compared with the control group;
- 119 employers were engaged through the project; and
- strong gains in self-reported work readiness, work skills and wellbeing.

"There were times I felt worthless and depressed, but since joining the Sticking Together Project it has inspired confidence and purpose. My life has changed for the better – I am happy and confident for the future. I couldn't say that before I started this."

Jasper, Sticking Together Project pilot participant

14. Weighted average which includes disengaged individuals who record Nil hours.

15. Based upon an available 38 hour week.

16. Measured relative to productive hours at entry. Outcomes are for active participants only (ie exclude those disengaging).

5. Key parties

5.1 Social Ventures Australia

Social Ventures Australia (**SVA**) is the manager of the Sticking Together SIB Trust. A subsidiary of SVA, SVA Nominees Pty Ltd, has been engaged to act as trustee of the Sticking Together SIB Trust.

SVA is a not-for-profit organisation that works with partners to alleviate disadvantage – towards an Australia where all people and communities thrive. SVA influences systems to deliver better social outcomes for people by learning about what works in communities, helping organisations be more effective, sharing perspectives and advocating for change. As a values-driven organisation, accountability, integrity, respect and humility underpin SVA's work. SVA invests in organisations and projects that deliver both a social and financial return. These include debt and equity investments in social enterprises, SIBs, and bespoke financial solutions including the development of social and affordable housing.

5.2 Key SVA personnel

Michael Lynch – Executive Director, Impact Investing

Michael joined SVA as Executive Director of the Impact Investing team in October 2017.

Michael has 25 years of banking and financial markets experience in Australia and Europe at organisations including CBA, Merrill Lynch, UBS and Societe Generale. Michael's experience extends across a range of management and product roles and he has been an advisor to many leading corporates and private equity firms. Michael has an undergraduate degree in Commerce and a Masters Degree in Applied Finance.

Elyse Sainty – Director, Impact Investing

Elyse leads SVA's SIB practice area. She was instrumental in the development of the four SIBs that SVA has launched to date, including Australia's first SIB, the Newpin SBB in NSW. Elyse provides technical and advisory support to service delivery organisations and Governments as they seek to pilot the social impact investing concept. Prior to joining SVA in 2011, Elyse had two decades of experience within the financial services industry. Elyse qualified as a Fellow of the Institute of Actuaries of Australia, and holds a Bachelor of Economics from Macquarie University.

5.3 SYC

With six decades of experience supporting young people to achieve stability and prosperity in their lives, SYC is proud today to work with Australians of all ages. The organisation has helped three generations of people to find a safe place to sleep, develop new skills, gain and sustain employment, finish school and reconnect with their families.

SYC predominantly operates under two trading names:

- HYPA, standing for Helping Young People Achieve, is SYC's youth services division. It provides a wide range of support to young people to find and harness their talent for a positive future. It has supported many thousands of young people since its inception in 1958, helping them to access and maintain safe and appropriate accommodation, to reconnect with family, school, employment and the community.
- Job Prospects is a leading jobactive and Disability Employment Services – Employment Support Service (DES-ESS) provider that works with jobseekers to gain and sustain employment and with employers to recruit and maintain their workforce. SYC is also a ParentsNext provider, assisting parents of young children to return to work after having time off to raise their family.

5.4 Key SYC personnel



Paul Edginton – Chief Executive Officer

Paul joined SYC in 2002 as General Manager of Training and has been Chief Executive Officer since 2004, leading the SYC transformation into one of Australia's most innovative not-for-profit organisations. With executive and board level experience in strategy, corporate governance and communications, Paul brings a wealth of commercial experience to SYC. He has established and developed successful businesses, coached business owners, consulted and delivered effective business turnaround and improvement strategies in a variety of industry sectors. Paul is a sought after contributor to policy development at state and national level, allowing him to apply highly developed skills in listening to points of view and processing those into strategic discussion. Paul has a Bachelor of Communication and is a Fellow of the Australian Institute of Company Directors.



Michael Clark – Director of Corporate Strategy

Michael commenced with SYC in 2011 and has executive responsibility for strategy, government relations, technology, quality and partnerships at SYC. With broad expertise and experience across areas including strategic planning, business improvement and communications, Michael leads transformational projects and provides senior counsel to SYC. Michael is a Fellow, Australian Marketing Institute and Graduate, Australian Institute of Company Directors. He holds a Bachelor of Commerce, Master of Commerce, Master of Business Administration and a Diploma of Market Research. He is also the Chair of the Sticking Together Project Working Group.



Mark Hoffman-Davis – Director of Work

Mark is the new Director of Work at SYC. He most recently led a large national commercial cleaning and facility services business for 17 years. As CEO, Mark grew that organisation from an Adelaide based business of 80 staff in 2001 to a large corporate group with over 2,000 personnel, servicing more than 1,500 clients nationally by 2018. Mark is an acclaimed executive and company director with a passion for developing the skills, culture and effectiveness of individual people and organisations as a whole. He is responsible for the Work portfolio of services at SYC which includes the Sticking Together Project. Mark is a graduate of the Australian Institute of Company Directors.



Simon Matthews – Director of Finance

As Director of Finance, Simon is responsible for all facets of SYC's financial management, property portfolio and facilities management. He has a particular focus on transparent reporting and building on SYC's success to create funding for future growth and opportunities. Simon brings to SYC diverse experience and is well credentialed at delivering strategic financial advice and management, having started his career in accounting firms before changing to commercial finance roles in various industries. Simon holds a Bachelor of Commerce from the University of SA and is a Fellow Certified Practising Accountant.



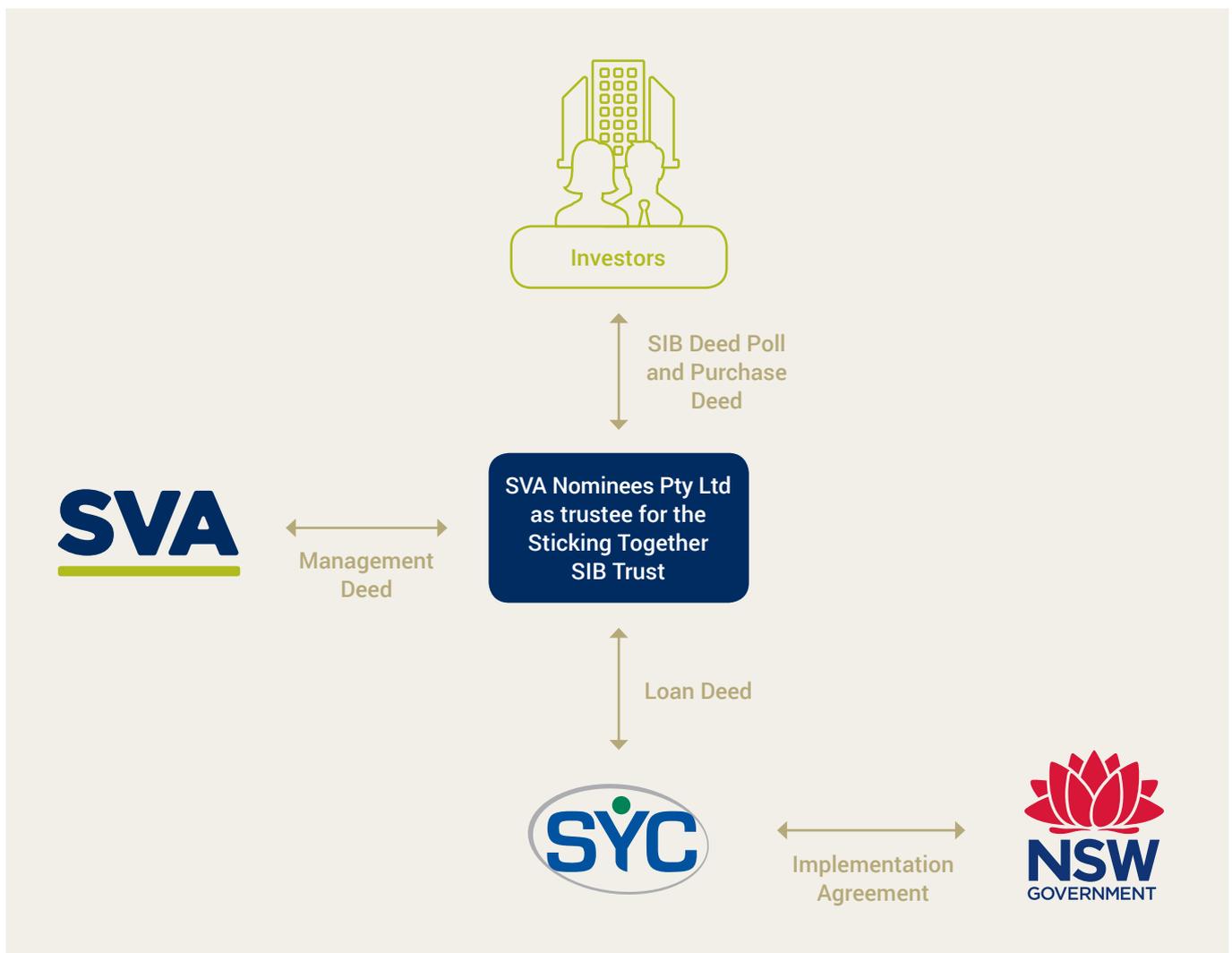
Andrew Reilly – Head of Development

Commencing with SYC in 2014, Andrew has extensive experience in economic and program outcomes and impacts analysis. He holds expertise in program design and development. Andrew's key responsibilities include leading the design and development of new services, including the Sticking Together Project, and developing research and partner relationships to understand how clients experience SYC services and their benefits. Andrew holds a Master of Business Administration and a Bachelor of Economics

6. Transaction structure and key documents

6.1 Structure overview

The Sticking Together SIB involves a number of contractual arrangements, as depicted below.



6.2 Implementation Agreement

The Implementation Agreement sets out the obligations of the NSW Government and SYC, including terms covering:

- conditions precedent to the Implementation Agreement coming into force, including the full subscription of the Notes;
- eligibility criteria for participants and referral processes;
- the outcome measure adopted, and the Counterfactual Weekly Rate;
- the process under which key assumptions including the Counterfactual Weekly Rate will be reviewed, and the consequences if the parties cannot agree to revised terms following that review;
- review and assessment processes;
- the basis of Outcome Payment calculations (see Section 7 (*Calculation of payments*) for further details);
- breach and Early Termination provisions;
- insurance requirements and indemnity provisions; and
- general provisions such as dispute resolution, warranties, administration, intellectual property rights and confidentiality.

The Implementation Agreement incorporates the Operations Manual, which regulates the practical day-to-day operation of the Implementation Agreement. The Implementation Agreement takes effect on the day all conditions precedent have been met and ends no later than 30 June 2023.

Annual Review

An Annual Review will be undertaken by the Joint Working Group following the calculation of outcomes at each Calculation Date. The review will include:

- an evaluation of the success of the Sticking Together Project in increasing the number of productive hours per program participant; and
- a review of Outcome Payments and investor returns.

Summary results of the Annual Review will be made available to Noteholders each year.

Performance Review

At the end of March and September in each of 2020 and 2021, a Performance Review will be conducted to determine whether the program is delivering outcomes to a satisfactory level.

In the event that the Cumulative Incremental Hours are tracking at a level that approximates the Underperform scenario, the parties will in good faith negotiate and reach agreement on whether to continue the Implementation Agreement, including any variation to its terms.

If the parties are unable to agree within three months, they each have a right to terminate the Implementation Agreement. Under the terms of the Loan Deed, SYC cannot agree to variations to the Implementation Agreement that would impact on the Cumulative Incremental Hours without the consent of the Issuer.¹⁷

¹⁷ Under Section 8.3 (*Variation of the Program Documents*) of the SIB Deed Poll, the Issuer can only agree to certain variations to the Implementation Agreement or the Loan Deed with the consent of Noteholders, such consent being determined in accordance with Schedule 1 (*Resolution Provisions*) of the SIB Deed Poll.

Key Assumptions Review

At the end of March in each of 2020, 2021 and 2022, the parties will commence a review of the Counterfactual Weekly Rate and the size of the Intervention Group.

An analysis of employment patterns will be conducted on a similar basis to that undertaken to determine the initial Counterfactual Weekly Rate of 3.0 hours. If either this analysis or the actual size of the Intervention Group relative to that expected indicates a +/-20% deviation in these key assumptions, the parties will in good faith negotiate and reach agreement on whether to continue the Implementation Agreement, including any variation to its terms.

If the parties are unable to agree within four months, they each have a right to terminate the Implementation Agreement.

Early Termination

The Implementation Agreement may be terminated in the following circumstances:

- termination by the NSW Government for convenience or for cause (including breach, insolvency, abandonment of service delivery and change of control);
- termination by SYC for cause (breach of obligations);
- termination by either party following one of the reviews outlined above; and
- termination in 'no fault' scenarios, including for force majeure events (including natural disasters, industrial action, or war) or a change in tax legislation or law with adverse consequences.

Please see Section 7.5 (*Payments on Early Termination*) for details of the consequences of Early Termination under each of these circumstances.



6.3 Loan Deed

Overview

The Loan Deed is between the Issuer and SYC and is for a Principal amount equal to the Aggregate Issue Amount received under the offer and issue of the Notes, expected to be \$5 million.

The date upon which Principal will be drawn under the Loan Deed (Financial Close) is subject to the Implementation Agreement coming into force. The Maturity Date under the Loan Deed is 30 June 2023.

Conditions precedent

The Issuer must be satisfied that all conditions precedent under the Loan Deed have been satisfied before the Aggregate Issue Amount is advanced to SYC. Conditions precedent include receipt of proof of the relevant SYC approvals for the execution of the Loan Deed.

Interest Payments

Interest Payments are payable on each Interest Payment Date as follows:

- On each of Interest Payment Dates 1 and 2, the Interest Payment is determined using a fixed effective rate of 3% per annum.
- On Interest Payment Dates 3 to 5, the Variable Interest Payment is calculated at a variable rate calculated based on performance of the Sticking Together Project. On average, over the three variable payment dates, the Variable Interest Rate will be between 0% and 18% per annum.

Please see Section 7.2 (*Interest Payments under the Loan Deed*) for further details.

Principal Repayment at Maturity

The Principal Repayment on the Maturity Date is dependent upon the Cumulative Incremental Hours achieved by the Sticking Together Project. Please see Section 7.3 (*Maturity Repayment under the Loan Deed*) for details.

Key features of the Principal Repayments are:

- 100% of Principal will be repaid on maturity if the number of Cumulative Incremental Hours is 220,000 or greater; and
- a minimum of 50% of Principal will be repaid in all cases.

Early Repayment

The early repayment of Principal can be triggered in the following situations:

- Early Termination of the Implementation Agreement for any reason; and
- termination by the Issuer on grounds of a breach of the Loan Deed by SYC (includes breach of obligations, payment default, misrepresentation, abandonment of the Sticking Together Project, insolvency events of SYC) or invalidity of any of the Loan Deed, Implementation Agreement or the other documents relating to the Sticking Together SIB or the Sticking Together Project.

Please see Section 7.5 (*Payments on Early Termination*) for details of how the Principal Repayment and final interest payment are calculated under each of the above scenarios.

6.4 SIB Deed Poll and the Notes

The Notes represent an unsecured lending arrangement between the Noteholders and the Issuer, with recourse of the Noteholders limited to the Trust Assets, principally the rights of the Issuer under the Loan Deed. The Notes will be issued pursuant to the SIB Deed Poll.

The Notes have an expected overall term of 4 years and 7 months (i.e. from the targeted Financial Close at 1 December 2018 to 30 June 2023).

The Aggregate Issue Amount for the Sticking Together SIB will be a maximum of \$5 million. Terms and conditions for the subscription of the Notes are set out in Section 10 (*Applications*).

Coupon Payments

Coupon Payments will be made to Noteholders within 10 Business Days of receipt by the Issuer of the Interest Payment made under the Loan Deed. Noteholders will receive a Coupon Payment representing their pro-rata share (being equal to the ratio of their Subscription Amount to the Aggregate Issue Amount) of the total Interest Payment received by the Issuer. As such, the amount received by Investors depends entirely upon the Loan Deed as determined by the performance of the Sticking Together Project.

Note Redemptions

The amount payable on redemption of Noteholders' Notes at maturity or on early termination depends entirely upon the Principal Repayment made under the Loan Deed. Within 10 Business Days following the receipt by the Issuer (on the Maturity Date or on Early Termination) of the Principal Repayment from SYC, Noteholders will be paid their pro-rata proportion of the Principal Repayment received.

Notes will only be redeemed on the Maturity Date or on early termination (as detailed in Section 6.2).

6.5 Management Deed

SVA will manage the Sticking Together SIB Trust under the terms of the Management Deed, which includes the following:

- convening governance meetings for the Trust;
- preparing annual Investor reporting and managing payments;
- preparing tax returns and financial accounts for the Trust;
- attending relevant meetings including the Joint Working Group convened under the Implementation Agreement; and
- providing performance oversight on behalf of Noteholders.

6.6 Arranger Deed

SYC will pay SVA an arranger fee of \$95,000 per annum (plus GST), paid quarterly in advance and indexed at a rate of 2.5% per annum each 1 January, which is intended to cover the establishment and maintenance of the financing arrangement under the Sticking Together Project, including management of the Sticking Together SIB Trust.

7. Calculation of payments

7.1 NSW Government Payments to SYC

7.1.1 Calculation of Cumulative Incremental Hours

The key determinant of the Outcome Payments made by the NSW Government under the Implementation Agreement is the number of Cumulative Incremental Hours achieved by the Sticking Together Project. Cumulative Incremental Hours will be measured at each Calculation Date and is defined as:

$$\text{Cumulative Incremental Hours} = \text{Cumulative Productive Hours} - \text{Cumulative Counterfactual Hours}$$

where

- **Cumulative Productive Hours** is summarily the number of hours that the members of the Intervention Group collectively spend working (in paid employment) and in work-like activities during their measurement period. Evidentiary requirements are specified in the Operations Manual and are subject to verification.
- **Cumulative Counterfactual Hours** is summarily the number of expected productive hours that Intervention Group members would have recorded in the absence of the Sticking Together Project. The agreed weekly rate is 3.0 hours, which was determined through an analysis of the employment experience of job seeking young people in the targeted service areas.

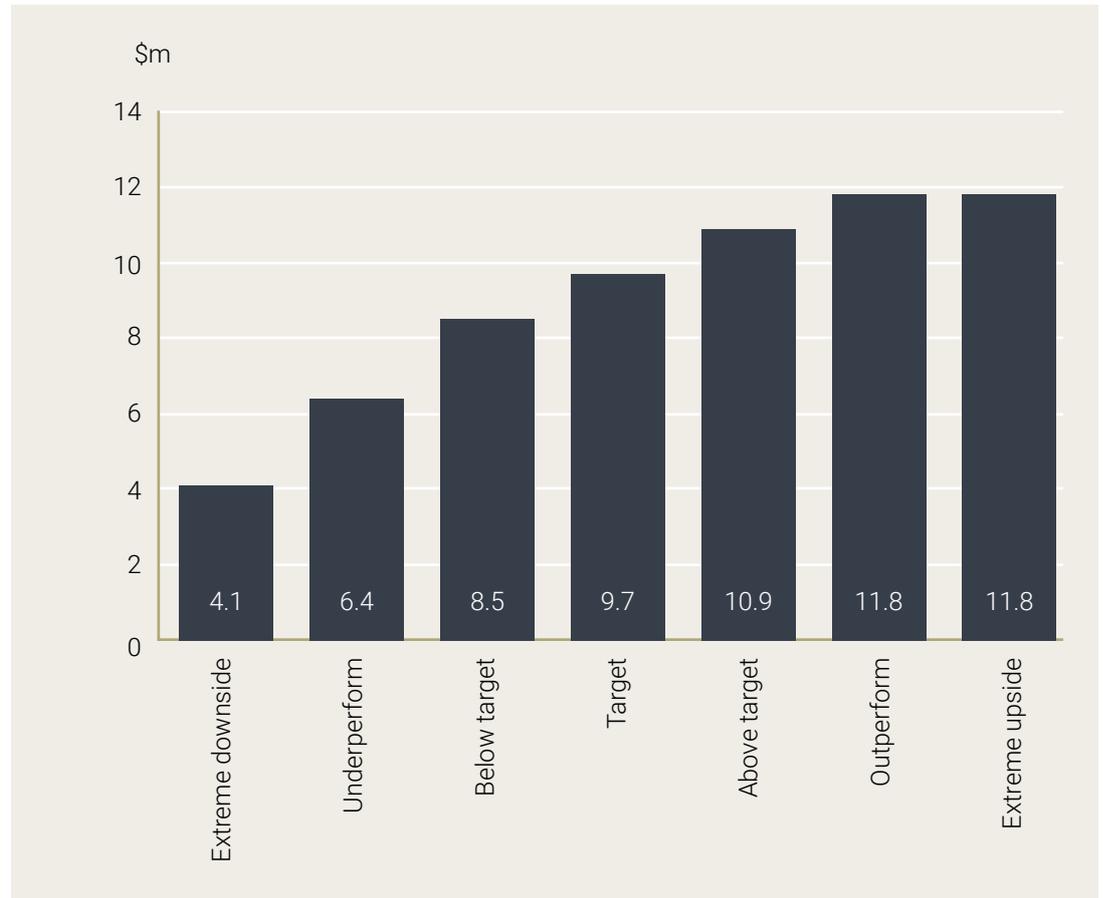
Work-like activities include unpaid work, work experience, participating in pre-employment programs and job readiness skills training, and volunteering. For the purposes of determining Cumulative Productive Hours, hours in work-like activities are capped at 25% of recorded hours in paid employment.

An individual's measurement period commences on their enrolment in the Intervention Group, and ends after 60 weeks, or on their early exit from the program due to agreed reasons such as moving out of the service area, incarceration and commencement of work for the dole obligations. At each Calculation Date the counterfactual and recorded productive hours for those individuals who have reached the end of their measurement period are included in the determination of the Cumulative Incremental Hours.

7.1.2 Calculation of Outcome Payments

Total NSW Government payments will vary depending upon the performance of the Sticking Together Project. Total NSW Government payments paid under the target performance scenario are estimated to be \$9.7 million. Total payments can range between \$4.1 million and \$11.8 million (provided the Implementation Agreement does not terminate early).

Total NSW Government Payments by Performance Scenario



7.2 Interest Payments under the Loan Deed

7.2.1 Fixed Interest Payments

SYC will make Fixed Interest Payments in arrears on 31 December 2019 and 2020. The Fixed Interest Payments are calculated as:

$$\text{Fixed Interest Payment} = \text{Principal} \times 3\% \times n/365$$

where n is the number of days in the relevant interest payment period, being:

- for Interest Payment 1, the number of days from Financial Close to 31 December 2019; and
- for Interest Payment 2, 365.

7.2.2 Variable Interest Payments

The Variable Interest Payments are based on the performance of the Sticking Together Project. The metric used to determine performance is the number of Cumulative Incremental Hours on each of the Calculation Dates, in line with the metric used to determine payments to SYC under the Implementation Agreement.

Variable Interest Payments are due in respect of the period ending on each Calculation Date and are paid annually on 30 June from 2021 to 2023. They are calculated using a Variable Interest Rate determined on a cumulative basis, with previous payments netted off the total 'earned' interest as outlined below:

$$\text{Variable Interest Payment} = \text{Principal} \times \text{Variable Interest Rate} - \text{Sum of Previous Variable Interest Payments}$$

subject to a minimum of zero.

The Variable Interest Rate is calculated as follows:

$$\text{Variable Interest Rate} = 18\% \times (\text{Cumulative Incremental Hours} - A) / 80,000$$

subject to a maximum of **B** and a minimum of zero, and where:

- the Cumulative Incremental Hours is determined at the immediately preceding Calculation Date as described in Section 7.1.1; and
- at each of the relevant Interest Payment Dates, the factors 'A' and 'B' are as follows:

Interest Payment Date	A	B
30 June 2021	80,000	18%
30 June 2022	130,000	36%
30 June 2023	170,000	54%

Illustrative example¹⁸

Interest Payment Date	Cumulative Incremental Hours	Variable Interest Rate	Variable Interest Payment
30 June 2021	130,000	11.3%	\$ 562,500
30 June 2022	200,000	15.8%	\$ 225,000
30 June 2023	280,000	24.8%	\$ 450,000
Average over three payments			\$ 412,500 (8.3% of Principal)

18. This illustration is provided to assist potential Investors to understand the determination of Variable Interest Payments. It should not be interpreted as a prediction of likely payments.

7.3 Maturity Repayment under the Loan Deed

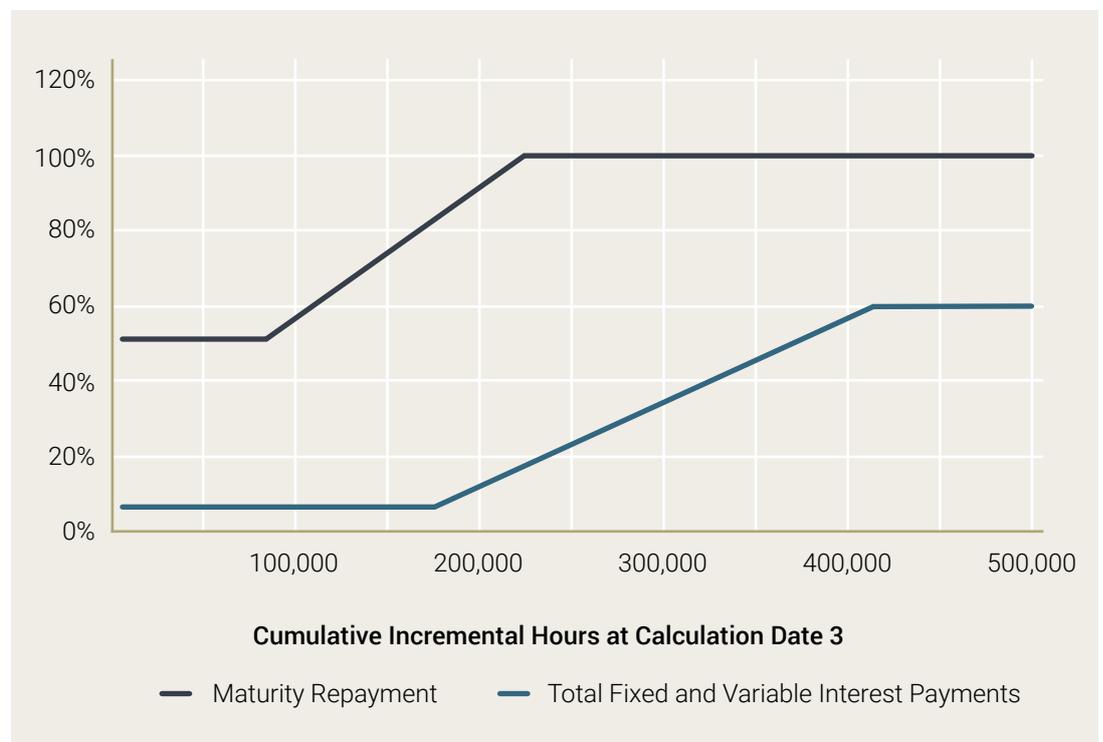
At the Maturity Date (30 June 2023), the proportion of Principal that is repayable by SYC is determined as:

$$\text{Principal Repayment Proportion} = 50\% + 50\% \times (\text{Cumulative Incremental Hours} - 80,000) / 140,000$$

subject to a minimum of 50% and a maximum of 100%.

100% of Principal will thus be repaid if the Cumulative Incremental Hours at the final Calculation Date is equal to or greater than 220,000 hours. At least 50% of the Principal will be repaid by SYC even in the extreme downside scenario.

Total Payments under the Loan Deed as a Proportion of Principal



Section 4.6 (*Program performance*) sets out the total expected Cumulative Incremental Hours under each of the performance scenarios. In the target scenario, the Cumulative Incremental Hours is 288,000.

7.4 Estimated Noteholder returns

Based upon the payments described in Sections 7.1, 7.2 and 7.3, and provided that the Loan Deed is not repaid prior to the Maturity Date, the approximate Noteholder Internal Rate of Return (IRR) that would be generated in each of the performance scenarios is as follows:

Performance scenario	Extreme downside	Under-perform	Below target	Target	Above target	Out-perform	Extreme upside
IRR (% per annum)	(12.8)	(5.8)	3.1	7.1	10.5	12.4	12.4
Principal Returned	50%	71%	98%	100%	100%	100%	100%

The performance of the Sticking Together Project will be monitored by the Joint Working Group. As described in Section 6.2 (*Implementation Agreement*), a formal Performance Review will be conducted as at the end of March and September in each of 2020 and 2021. If the number of Cumulative Incremental Hours is tracking well below target, an Early Termination of the Implementation Agreement will eventuate if variations to the Implementation Agreement to address the underperformance cannot be agreed. This would likely prevent the 'Extreme Downside' scenario from eventuating at Maturity.

7.5 Payments on Early Termination

If Principal under the Loan Deed is repayable before the Maturity Date for any reason, including the Early Termination of the Implementation Agreement, a final repayment is made by SYC which is the sum of:

- a proportion of the outstanding Principal;
- any scheduled Interest Payment that is due but has not yet been paid; and
- a final Interest Payment.

Principal Repayable

The proportion of Principal that is repaid prior to the Maturity Date is determined as:

$$\text{Principal Repayment Proportion} = 50\% + 50\% \times (\text{Cumulative Incremental Hours} - A) / B$$

subject to a minimum of C and a maximum of 100%, and where:

- the Cumulative Incremental Hours is determined including the recorded and counterfactual productive hours for all Intervention Group members up to the date of termination, regardless of whether they have reached the end of their measurement period;
- A is calculated as $20,000 \times n / 365$, with a maximum of 80,000;
- B is calculated as $35,000 \times n / 365$, with a maximum of 140,000;
- C varies according to the timing and reason for the early repayment, as set out in the table on the following page; and
- n is the number of days from Financial Close to the repayment date.

Reason for Payment	Determination of 'C' (minimum Principal Repayment proportion)
Implementation Agreement terminated: <ul style="list-style-type: none"> ● following a Performance Review; or ● by NSW Government for cause (SYC breach) 	$100\% - 20\% \times n/365$ subject to a minimum of 50%
Implementation Agreement terminated: <ul style="list-style-type: none"> ● in a 'no fault' scenario (force majeure; adverse tax or law change); or ● following a Key Assumptions Review or Loan Deed repayable due to illegality	On or before 31 March 2020: 100% After 31 March 2021: $100\% - 20\% \times n/365$ subject to a minimum of 50%
Implementation Agreement terminated: <ul style="list-style-type: none"> ● By NSW Government for convenience; or ● By SYC for cause (NSW breach) or Loan Deed repayable for an event of default	100%

In all instances above, n is the number of days from Financial Close to the repayment date.

Final Interest Payment

The amount of the final Interest Payment varies according to the timing of and reason for the early repayment, as set out in the table on the following page.



Timing	Reason for Payment	Final Interest Payment
On or before 31 March 2021 (Calculation Date 1)	Implementation Agreement terminated: <ul style="list-style-type: none"> ● following a Performance Review; or ● by NSW Government for cause (SYC breach) 	<i>Nil</i>
	Implementation Agreement terminated: <ul style="list-style-type: none"> ● in a 'no fault' scenario (force majeure; adverse tax or law change); or ● following a Key Assumptions Review <i>or</i> Loan Deed repayable due to illegality	$Principal \times 5\% \times n / 365$ <i>less Interest Payments already made or due</i> where n is the number of days from Financial Close to the repayment date
	Implementation Agreement terminated: <ul style="list-style-type: none"> ● By NSW Government for convenience; or ● By SYC for cause (NSW breach) <i>or</i> Loan Deed repayable for an event of default	$Principal \times 12\% \times n / 365$ <i>less Interest Payments already made or due</i> where n is the number of days from Financial Close to the repayment date
After 31 March 2021 and on or before 31 March 2022 (Calculation Date 2)	Implementation Agreement terminated: <ul style="list-style-type: none"> ● following a Performance Review; or ● by NSW Government for cause (SYC breach); or ● in a 'no fault' scenario (force majeure; adverse tax or law change); or ● following a Key Assumptions Review <i>or</i> Loan Deed repayable due to illegality	$Principal \times VIR \times n / 365$ where <ul style="list-style-type: none"> ● VIR is the Variable Interest Rate calculated as at Calculation Date 1 ● n is the number of days from Calculation Date 1 to the repayment date
After 31 March 2022	(This cell is shared with the row above and contains the same text as above)	$Principal \times VIR \times 0.5 \times n / 365$ where <ul style="list-style-type: none"> ● VIR is the Variable Interest Rate calculated as at Calculation Date 2 ● n is the number of days from Calculation Date 2 to the repayment date
After 31 March 2021	Implementation Agreement terminated: <ul style="list-style-type: none"> ● By NSW Government for convenience; or ● By SYC for cause (NSW breach) <i>or</i> Loan Deed repayable for an event of default	As per the variable interest calculations above (as appropriate to the timing of the payment), subject to a minimum of: $Principal \times 12\% \times n / 365$ <i>less Interest Payments already made or due</i> where n is the number of days from Financial Close to the repayment date

8. Risk factors

Prospective Investors should carefully consider the risks and uncertainties described below and the other information contained in this Information Memorandum before making an investment in the Notes. They are not an exhaustive description of all the risks associated with an investment in the Notes and the Issuer may be unable to fulfill its payment or other obligations under or in connection with the Notes due to a factor which the Issuer did not consider to be a material or significant risk based on information currently available to it or which it may not currently be able to anticipate. If any of the risks described below (or an unlisted risk) actually occurs, the value and liquidity of the Notes could decline, and Noteholders could lose all or part of their investment. These factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Program performance

Noteholder returns are primarily determined by the outcomes delivered through the Sticking Together Project. Noteholders are exposed to the performance capabilities of SYC. If SYC fails to perform and deliver the target outcomes, Noteholder returns will be adversely affected and in certain performance scenarios, Noteholder Subscription Amounts may not be wholly repaid. Neither the Issuer, SYC, the State nor any other person guarantees that the target outcomes will be achieved. Prospective Investors are advised to review the description of the Sticking Together Project and its goals in this document to determine their own view on the future performance of the Sticking Together Project.

Program performance will be closely monitored by the Joint Working Group, a governance committee established under the Implementation Agreement. The Trust Manager will be represented on this committee along with other stakeholders.

Intervention Group size risk

There is a risk that the Intervention Group is smaller than anticipated as a result of lower enrolments or a higher than anticipated exit rate. This would reduce SYC's ability to deliver target outcomes and would adversely affect Noteholder returns. Enrolment numbers are impacted by the number of referrals received from participating jobactive providers and the number of eligible individuals in the target locations available to be referred.

SYC is a large jobactive provider and has a deep understanding of the operations and interests of partnering jobactive providers. Jobactive providers are also incentivised to provide referrals to the Sticking Together Project because they are funded on an outcomes basis related to 12 and 26 week employment outcomes, and hence have aligned interests. An analysis of eligible job seekers in the target locations suggests that there are approximately five eligible individuals for each planned annual enrolment. Individuals who are enrolled in the Intervention Group and subsequently exit for allowable reasons (including participants' relocation or incarceration) are excluded from the Intervention Group for measurement and payment purposes.

Disengagement risk

Participants who agree to be enrolled into the program enter the Intervention Group and are included for measurement purposes regardless of whether they subsequently continue to engage with the program unless they exit for an allowable reason. Disengaged individuals' Incremental Productive Hours are counted as nil once they disengage as it is not possible to source evidence of any work or work-like activities they may have undertaken. If Intervention Group members disengage at a rate higher than anticipated, outcome payments will be lower than expected which would in turn negatively impact Noteholder returns. The disengagement rate modelling assumption was informed by an analysis of the experience of the existing Sticking Together Project pilots.

Counterfactual risk

The Counterfactual Weekly Rate of 3.0 hours was determined based on an analysis of all individuals in the target service delivery areas who met the Sticking Together eligibility criteria as at June 2016, and their work patterns over the following 60 weeks. There is a risk that this baseline is an overestimate of the 'true' underlying rates that would eventuate in the absence of the Sticking Together Project, in which case Cumulative Incremental Hours, and hence payments, will be understated. Conversely, it may underestimate the true underlying rate, in which case payments will be higher than they theoretically should be.

The Counterfactual Weekly Rate will be formally reviewed at three points during the term of the Implementation Agreement, providing the parties with an opportunity to assess its appropriateness and negotiate an alternative figure if required.

Labour market conditions risk

Service delivery for the Sticking Together Project will take place in three distinct regions, which are susceptible to ongoing changes in labour market conditions at a National, State and local level. There is a risk that changes in local economic conditions could lead to higher numbers of young people exiting the labour force altogether or leaving the service delivery regions to pursue work or education opportunities, impacting the ability of the project to recruit new participants. Further, a decline in the economic outlook could reduce the availability of jobs and lead to an increase unemployment in the service delivery regions, adversely impacting program performance. To mitigate the risk posed by the local labour market conditions the Joint Working Group will meet quarterly to review the effects of any changes in environmental factors. In the event of significant changes in external factors, project outcomes targets may be reviewed as described in Section 6.2 (*Implementation Agreement*), and the terms of the Implementation Agreement adjusted to reflect the new conditions.

SYC credit risk

The Notes represent an unsecured lending arrangement between the Noteholders and the Issuer, with recourse of the Noteholders limited to the Trust Assets, principally the Loan Deed. Performance of the Notes is thus dependent on the Loan Deed as determined by the performance of the Sticking Together Project. There are no guarantees regarding Loan Deed payments provided by the Issuer or any other third parties.

All Interest Payments and Principal Repayment obligations under the Loan Deed (both at maturity and in the case of Early Termination) are unsecured obligations of the borrower, SYC Ltd. The assets that support the obligations of the borrower and therefore the credit risk of the obligations, are those beneficially owned and controlled by SYC Ltd.

There is a risk that the borrower under the Loan Deed defaults on its obligations due to insolvency or financial distress, resulting in an adverse effect on the value of the Sticking Together SIB.

SYC has been in operation since 1958 and generated revenue of \$68 million in FY17 (FY16: \$62 million). Their Net Asset position for FY17 was \$16 million (FY16: \$15 million). Additional information on the financial position of SYC is available on www.syc.net.au.

Issuer credit risk

The Issuer has no business or other activities other than those required to perform its obligations under the Sticking Together SIB arrangement. Recourse of Noteholders against the Issuer is limited as described in clause 12.5 (*Limited recourse*) of the SIB Deed Poll.

The Noteholders do not benefit from security over the assets over the Issuer and on a winding up of the Issuer may not recover all amounts owing under the Notes.

Early Termination

Section 6.2 (*Implementation Agreement*) sets out the scenarios under which the Implementation Agreement, and hence the Sticking Together SIB arrangements, may be terminated and the Notes would be redeemed early.

The NSW Government can elect to terminate the Implementation Agreement for convenience for any reason, which may include, without limitation, that it views the Sticking Together SIB arrangement as no longer consistent with its policy priorities or that the arrangements lack sufficient economic justification.

The Notes are required to be redeemed by the Issuer where Early Termination of the Implementation Agreement has occurred. At those times, a Noteholder may not be able to reinvest the redemption proceeds at an interest rate commensurate with the future expected returns on the Notes. Potential Investors should consider reinvestment risk in light of other investments available at that time.

Payments to Noteholders in the event of an Early Termination are set out in section 7.5 (*Payments on Early Termination*).

Reliability of data provided and calculation of outcomes

The measurement of the outcomes of the Sticking Together Project will rely upon data and information obtained by SYC and validated by the State. Evidence supporting program participants' weekly hours spent in employment and other work-like activities is to be collected and collated by SYC. There is a risk that SYC will be unable to evidence outcomes due to a lack of proof provided by participants.

The data reliability risk will be mitigated by SYC working closely with each participant's jobactive service provider to ensure the participants are meeting their obligations to provide data, in addition to SYC working with jobactive providers to establish alternative forms of evidence directly with employers and organisations with participants in employment or work-like activities.

Dependence on key personnel

The Sticking Together Project is reliant on a number of key personnel employed by SYC, and its ability to attract and retain quality staff. The loss of staff members could potentially have an adverse impact on the Sticking Together Project's performance. SYC intends to manage this risk by directly involving a number of senior and experienced people in the management of the Sticking Together Project and will maintain a business continuity plan and a succession plan.

Modifications and waivers

The Note Conditions contain provisions for Noteholders to consider matters affecting their interests generally and to agree to modification to the SIB Deed Poll and for variations of the Implementation Agreement and other Sticking Together SIB arrangement documents. These provisions permit defined majorities and, in certain circumstances, actions of the Issuer without Noteholder consent, to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. In particular, lower thresholds may apply in certain circumstances, including in connection with variations of documents and arrangements which may affect payments under the Notes. For further particulars, see clause 8 (*Variation*) of the SIB Deed Poll.

Change of law

The Note Conditions are based on the relevant law in effect as at the date of the issue of the Notes. No assurance can be given as to the impact of any possible judicial decision, change to law (including by an action of the State) or administrative practice after the date of issue of the Notes. Any material adverse impact arising from a change of tax legislation or law creates Early Termination rights under the Implementation Agreement.

The secondary market generally

The Notes will have no established secondary trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Notes. No assurance of a secondary market or a market price for the Notes is provided by the Issuer or by any other person.

Legal investment considerations may restrict certain investments

The investment activities of certain Investors are subject to investment laws and directives, or review or regulation by certain authorities. Each potential Investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Notes.



9. Legal notices

Selling and distribution restrictions

By submitting an Application Form, an Investor applies to purchase Notes in accordance with the Purchase Terms. The Issuer has the sole right to accept any offer to purchase Notes and may reject that offer in whole or in part without giving reasons for its decisions.

Under the Purchase Terms, each Investor purchasing Notes will agree to comply with any applicable law or directive in any jurisdiction in which it may subscribe for, offer, place, sell or transfer Notes and that it will not, directly or indirectly, offer, sell or transfer Notes or distribute any IM or other offering material in relation to the Notes outside Australia and otherwise within Australia except in accordance with the Purchase Terms, these selling restrictions and under circumstances that will result in compliance by the Issuer with any applicable law or directive of that jurisdiction.

No Relevant Party has represented that any Notes may at any time lawfully be sold in compliance with any applicable disclosure, registration or other requirements in any jurisdiction, or in accordance with any available exemption, or assumes any responsibility for facilitating that sale.

The following selling restrictions apply.

Australia

The Notes may only be issued or transferred to Australian residents who are not acquiring an interest in the Notes through a permanent establishment outside Australia.

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Notes has been, or will be, lodged with ASIC.

A person may not make or invite an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia) or distribute or publish this IM or any other offering material or advertisement relating to the Notes in Australia unless the offer or invitation (1) does not require disclosure to Investors under Part 6D.2 or 7.9 of the Corporations Act, (2) does not constitute an offer or invitation to a 'retail client' as defined for the purposes of Chapter 7 of the Corporations Act, (3) complies with all other applicable laws and directives in the jurisdiction in which the offer, invitation or issue takes place and (4) does not require any document to be lodged with ASIC or any other regulatory body in Australia.

General

The Notes have not been, and will not be, registered under the U.S. Securities Act. The Notes may not be offered, sold, delivered or transferred, at any time, within the United States of America, its territories or possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act).

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the IM or any other offering material in any country or jurisdiction.

Persons into whose hands this IM comes are required by the Relevant Parties to comply with all applicable laws and directives in each jurisdiction in which they purchase, offer, sell, resell, reoffer or deliver Notes or have in their possession or distribute or publish the IM or other offering material.

Agency and distribution arrangements

The Issuer may agree to pay fees to any trustee or agent for undertaking their respective roles and reimburse them for certain of their expenses properly incurred in connection with the Notes.

The Issuer may also agree to pay fees to the Trust Manager and may indemnify the Trust Manager against certain liabilities in connection with the offer and sale of Notes.

Persons involved in the offer, issue and sale of the Notes, and their respective related entities, directors, officers and employees, may have pecuniary or other interests in the Notes and may also have interests pursuant to other arrangements and may act as a principal in dealing in, or as a custodian or nominee in holding, any Notes.

Investors should obtain independent advice

Investors should be aware that, in some scenarios, no variable Coupon Payment will be payable on the Notes and repayment of principal on the Notes may be at risk. This IM is not investment advice and has been prepared without taking into account the investment objectives, financial situation or particular needs (including financial and taxation issues) of any Investor. Each Investor contemplating subscribing for, purchasing or otherwise dealing in any Notes or any rights in respect of any Notes should:

- make and rely upon (and shall be taken to have made and relied upon) its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of, the Issuer and the Notes;
- determine for themselves the relevance of the information contained in this IM, and must base their investment decision solely upon their independent assessment and such investigations as they consider necessary; and
- consult their own tax advisers concerning the application of any tax or duty (including stamp and transactions duty) laws applicable to their particular situation.

No advice is given in respect of the legal, taxation or accounting treatment for Investors or purchasers in connection with an investment in any Notes or rights in respect of them. In addition, this IM does not include any information in respect of the taxation treatment of an investment in the Notes. Investors or purchasers should, in connection with an investment or other dealing in any Notes (including their transfer), consult their own professional advisers.

No authorisation

No person has been authorised to give any information or make any representations not contained in or consistent with this IM in connection with the Issuer, the Sticking Together Project or the issue or sale of the Notes and, if given or made, such information or representation must not be relied on as having been authorised by any Relevant Party.

No independent verification

No representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by any Relevant Party (other than the Issuer, on the terms provided under *Important Notices – Responsibility*), as to the accuracy or completeness of this IM or any further information supplied in connection with the Notes.

No person named in this IM has undertaken to review the financial condition or affairs of the Issuer at any time or to advise any Noteholder of any information coming to their attention with respect to the Issuer and make no representations as to the ability of the Issuer to comply with its obligations under the Notes.

Currency of information

The information contained in this IM is prepared as of its Preparation Date. Neither the delivery of this IM nor any offer, issue or sale made in connection with this IM at any time implies that the information contained in it is correct, that any other information supplied in connection with the Notes is correct or that there has not been any change (adverse or otherwise) in the financial conditions or affairs of the Issuer at any time subsequent to the Preparation Date. In particular, the Issuer is under no obligation to any person to update this IM at any time, including after an issue of Notes.

Documents incorporated by reference

This IM is to be read in conjunction with all documents which are deemed to be incorporated into it by reference as set out below. This IM shall, unless otherwise expressly stated, be read and construed on the basis that such documents are so incorporated and form part of this IM. Investors should review, among other things, the documents which are deemed to be incorporated in this IM by reference when deciding whether to purchase any Notes.

The following documents are incorporated in, and taken to form part of this IM:

- the Implementation Agreement (with certain commercial-in-confidence matters redacted);
- the Loan Deed;
- the SIB Deed Poll;
- the Purchase Deed;
- the Note Issue Supplement; and
- all other documents issued by the Issuer and stated to be incorporated in this IM by reference.

Any statement contained in this IM shall be modified or superseded in this IM to the extent that a statement contained in any document subsequently incorporated by reference into this IM modifies or supersedes such statement (including whether expressly or by implication).

A Note Issue Supplement or another supplement to this IM may supplement, amend, modify or replace any statement or information incorporated by reference in this IM or a supplement to this IM.

Copies of documents which are incorporated by reference in this IM are available for download at socialventures.com.au/work/sticking-together-sib and may also be obtained in hard copy from the offices of the Issuer on request.

Any internet site addresses provided in this IM are for reference only and the content of any such internet site is not incorporated by reference into, and does not form part of, this IM.

10. Applications

10.1 How to apply

Eligible investors (**Applicants** and see further Section 10.3 (*Investor eligibility*)) may apply for Notes by submitting an Application Form that was attached to, or accompanied by, a copy of this IM, and providing the Application Payment.

Applications will only be considered where Applicants have applied pursuant to an Application Form submitted in accordance with Section 10.4 (*Submission of Application Forms*). The Issuer may in its sole discretion accept or reject an application. Applicants will be informed of the success of their application.

The targeted closing date is 1 December 2018. The offer period may close early and so Applicants are encouraged to consider submitting their Application Forms as soon as possible.

An Applicant cannot withdraw their Application Form once it has been lodged, except as permitted under the Corporations Act.

10.2 Subscription amounts

The minimum Subscription Amount is \$50,000 in principal amount of the Notes. Investors may apply for additional Notes in multiples of 10 Notes (\$1,000 in principal amount) above that minimum Subscription Amount.

10.3 Investor eligibility

An application for the issue of any Notes will only be accepted from, and Notes will only be issued to, an investor that is (1) a person to whom it is lawful to make an offer of the Notes, (2) a person to whom an offer or invitation for the issue, sale or transfer of the Notes may be made without disclosure under Part 6D.2 or 7.9 of the Corporations Act, (3) not a 'retail client' as defined for the purposes of Chapter 7 of the Corporations Act and (4) an Australian resident who is not acquiring an interest in the Notes through a permanent establishment outside Australia.

In particular, each such '**wholesale investor**' must be able to demonstrate that they are either:

- a 'sophisticated investor' for the purposes of section 708(8)(c) of the Corporations Act by providing a certificate given by a qualified accountant dated no more than six months before the offer is made confirming that the investor has (1) net assets of at least A\$2.5 million or (2) has a gross income for each of the last two financial years of at least A\$250,000 a year; or
- a 'professional investor' for the purpose of section 708(11) of the Corporations Act by either being (1) a person covered by the definition of 'professional investor' in section 9 of the Corporations Act (except a person mentioned in paragraph (e) of the definition) or (2) a person who controls gross assets of at least A\$10 million in accordance with section 708(11)(b) of the Corporations Act.

In accordance with the above, any Notes purchased by any person who wishes to offer such Notes for sale or resale may not be offered in Australia in circumstances which would result in the Issuer being obliged to lodge a prospectus or other disclosure document (as defined in the Corporations Act) in relation to any Notes with ASIC or any other regulatory body in Australia.

10.4 Submission of Application Forms

Original completed Application Forms should be mailed to:

Sticking Together SIB Trust
PO Box R1479
Royal Exchange NSW 1225

10.5 Application payments

The Application Payment to be provided in connection with an application for any Notes is an amount equal to the Subscription Amount for the number of Notes identified by the Applicant in their Application Form.

10.6 Payment options

There are two options for payment of Application Payments: (1) by personal or bank cheque, and (2) by direct deposit, as described below.

1. Cheque payments

Cheques should be crossed 'Not negotiable' and made payable to '**One Registry Services Pty Ltd Applications Account**' and mailed with the completed Application Form to:

Sticking Together SIB Trust
PO Box R1479
Royal Exchange NSW 1225

2. Direct deposit

Bank: St George
Account Name: One Registry Services Pty Ltd Applications Account
BSB: 332 127
Account Number: 554 262 774

Where funds are electronically transferred or deposited directly to the bank account, details of the deposit should accompany the Application Form. The Issuer will accept notice of electronic transfer of funds as if deposited and cleared.

Physical cash will not be accepted at any time.

10.7 Application payments held by the Issuer

All Application Payments received before Notes are issued will be held by the Issuer in an account used for the purpose of depositing Application Payments received. The Registrar will be entitled to all interest earned on monies held in the account. After the Notes are issued to successful Applicants, the Application Payments will be payable to the Issuer.

10.8 Refunds

Applicants who are not allotted any Notes or are allotted fewer Notes than the number applied and paid for as a result of a scale back, will have all or some of their Application Payments (as applicable) refunded (without interest) as soon as practicable after the first Issue Date.

10.9 Provision of TFN and/or ABN

Under the Application Form, Applicants may also provide details of their Tax File Number (TFN) and/or Australian Business Number (ABN) should they wish to do so.

The collection and quotation of TFNs is authorised, and TFN use and disclosure is strictly regulated, by tax laws and the Privacy Act.

Applicants are not required to provide their TFNs. However, the Issuer may be required to withhold tax from payments on the Notes where the investor has failed to provide their TFN, ABN or proof of a relevant exemption.

10.10 Provision of bank account details

Under the Application Form, Applicants are also requested to provide bank account details. This nominated account will be used for the direct crediting of Coupon Payments, prepayment and repayment of principal and payments of other amounts. If this information is not provided under the Application Form, Applicants are encouraged to provide it to the Issuer as soon as possible thereafter. If a Noteholder has not notified the Issuer of an appropriate account by the close of business on the Record Date in respect of that payment, or the credit of any money to your account does not complete for any reason, then the Issuer will pay the relevant amount by cheque delivered (at the risk of the Noteholder) to the postal address most recently notified. No interest is payable in respect of any delay in payment.

10.11 Privacy statement

In certain circumstances, the Issuer may be required by the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth), the Financial Sector (Collection of Data) Act 2001 (Cth), the Corporations Act (Cth), the Taxation Administration Act 1953 (Cth), the Income Tax Assessment Act 1936 (Cth) and other taxation laws to collect certain personal information about Noteholders. If an Applicant does not provide the information required on the Application Form, or provides incomplete or inaccurate information, the Issuer may not be able to accept or process their application.

The Issuer and the Registrar may, for the purposes set out in this privacy statement, disclose personal information to the Registrar, the Trust Manager, related entities, agents, contractors and third party service providers (including mail houses and professional advisers) of the Issuer, the Registrar and the Trust Manager, regulatory authorities and in any case, where disclosure is required or allowed by law or where the Applicant has consented.

The Trust Deed and SIB Deed Poll require the Issuer to include information about Noteholders (including name, address and details of the Notes held) in the Register. The information contained in the Register will be retained, even if an individual ceases to be a Noteholder. Information contained in the Register is also used to facilitate and process payments (including Coupon Payments) and corporate communications (including annual reports and other information that the Issuer or the Trust Manager wishes to communicate to Noteholders) and to help ensure compliance by the Issuer with legal and regulatory requirements.

A copy of the Issuer's privacy policy is available from stickingtogethersib@socialventures.com.au. The privacy policy states how the Issuer manages personal information and includes information about how a request to access and seek correction of the personal information held by the Issuer can be made. The privacy policy also contains information about how an Applicant can complain about a breach by the Issuer of the Privacy Act and how the Issuer will deal with such a complaint. Requests to access personal information, seek correction to personal information or make a complaint can be made to the Issuer by emailing stickingtogethersib@socialventures.com.au or by mail at Level 7, 1 Chifley Square, Sydney NSW 2000.

11. Glossary

Aggregate Issue Amount The total Subscription Amount of all Notes to be issued which is expected to be \$5,000,000.

Applicant An eligible investor who applies for any Notes, as more fully described in Section 10 (*Applications*).

Application Form An application form attached to or accompanying this Information Memorandum.

Application Payment The amount to be paid by Applicants in making a valid application for any Notes, as more fully described in Section 10 (*Applications*).

ASIC Australian Securities and Investments Commission.

Australian dollars, \$ or A\$ The lawful currency of Australia.

Business Day A day (not being a Saturday or Sunday or public holiday in the relevant place) on which banks are open for general banking business in Sydney.

Calculation Date 31 March of each year from 2021 to 2023.

Corporations Act Corporations Act 2001 (Cth).

Coupon Payment The annual coupon payments to be made by the Issuer to Noteholders.

Cumulative Productive Hours The number of hours that the members of the Intervention Group collectively spend in work and work-like activities during their measurement period. The measurement period commences on each individual's enrolment in the Intervention Group and ends on either their agreed exit from the program or after 60 weeks. For this purpose, hours in work-like activities are capped at 25% of the hours in paid employment.

Cumulative Counterfactual Hours The number of productive hours that it is expected Intervention Group members would have recorded during their measurement period in the absence of the Sticking Together Project. The agreed weekly counterfactual rate is 3.0 hours, which was determined through an analysis of the employment experience of young people in the targeted service areas. This rate may be changed by agreement of all parties following a Key Assumptions Review.

Cumulative Incremental Hours: The specific measure that will be used to determine the success of the Sticking Together Project. It is calculated as the number of Cumulative Productive Hours less the Cumulative Counterfactual Hours.

Early Termination The termination of the Implementation Agreement prior to the Scheduled Maturity Date.

Early Termination Payment The amount payable by the NSW Government to SYC in the event of an Early Termination.

Financial Close The date upon which SYC draws down the Principal amount under the Loan Deed.

Fixed Interest Payments Interest Payments determined using a fixed effective rate of 3% per annum and payable in arrears on 31 December 2019 and 2020.

GST Goods and Services Tax.

IM This Information Memorandum. References herein to 'IM' are to this IM and any other document incorporated by reference and to any of them individually.

Investors 'Wholesale Investors' who may subscribe for the Notes.

Interest Payment Dates Each of 31 December 2019 and 2020, and 30 June 2021, 2022 and 2023.

Intervention Group All eligible young people that are enrolled in the Sticking Together Project.

Issuer SVA Nominees Pty Ltd (ACN 616 235 753).

Management Deed Master Management Deed (SVA Impact Investments) dated 9 January 2017 between SVA Nominees Pty Ltd (ACN 616 235 753) and Social Ventures Australia Limited (ACN 100 487 572).

Maturity Date 30 June 2023.

Minimum Subscription Amount \$50,000.

Note Conditions For a Note, the terms and conditions applicable to that Note as set out in the SIB Deed Poll, as amended, supplemented, modified, completed or replaced by the Note Issue Supplement.

Noteholder In respect of a Note, each person whose name is entered in the register as the holder of that Note.

NSW Government The Government of New South Wales acting through the Department of Industry.

Operations Manual A document incorporated into the Implementation Agreement by reference, designed to be a repository of elements of the Implementation Agreement which will assist in the day-to-day operation of the Implementation Agreement.

Outcome Payments The payments made by the NSW Government to SYC based on the calculated Cumulative Incremental Hours, as described in Section 7.1 (*NSW Government Payments to SYC*).

Preparation Date In relation to this IM, the date indicated on its face or, if this IM has been amended, or supplemented, the date indicated on the face of that amendment or supplement and, in relation to any other item of information which is to be read in conjunction with this IM, the date indicated on its face as being its date of release or effectiveness.

Principal The amount lent to SYC under the Loan Deed.

Principal Repayment Principal repaid on the Maturity Date or an early repayment under the terms of the Loan Deed.

Privacy Act Privacy Act 1988 (Cth).

Purchase Terms The terms and conditions for the purchase of Notes as provided under the Purchase Deed (including the Application Form) and this IM.

Registrar One Registry Services Pty Ltd (ABN 69 141 757 360).

Relevant Parties The Trust Manager, SYC and any person other than the Issuer acting as an agent from time to time, and 'Relevant Party' means any of them, as the context admits.

SIB Social Impact Bond.

State The Government of New South Wales (including the Crown in right of the NSW Government of New South Wales and all departments, agencies and other NSW Government bodies and personnel).

Sticking Together Project The services delivered by SYC under the Implementation Agreement.

Subscription Amount The face value of Notes issued to an investor.

SVA Social Ventures Australia Limited (ACN 100 487 572).

Trust The Sticking Together SIB Trust (ABN 26 847 926 356).

Trust Assets All the Issuer's rights, property and undertaking which are the subject of the Trust of whatever kind and wherever situated, and whether present or future.

Trust Deed Master Trust Deed (SVA Impact Investments) dated 9 January 2017 between SVA Nominees Pty Ltd, Social Ventures Australia Limited and the Settlor named therein, together with the Notice of Creation of Trust dated 28 August 2018 made by the Issuer.

Trust Manager Social Ventures Australia Limited (ACN 100 487 572) in its capacity as manager of the Trust.

US Persons Has the meaning given to that term in Rule 902(k) under the U.S. Securities Act.

US Securities Act United States Securities Act of 1933 (as amended).

Variable Interest Payments The variable interest amount described under Section 7.2.2 (*Variable Interest Payments*).

Variable Interest Rate The rate calculated as described under Section 7.2.2 (*Variable Interest Payments*).

Application form

Social Ventures Australia Limited (ACN 100 487 572, AFSL 428865) (the **Trust Manager**) has offered to arrange for the issue by SVA Nominees Pty Ltd (ACN 616 235 753) (the **Issuer**) in its capacity as trustee for the Sticking Together SIB Trust (the **Trust**) of limited recourse Sticking Together Social Impact Bonds (the **Sticking Together SIBs** or **Notes**), as described in the Information Memorandum (**IM**) dated 1 October 2018 prepared by the Issuer. This Application Form is an application for the issue of the Notes.

This Application Form is supplemental to, and forms part of, the Sticking Together SIB Purchase Deed dated on or about 18 September 2018 made by the Issuer and the Trust Manager (the **Purchase Deed**). It must not be distributed unless included in, or accompanied by, the Purchase Deed and/or the IM.

This Application Form, the Purchase Deed and the IM (including materials incorporated by reference therein) are important and you should read them in their entirety. In considering whether to apply for the Notes, it is important that you consider all risks and other information regarding an investment in Notes in light of your particular investment objectives and circumstances. It is strongly recommended that investors seek professional guidance which takes into account their particular investment objectives and circumstances from their own professional advisers.

Instructions on how to complete this Application Form are set out below. Capitalised terms in this Application Form have the meaning given to them in the Purchase Deed and/or the IM.

Important: The terms of the Notes are more complex than simple debt or ordinary equity instruments.

Step 1

Total number of Notes to be applied for

Enter the total number of Notes you wish to apply for. The application must be for a minimum of 500 Notes (\$50,000). Applications for greater than 500 Notes must be in multiples of 10 Notes (\$1,000).

Enter the amount of the Application Payment. To calculate this amount, multiply the total number of Notes applied for by the Price (or Face Value) of each Note, which is \$100.

Step 2

Applicant name(s) and details

Enter the full name(s) you wish to appear on the register. This must be either your own name or the name of a company. Up to two joint Applicants may register. You should refer to the table overleaf for the correct forms of registrable title(s). Applications using the wrong form of names may be rejected. Enter your email and postal address for all correspondence. All communications to you from the Registrar will be mailed to the person(s) and address as shown. For joint Applicants, only one email and/or postal address can be entered.

Enter your contact name and telephone number. This information may be used to communicate other matters to you subject to the privacy statement set out in Section 10.11 (Privacy statement) of the IM. This is not compulsory but will assist us if we need to contact you.

You may choose to enter details of the account into which payments to you in respect of the Notes are to be made. If this information is not provided under the Application Form, Applicants are encouraged to provide it to the Issuer as soon as possible thereafter. You may also wish to provide an applicable Australian Business Number and/or Australian Tax File Number.

Step 3

Application Payment

Your Application Payment can be made by (1) bank or personal cheque, or (2) by direct debit to the following account:

Bank: St George

Name: One Registry Services Pty Ltd Applications Account

BSB: 332 127

Account number: 554 262 774

Application Payments must be made in accordance with the terms specified in Section 10 (*Applications*) of the IM. Any application made without the full amount of the Application Payment will not be accepted.

Step 4

Lodgement of Application Form

Completed Application Forms should be mailed to:

Sticking Together SIB Trust

PO Box R1479

Royal Exchange NSW 1225

Please direct all enquiries related to your application to sva@oneregistryservices.com.au or phone (02) 8188 1510.



CONTACT DETAILS

Contact name

()

Phone number

Mobile number

ACCOUNT DETAILS FOR PAYMENTS

All applicants must complete this section by providing details of an Australian banking institution. The nominated bank account must be in the name of the applicant.

Bank Name/Institution

BSB

Account number

Account Name

ELIGIBLE INVESTOR CATEGORY

Please mark each that apply to you and have attached any required supporting evidence (refer to clause 6.1 (*Investor Certification*) and Schedule 2 (*Investor Certification*) of the Purchase Deed):

The Purchase Deed is available for download at socialventures.com.au/work/sticking-together-sib.

Application amount exceeds \$500,000

For business use in a large business

Wholesale client/not for business use (please provide current qualified accountant's certificate)

Sophisticated investor (please provide current qualified accountant's certificates)

Company or trust controlled by a person who is a wholesale client/sophisticated investor
(please provide current qualified accountant's certificate)

Australian Financial Services Licensee

Has or controls gross assets of at least \$10 million (evidence required per Schedule 2 of the Purchase Deed)

Trustee of a large superannuation fund (at least \$10 million)

APRA regulated body

Registered financial corporation

Listed entity or related body corporate

Exempt public authority

Body corporate/unincorporated body that carries on a business of investment

Related body corporate of wholesale investor

Additional information (confirming AFS licence no., type of APRA regulated body or category of registered financial corporation, if applicable for the selection made above) can be specified here:



ACCEPTANCE OF THE OFFER

By submitting this Application Form with your Application Payment you:

- declare that this application is completed and lodged according to the Purchase Deed and the declarations/statements in the Purchase Deed;
- confirm that you have read the privacy disclosure as detailed in section 10.11 (*Privacy statement*) of the Information Memorandum which contains important privacy-related information, and acknowledge and agree that your personal information may be collected, held, used and disclosed in accordance with that privacy disclosure;
- represent and warrant that you have read the Purchase Deed and that you acknowledge the matters, make the undertakings, warranties and representations, and agree to the terms and conditions contained in the Purchase Deed (including in this Application Form);
- declare that all details and statements made are complete and accurate;
- declare that each Applicant, if a natural person, is at least 18 years old;
- declare that you are not in the United States or a U.S. Person (for the purposes of US tax regulation or securities laws), nor acting for the account or benefit of any such person;
- represent and warrant that the law of any other place does not prohibit you from being given the Information Memorandum and any supplement or replacement thereof or making an application on this Application Form;
- provide authorisation to be registered as the holder of Notes issued to you and agree to be bound by the Purchase Deed and the Note Conditions;
- apply for the number of Notes set out or determined in accordance with this Application Form and agree to subscribe for and be issued such number of Notes, a lesser number or none;
- acknowledge that the information contained in the Information Memorandum (or any supplement or replacement thereof) is not investment advice or a recommendation that Notes are suitable for you, given your investment objectives, financial situation or particular needs, and that you have relied on your own independent investigation, enquiries and appraisals;
- acknowledge that your application to acquire Notes is irrevocable and may not be varied or withdrawn except as allowed by law; and
- acknowledge that an application may be rejected without giving any reason, including where this Application Form is not properly completed.

Name of Applicant 1

Signature of Applicant 1

Date

Name of Applicant 2

Signature of Applicant 2

Date

Completed application forms should be mailed to:

Sticking Together SIB Trust
PO Box R1479
Royal Exchange NSW 1225

Application form

Correct Forms of Registrable Titles

Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation or completed as described in the correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual <ul style="list-style-type: none"> Use given name(s) in full, not initials 	Mr John Alfred Smith	J.A. Smith
Joint <ul style="list-style-type: none"> Use given name(s) in full, not initials 	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company <ul style="list-style-type: none"> Use company title, not abbreviations 	ABC Pty Ltd	ABC P/L ABC Co
Trusts <ul style="list-style-type: none"> Use trustee(s) personal name(s) Do not use the name of the trust 	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased estates <ul style="list-style-type: none"> Use executor(s) personal name(s) Do not use the name of the deceased 	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
<ul style="list-style-type: none"> Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation 	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships <ul style="list-style-type: none"> Use partners' personal name(s) Do not use the name of the partnership 	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/ Business Names <ul style="list-style-type: none"> Use office bearer(s) personal name(s) Do not use the name of the club etc 	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds <ul style="list-style-type: none"> Use the name of the trustee of the fund Do not use the name of the fund 	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund



Directory

Issuer

SVA Nominees Pty Ltd ATF Sticking Together SIB Trust

ABN 26 847 926 356
Level 7, 1 Chifley Square
Sydney NSW 2000
02 8004 6700

Manager

Social Ventures Australia Limited

ABN 94 100 487 572
AFSL 428 865
Level 7, 1 Chifley Square
Sydney NSW 2000
02 8004 6700
stickingtogethersib@socialventures.com.au
www.socialventures.com.au

Legal Advisers to the Issuer

King & Wood Mallesons

Governor Phillip Tower, 1 Farrer Place
Sydney NSW 2000
02 9296 2000

Auditors

Ernst & Young

200 George St
Sydney NSW 2000
02 9248 5555

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