



COMPASS

Information Memorandum

May 2018

IMPORTANT NOTICES

This Information Memorandum (the IM) relates solely to the issue of limited recourse COMPASS Social Impact Bond (the COMPASS SIB or Notes) by Compass Leaving Care Limited (ACN 624 241 621) (the Issuer, or the Company). Capitalised terms in this IM are defined terms and they are listed in Section 12.1 (Key Terms) 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 2001* (Cth) investors in the Notes do not have a “cooling off” rights under 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 Issuer is not registered with, or regulated 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 2001* (Cth) is not required to be made.

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Intending purchasers to make independent investment decision and obtain professional advice

This IM contains only summary information concerning the Issuer, the COMPASS Program and the Notes. It should be read in conjunction with the documents which are expressed to be incorporated by reference in it, the Loan Note Deed Poll and the COMPASS Loan Note Subscription Agreement. 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.



“ I left my foster home when I was 18, and like many, I found it almost impossible to budget my dole money. Looking back, it was far too much to do, coming from a difficult background and I made so many mistakes. I often went hungry because I'd mismanaged my money and I wish there had been someone to advise me.”

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MESSAGE FROM COMPASS DIRECTORS

COMPASS, Australia's largest social impact bond, is an innovative program designed to deliver better outcomes for Victoria's young people.

Anglicare Victoria and VincentCare Victoria came together in 2016 to begin the development of a unique and innovative service model, specifically designed to meet the needs of young people leaving care. The evidence, both in Australia and internationally, provides a compelling case for action. It shows that young people who have grown up in care are more likely to find themselves homeless, are more likely to have poor health outcomes, are less likely to be engaged in employment and education, and more likely to be involved in the justice system.

The trauma and disruption that many young people in care have experienced in their early lives continues to impact as these young people make their first steps to independence. And for many, the road is harder than it is for their peers. According to the Australian Bureau of Statistics, more than half of Australia's 18-24 year olds live at home, and the most recent HILDA study (an Australian house-hold based panel study undertaken by the University of Melbourne) found that for 18-21 year olds the figure is even higher at eighty per cent. In contrast, statutory care in Victoria ends when a young person turns 18 years old. It is not surprising that many people leaving care find the transition to independent living and adulthood difficult.

There are two key challenges that these young people face: securing safe, stable and affordable accommodation, and developing the skills they need to become independent and fulfil their potential. Working together, Anglicare Victoria and VincentCare Victoria have formed a dynamic and strong partnership, leveraging each organisation's unique capabilities to deliver outcomes: Anglicare Victoria's expertise in working with young people with a history of out-of-home care, and VincentCare Victoria's experience in delivering tailored housing support to disadvantaged Victorians.

Through the COMPASS Program, and with the support of the Victorian Government and the philanthropic and investment community, we look forward to delivering a tailored program structured around the needs of each young person to deliver real and tangible benefits for Victoria's young people and for the community as a whole.



Paul McDonald

Director, Compass Leaving
Care Limited and CEO,
Anglicare Victoria



John Blewonski

Director, Compass Leaving
Care Limited and CEO,
VincentCare Victoria

MESSAGE FROM GOVERNMENT OF VICTORIA

The Andrews Labor Government is tackling the systemic and often entrenched barriers that hold back the most vulnerable people in our community from reaching their full potential.

This includes young people leaving out-of-home care, who face significant challenges including unemployment, poor health outcomes, homelessness and regular contact with the justice system. There is also a greater likelihood of these young people's children being known to child protection, entrenching disadvantage over generations.

The Government recognises the benefits in testing new approaches to help support young Victorians leaving out-of-home care achieve their goals and to avoid a cycle of disadvantage.

Social Impact Bonds are an innovative way to provide demonstrably better outcomes for young Victorian care leavers. The bonds enable investors to fund a range of services - complementing rather than replacing existing services - to tackle deep-seated issues and delivering effective, sustainable outcomes for young people.

The Andrews Labor Government is proud to have signed Victoria's second – and Australia's largest ever Social Impact Bond, and is delighted to be working with Anglicare Victoria and VincentCare Victoria. These highly respected community-based organisations will deliver a mix of services, including individualised case management, specialist support and stable housing to improve outcomes for more than 200 young people leaving out-of-home care.

The Government's joint development of this bond with the not-for-profit sector allows services to be tailored to respond to young people with complex needs, embedding the use of clear, measurable outcomes in contracts, and using linked administrative data across government departments to measure performance.

We look forward to working with Anglicare Victoria and VincentCare Victoria as together we tackle the disadvantages holding back young care leavers. Our partnership serves as a model of commitment to address and overcome, the challenges affecting this vulnerable group of Victoria's young people.



The Hon. Jenny Mikakos, MLC

Minister for Families and Children
Minister for Youth Affairs
Minister for Early Childhood Education



Tim Pallas

Treasurer

COMPASS: THE CASE FOR INVESTMENT

COMPASS draws on the best available evidence to support Victoria's care leavers, delivering clear and measurable outcomes that will make a real difference. At the same time, with its focus on outcomes, transparency, and innovation, its development reflects a new maturity in Australia's developing social impact bond market.

COMPASS is:

Preventative:

COMPASS will work with young people as they transition out of State care, ensuring that they have the support to make a positive start in their adult lives, intervening early rather than waiting for problems to arise.

Addressing an unmet need:

By integrating tailored support and the provision of secure and sustainable housing options, COMPASS will be able to provide the kind of comprehensive, coordinated response that is not currently available in Victoria.

Tackling complexity:

COMPASS will take on a variety of participants, including those at high risk and with highly complex needs. The Program will be available to all eligible young people in the target areas, including those who face the biggest barriers – and have the most to gain.

Delivered by experts

COMPASS has been designed by, and will be delivered by, Anglicare Victoria and VincentCare Victoria, two of Victoria's leading social service providers with over 200 years combined history in providing care, support and housing services to Victorians, and a shared mission of supporting and empowering people to overcome disadvantage.

Designed by experts

Since the inception of the Program, COMPASS has drawn on a range of local and international experts as part of a rigorous, evidence-informed design and development process. This has included eminent academics and researchers, as well as drawing from expert technical, financial and legal resources of KPMG and Corrs Chambers Westgarth.

Collaborative

Anglicare Victoria and VincentCare Victoria have worked hand-in-hand with the Victorian Department of Health and Human Services (DHHS), practitioners and academics throughout the COMPASS design process to design the best possible service response, tailored to people's needs. DHHS will continue to work closely with COMPASS throughout the Program to deliver a smooth transition out of care for Participants.

Outcomes driven

The success of COMPASS will be measured using existing Victorian Government data collections, ensuring that success measures are transparent and completely objective. Outcomes will be measured against a contemporaneous control group, both during and after COMPASS participation. COMPASS' outcomes can therefore be directly linked to the long term avoided costs that the Program can deliver to the State.

Innovative

COMPASS is breaking new ground to deliver an innovative program never before delivered in Victoria. Innovation in development and design has included establishing unprecedented (de-identified) linkages between housing, health and justice datasets to new insights into the experiences and challenges facing care leavers in Victoria.

Driven by evidence

Both the program design and the measurement regime is rooted in careful analysis of both the latest published research on effective leaving care interventions. It has also benefitted from thorough interrogation of current Victorian datasets to identify historical patterns of service utilisation of outcomes for young people leaving care.

Meeting shared policy objectives

COMPASS' objectives directly address the Victorian Government's policy objectives regarding youth homelessness, health and justice. The outcomes delivered will address the disadvantage of Participants as well as addressing the priorities and concerns of the Victorian community more broadly.

Delivering financial returns

As well as providing an important social service and improving the lives of young out-of-home-care leavers, COMPASS provides investors with an opportunity to share in the genuine avoided costs achieved by the State.

Balancing risk and return

With its focus on outcomes, transparency and innovation, COMPASS is a 'next-generation' social impact bond entering the Australian market, providing government and investors with a genuine risk/ return proposition for government and investors. COMPASS is focussed on outcomes, but also represents a step forward in the development of a sustainable and robust market for social impact bonds.

KEY TERMS AND DATES

Selected Key Terms

Selected key terms that are pertinent to the IM are outlined below. A full glossary containing further terms are contained in Section 12 (Glossary).

COMPASS Program

COMPASS or COMPASS Program or the Program	COMPASS is an innovative, evidence-informed Program designed to improve the lives of out-of-home care leavers. The Program consists of the provision of stable housing, case workers and access to specialised services tailored to each COMPASS Participant to prepare them for independent living.
COMPASS Objectives	To support young people aged between 16.5 to 18.5 years in the Catchment Areas who are leaving or have recently left out-of-home care; to create a positive transition for young people from out-of-home care to adulthood; and to deliver positive outcomes including minimising the risk of homelessness and delivering positive health and justice outcomes.
Out of Home Care (OOHC)	Out-of-home care refers to the care provided to a child or young person when there has been an order made under the <i>Children and Young Persons Act 1989 (Vic)</i> to place that child or young person under the care of the Secretary of the DHHS, rather than their family. Types of care provided may include residential care, kinship care and foster care.
COMPASS Participants	All eligible individuals who are accepted into the COMPASS Program.

COMPASS SIB Terms

Issuer or Compass SPE	Compass Leaving Care Limited (ACN 624 241 621) is the Bond Issuer. Compass Leaving Care Limited is a company limited by guarantee, with Anglicare Victoria (ABN 97 397 967 466) and VincentCare Victoria (ABN 53 094 807 280) as the sole members. It is a special purpose entity that has been established for the purposes of issuing the COMPASS SIB and contracting with the State.
Service Providers	Anglicare Victoria (ABN 97 397 967 466) (AV) and VincentCare Victoria (ABN 53 094 807 280) (VC) as the entities contracted to deliver the COMPASS Program.

Service Provider Investment	Anglicare Victoria and VincentCare Victoria will be participating in the Bond with a value of up to \$1,000,000 in total (\$500,000 each).								
Aggregate Issue Amount	<p>\$14,200,000 in principal amount of the Notes. The principal amount of the Notes will be issued in 3 separate, equally ranked tranches as follows:</p> <table border="1" data-bbox="643 546 970 712"> <thead> <tr> <th>Tranche</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Tranche 1</td> <td>\$3,550,000</td> </tr> <tr> <td>Tranche 2</td> <td>\$3,550,000</td> </tr> <tr> <td>Tranche 3</td> <td>\$7,100,000</td> </tr> </tbody> </table> <p>The denomination of each Note will be \$100. Tranches 1, 2 and 3 will be issued over a period of 12 months after Financial Close.</p>	Tranche	Amount	Tranche 1	\$3,550,000	Tranche 2	\$3,550,000	Tranche 3	\$7,100,000
Tranche	Amount								
Tranche 1	\$3,550,000								
Tranche 2	\$3,550,000								
Tranche 3	\$7,100,000								
Subscription Amounts	Investors must apply for a minimum of 500 Notes and incrementally 100 Notes thereafter, i.e. \$50,000 (and in \$10,000 increments thereafter) in principal amount. Investors must apply for a pro rata number of Tranche 1, Tranche 2 and Tranche 3 Bonds.								
Note Coupons	A half yearly coupon will be paid calculated at a rate of 3.50% per annum on the Aggregate Issue Amount of \$14,200,000. The Coupon will be paid half yearly, between 30 September 2018 and 31 March 2022.								

Performance & Payment Terms

<p>Outcome Measures</p>	<p>The specific measures that will be used to determine the success of the COMPASS Program for the purposes of calculating Outcome Payments, being:</p> <ul style="list-style-type: none"> • The average number of short-term or emergency accommodation “needs identified” instances per person (the Housing Outcome Measure) • The average number of emergency department presentations per person (the Health Outcome Measure) • The average conviction rate (calculated as the total number of convictions recorded by the courts for individuals relative to the applicable Control Group) per person (the Justice Outcome Measure) <p>For the purposes of Outcome Measures, “needs identified” is the term as defined in the Australian Institute of Health and Welfare ‘Specialist Homelessness Services Collection Manual’, July 2013.</p>
<p>Control Group</p>	<p>The COMPASS Control Group will consist of Victorian OOHC leavers who will not participate in the COMPASS Program. The service utilisation of the Control Group will be tracked alongside that of COMPASS Participants and will be used to as a basis of providing a performance benchmark.</p>
<p>Outcome Measurement Dates</p>	<p>The dates on which COMPASS will be tested against the Outcome Measures and Outcome Payments are calculated. Outcome Measurement Dates will occur quarterly, commencing at 24 months from the end of the first quarter the first cohort of Participants entered the Program (estimated 30 September 2020) and will end on 30 June 2025.</p>
<p>Outcome Payments</p>	<p>These are payments made by the State to the Issuer based on the performance of COMPASS relating to the 3 Outcome Measures. Outcome Payments will be calculated at each Outcome Measurement Date and will be paid (on aggregate) at each Outcome Payment Date.</p>

<p>Outcome Payment Dates</p>	<p>The dates on which the State will make Outcome Payments to the Issuer. Outcome Payment Dates will start 12 months after the first Outcome Measurement Date (estimated 30 September 2021) and will continue every 12 months until the Final Outcome Measurement Date (expected to be 30 September 2025) unless the agreement is terminated or expires earlier. The payment made at the Outcome Payment Date will consist of the aggregate of the 4 preceding Outcome Payments accrued at the Outcome Measurement Dates (but, to avoid doubt, excluding the Outcome Payment for the Outcome Measurement Date that falls on the Outcome Payment Date).</p>
<p>Early Termination Event</p>	<p>The Implementation Agreement may be terminated prior to its scheduled maturity in various circumstances as further described in Section 7.6 (Early Termination Events). In the event of an Early Termination Event, an Early Termination Payment to be made by the State will be based on the terms of the Implementation Agreement. See Section 7.7 (Noteholder Returns following an Early Termination) for more details.</p>

Key Dates

Application Due Date	01 June 2018 or such date as the Issuer may determine								
Financial Close	Target 15 June 2018								
Note Issuance Dates	<table border="1"> <thead> <tr> <th>Tranche</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Tranche 1</td> <td>Financial Close</td> </tr> <tr> <td>Tranche 2</td> <td>6 months after Financial Close</td> </tr> <tr> <td>Tranche 3</td> <td>12 months after Financial Close</td> </tr> </tbody> </table>	Tranche	Date	Tranche 1	Financial Close	Tranche 2	6 months after Financial Close	Tranche 3	12 months after Financial Close
Tranche	Date								
Tranche 1	Financial Close								
Tranche 2	6 months after Financial Close								
Tranche 3	12 months after Financial Close								
Coupon Payment Dates	<p>30 September 2018</p> <p>31 March 2019</p> <p>30 September 2019</p> <p>31 March 2020</p> <p>30 September 2020</p> <p>31 March 2021</p> <p>30 September 2021</p> <p>31 March 2022</p>								
Outcome Payment Dates	<p>Outcome Payment Dates will be determined based on the timing of the first participants entering the Program. They are estimated to be:</p> <p>30 September 2021</p> <p>30 September 2022</p> <p>30 September 2023</p> <p>30 September 2024</p> <p>30 September 2025</p>								
Scheduled Maturity Date	30 September 2025								
Note Term	7 years and 3 months								



1. OVERVIEW

1.1. Background

COMPASS offers investors a unique opportunity to partner with two of Victoria's leading social service providers (Anglicare Victoria and VincentCare Victoria) and the State of Victoria to be part of Australia's largest social impact bond. The COMPASS SIB is designed to improve the lives of young people leaving OOHC and will raise \$14.2m in private capital to fund the delivery of an innovative program targeting housing, health and justice outcomes for 202 young people. The program is designed to help them successfully transition from OOHC, make a positive start to their adult lives and fulfil their potential.

In Victoria, formal state care currently ends at 18 years old – or earlier. For many young people who have grown up in out-of-home care, the process of preparing to leave care has begun as early as 15 years old. Meanwhile, over 80% of young people in the general population aged between 18 and 21 are still living with one or both parents and enjoying the financial, practical and personal support that the family home provides¹.

1.2. About the COMPASS Program

The COMPASS Program has been designed in response to a clear unmet need to provide better support for care leavers in Victoria. Studies in Australia and overseas have demonstrated that these young people will experience poorer outcomes than their peers, and are:

- more likely to be homeless;
- less likely to complete school beyond Year 10 or participate in further education;
- less likely to be employed;
- experiencing poorer health outcomes, including mental health outcomes;
- more likely to suffer harm associated with alcohol and other drug use; and
- more likely to be involved with the justice system.

The capital raised from private investors will go towards the provision of comprehensive support services with case managers and additional services such as medical care, mental health, education and employment support. In addition, COMPASS will provide Participants with stable and secure housing according to each individual's needs.

Approximately \$6.1m of the Aggregate Issue Amount will be used to procure 16 properties across the Catchment Areas. These properties will be procured to provide secure housing to the Participants with the most complex needs. Research locally and internationally has identified stable housing as a gateway to improved outcomes for young OOHC leavers (see research in Appendix 1 - Evidence Guided Design). Experience from AV and VC's other programs has shown that obtaining secure housing for young people with complex needs can be difficult in the private rental market (even with a reputable head lessor in place).

¹ According to The Household Income and Labour Dynamics in Australia (HILDA) Survey, conducted by the Melbourne Institute of the University of Melbourne in 2015

1.3. Financial Returns

Investors will have an opportunity to generate an internal rate of return of up to 9.22%, based on the success of the COMPASS Program, as well as participating in any appreciation in value of COMPASS' property assets.

The State is a key partner in the COMPASS SIB and will make payments that are aligned with the avoided costs that it expects to achieve from the success of the Program.

1.4. COMPASS Measured Outcomes

Program success will be measured against 3 Outcome Measures, being:

- **Housing** (60% weighting): defined by a reduction in the use of homelessness and emergency housing services, as measured by housing service data collected by the State
- **Health** (20% weighting): defined by a reduction in hospital emergency department presentations, as measured by State health data
- **Justice** (20% weighting): defined by a reduction in conviction rates amongst COMPASS Participants, as measured by State justice data

Program success will be assessed by comparing COMPASS Participants against a contemporaneous Control Group, using objective data drawn from existing service delivery datasets collected by the State.

1.5. COMPASS Property

An essential part of the COMPASS Property is to secure housing for Participants, which will be achieved primarily through head leasing. In addition, the Company will purchase 16 residential properties (to a value of \$6.1m). These properties will provide COMPASS with a number of operational benefits to help achieve the objectives of the Program, notably:

- **Achieving Outcome Measures.** By purchasing suitable properties, COMPASS will be able to directly address the Housing Outcome Measure (which represents 60% of the potential Outcome Payments that Noteholders could receive). In addition, evidence suggests that secure housing will also contribute to achieving other outcomes.
- **Suitable for high complexity cases.** Purchasing properties provides COMPASS with the resources necessary to meet the needs of its most complex Participants.
- **Flexibility.** By purchasing properties, COMPASS is afforded flexibility to house Participants quickly, or on a short term basis, without the additional lead times of a head lease arrangement.

In addition to the operational benefits, procuring property in the Program offers some additional benefits to Noteholders:

- Attractive properties in geographically diverse regions. The 16 properties to be purchased by COMPASS will be primarily affordable, 2-3 bedroom homes in a range of suburbs around northern and western Melbourne, as well as Bendigo.
- Sound demographic characteristics. The Victorian Government forecast the state's population to grow to 6.6 million people by 2021 (increasing from 5.9 million in 2015), with the Program's Catchment Areas being likely areas for accelerated growth².
- Forecast low interest rate environment. Economist forecasts show the Reserve Bank of Australia's cash rate target is expected to remain at historically low levels for some time (and remain below 3.00% into 2020)³.
- Maintenance costs have been fully budgeted. COMPASS' Program costs include a maintenance and repair budget for the purchased property portfolio.
- Independent sale process to maximise value. The sale and purchase of the COMPASS property will be handled by an independent third party, to ensure there is no conflict of interest and to maximise the value to investors.
- Tax benefits. All purchased property will be purchased in the name of the Issuer and it is intended that the Issuer will be exempt from all taxes (see Section 7.5 (Tax)), including stamp duty and capital gains taxes.

² Statistics drawn from the Victoria in Future 2016 report by the State of Victoria

³ Sourced from Bloomberg's analyst forecasts for the RBA Cash Rate Target



“We apparently want young people in care to have the same opportunities as others but how many can go on to higher education or pursue successful careers (rather than just jobs) without family support.”

2. THE NEED FOR COMPASS

2.1. Care leavers' outcomes: the case for action

Evidence from Australia and overseas clearly shows that young people who are leaving statutory care experience significantly poorer outcomes than their peers in the broader community (see research in Appendix 1 - Evidence Guided Design). These poorer outcomes are shown over a range of domains, and are interconnected. They have also been shown to have a lasting impact.

Key research findings are provided below, and provide a strong rationale for the provision of a specific, targeted intervention to address the disadvantage experienced by this cohort of young people.



Homelessness

- Estimated 39% of care leavers become homelessⁱ.



Health

- Young people in OOHC found to experience poorer physical health than the general populationⁱⁱ.
- Risk-taking behaviour and self-harm, and poor access to dental, optical and aural health services have been identified as key challenges for care leavers by the CREATE Foundationⁱⁱⁱ.



Education

- 53% of care leavers surveyed in the AHURI Report had an educational attainment of Year 10 or below^{iv}.
- An estimated 3.6% of care leavers pursue further education;^v by contrast, 85% of Victorian students who completed Year 12 in 2013 enrolled in tertiary education (University or TAFE/VET).^{vi}
- Young people who disengage from education early have mortality rates up to nine times higher than the general population^{vii}.



Offending

- Care leavers have been estimated as being 60 times more likely to be in detention than the general publicⁱ.
- Criminal conviction shown to reduce probability of securing future employment^x.



Employment

- NSW study of care leavers 4-5 years after exit found only 25% were in full time employments, full time education, or both part time employment and part time education, compared to over 70% of 20-24 year olds in the general population^x.



Harmful alcohol or drug use

- Estimated 16% of care leavers are alcohol or drug dependent^{xi}.
- Association between substance misuse and offending behavior established in both mainstream and OOHC populations^{xii}.

2.2. Design Process

The COMPASS Program was designed as a collaboration between Anglicare Victoria (AV) and VincentCare Victoria (VC), with ongoing engagement with experienced practitioners from around the world and recent OOHC leavers.

The design process included a thorough literature review of research and evidence from Australia and overseas. This review highlighted that stable housing is a 'gateway' to improved outcomes across a variety of domains. When combined with a supported transition to independence, OOHC leavers are likely to experience long lasting benefits across multiple life areas and this could act as a protective factor against later difficulties.

In addition, COMPASS, supported by KPMG, has conducted a ground breaking data analysis using State datasets to guide program design. During this analysis, de-identified State data was linked across the justice, health and social care domains providing new insights about the risk factors for OOHC leavers and how these risk factors interacted. It also enabled the data to be stratified for OOHC leavers based on the complexity of their needs, which was then used to quantify and budget service provision (such as housing and social worker requirements) to maximise the opportunity for Program success, as well as aid in the development of the Outcome Measures and the structure of the Outcome Payments.

It should also be noted that the Victorian government has agreed to commission an independent evaluation of the Program. This will be staged so that preliminary findings are made available to COMPASS during the Program so that COMPASS can identify and respond to any identified opportunities to improve Program delivery and design. Importantly, this evaluation will also add to the local and international evidence-base about the efficacy of this innovative approach.

2.3. Program Logic

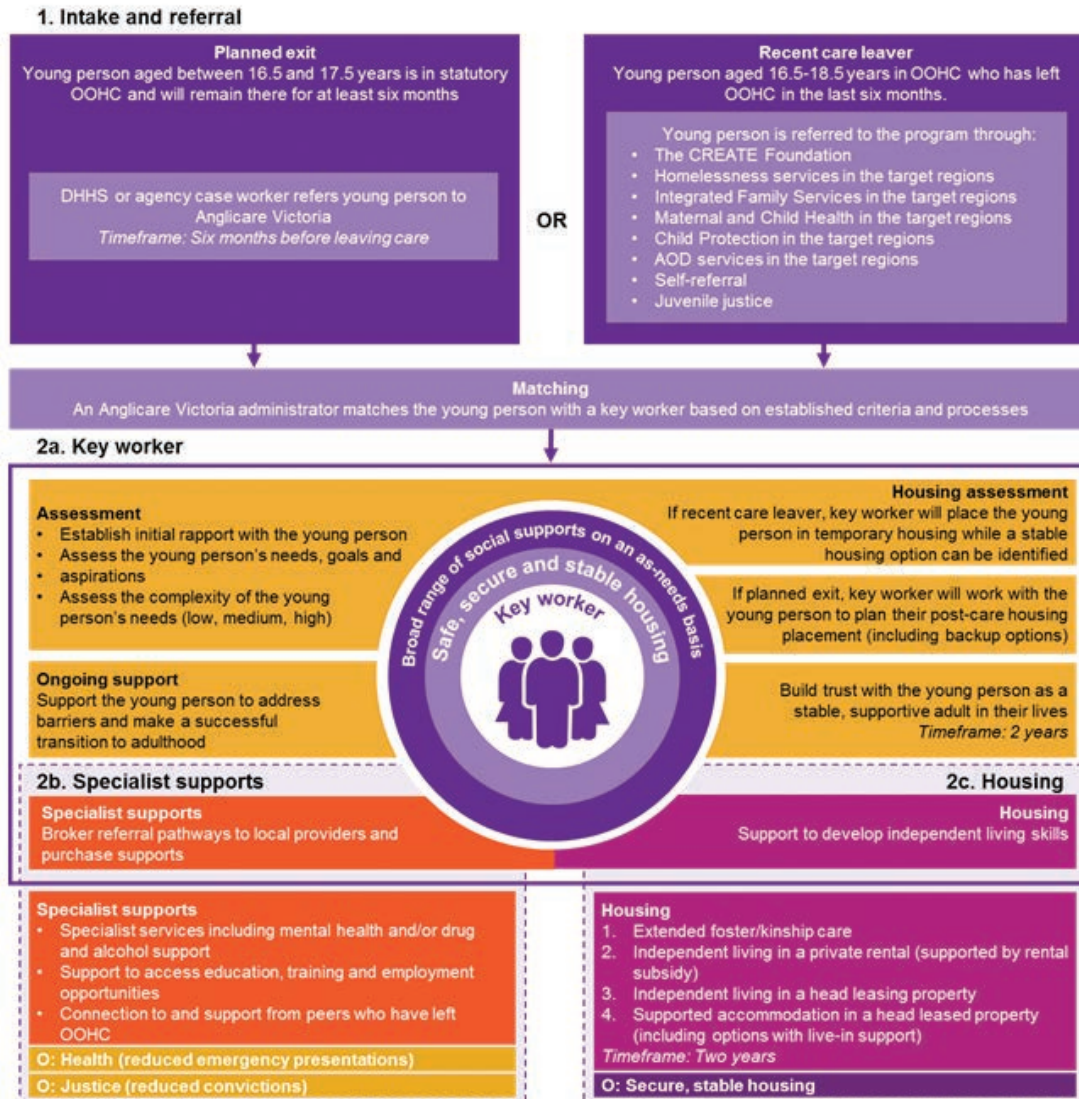
COMPASS combines access to secure housing with dedicated, personalised case management and access to additional specialist supports, as required. The Program provides different levels of care and types of housing according to the assessed level of the young person’s need.



Outputs	Impact	Measurable Outcomes
<p>Young person is matched with a key worker</p> <p>Appropriate accommodation is sourced and secured</p> <p>Individual plan developed to support each Participant to address barriers to effective transitions</p> <p>Specialist assistance/ support engaged as required</p> <p>Exit plan developed including planned transition to independence</p>	<p>Reduced homelessness</p> <p>Improved health and wellbeing</p> <p>Increased engagement in education and employment</p> <p>Improved life skills (decision making, financial management, household management)</p> <p>Improved self-care and reduced risk-taking behaviour</p> <p>Reduced engagement with criminal justice system</p> <p>Better knowledge of and engagement with social and health services</p> <p>Reduced interaction with the child protection system for children born to OOHC leavers</p>	<p>Young person does not require emergency housing</p> <p>Presentations at emergency departments are reduced</p> <p>Convictions for offences are reduced.</p>

2.4. Program Delivery Model

An outline of the Program delivery model is provided below:



Key features of the Program include:

- All young people leaving OOHC in the designated Catchment Areas, aged between 16.5 and 18.5 who are exiting OOHC will be eligible to participate in the Program. COMPASS will work with the State to identify potential Participants at least 6 months prior to their referral.
- A dedicated contract manager within the Victorian Department of Health and Human Services that will confirm eligibility and provide referrals to the COMPASS Program.

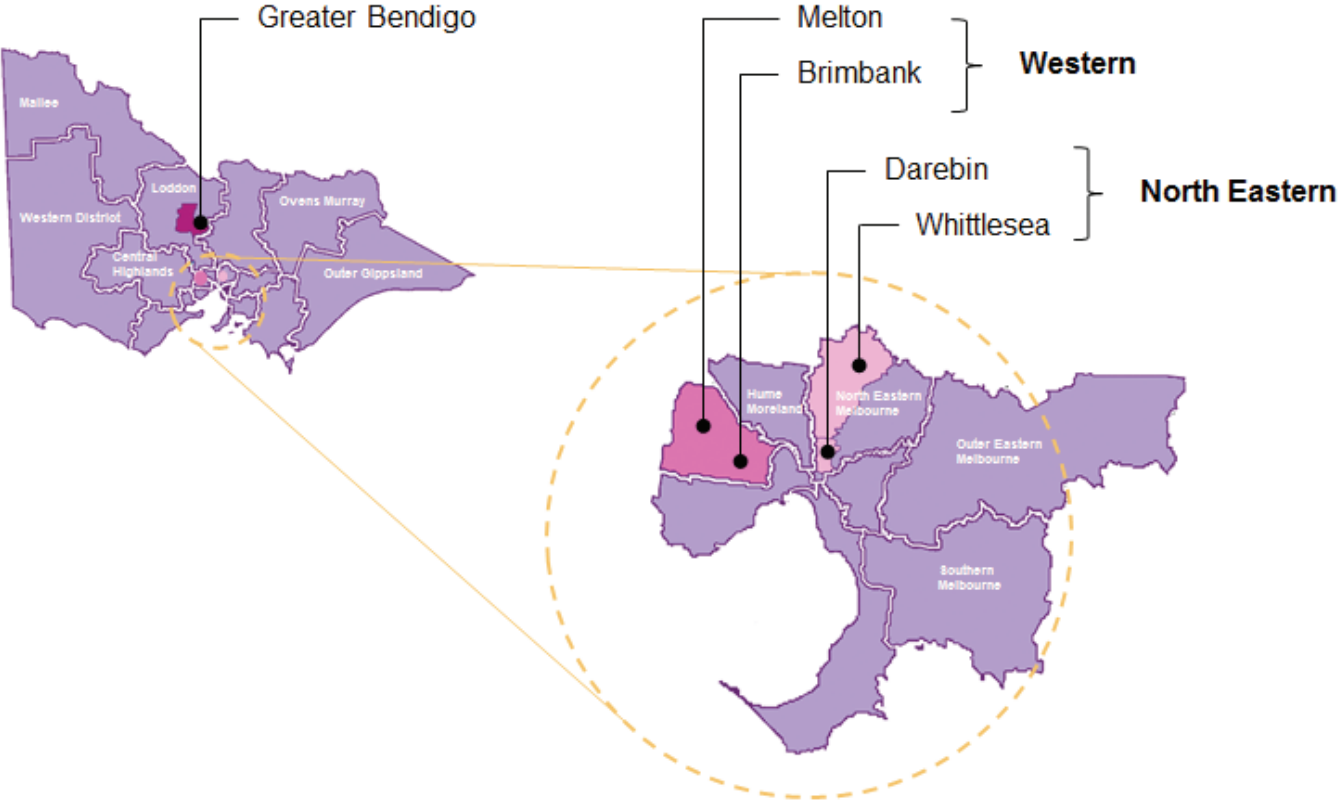
- Under the Implementation Agreement, a minimum level of 202 referrals is specified. This figure is based on the projected number of young people that are scheduled to leave care in the Catchment Areas over the intake period. Though Program capacity is capped, based on these projections we aim to offer every eligible young person leaving care in those areas the opportunity to participate.
- On entry into the Program, prospective participants will be stratified into High, Medium and Low categories, drawing on analysis of historical data on service usage for other young people who have been in care. This stratification will inform resource allocation, and ensure that an appropriately matched Control Group can be identified using the datasets. Data will be drawn from existing administrative datasets maintained by the State, keeping measurement costs to a minimum.
- The Outcomes that the Program seeks to achieve are common across all young people who choose to participate. For more complex clients, additional support will be provided to support achievement of those same outcomes.
- Staff to Participant ratios have been modelled at 8:1 for the most complex clients, 16:1 for medium complexity clients, and 25:1 for low complexity Participants. This will ensure that resourcing is sufficient to provide flexible support suitable for each Participant's individual needs.
- COMPASS will support each person to secure stable housing, acquired by the Compass SPE through direct purchase and head leasing from independent landlords.
- Compass Participants with the highest need will be housed in property owned by the Compass SPE. The direct purchase of property ensures that housing security can be provided even for the most complex Participants for whom securing head-leased property can be problematic and helps the Program to manage the risk of eviction.
- It also ensures that the Compass SPE can provide appropriate assurances and guarantees to other landlords who provide rental stock for less complex clients.
- Each person will receive active support from COMPASS for a two year period. There will be a focus during this period on ensuring that Participants are supported to develop the skills needed to support themselves and maintain a safe and secure home.
- Participants who are moving into independent housing arrangements will be supported to establish their new home. This will include rental support (over and above any normal housing assistance entitlements). Participants will increase the rental they contribute over time, with a view to reaching financial independence by the end of their 2 year engagement
- Brokerage funds will be available. These may be used flexibly to support the young person in line with their individualised case plan. Potential uses of brokerage include securing specialist help not available through the public system, meeting costs of education, transport costs associated with education, employment or skill development, or supporting engagement with community and community activities (e.g. sport and recreation).

2.5. Catchment Areas

In order to strategically meet the demand of potential Participants and enable easy access to services, the Company will seek to purchase and head lease properties across Victoria in the following Catchment Areas:

- West Melbourne (Brimbank and Melton local government areas)
- Loddon (Bendigo local government area)
- North East (Darebin and Whittlesea local government areas)

The maps below outline COMPASS' Catchment Areas.



2.6. Property Requirements

The table below summarises the types of properties that will be purchased and head leased by COMPASS in the following key areas.



West Melbourne Melton, Brimbank

Property Type:	Unit/House
No. of Bedrooms:	2
No. of Properties to Purchase:	6
Estimated Purchase Price:	\$250,000 – \$480,000
No. of Properties to Head Lease ¹ :	17
Estimated Weekly Rent ² :	\$250 - \$350



Loddon Greater Bendigo

Property Type:	Unit/House
No. of Bedrooms:	2
No. of Properties to Purchase:	4
Estimated Purchase Price:	\$240,000 - \$260,000
No. of Properties to Head Lease ¹ :	7
Estimated Weekly Rent ² :	\$220 - \$230



North East Darebin, Whittlesea

Property Type:	Unit/House
No. of Bedrooms:	2
No. of Properties to Purchase:	6
Estimated Purchase Price:	\$400,000 - \$500,000
No. of Properties to Head Lease ¹ :	10
Estimated Weekly Rent ² :	\$280 - \$390

¹ 20% of properties are assumed to be 3 bedroom properties to allow for potential "peer support" and "lead tenant" arrangements in which former COMPASS Participants may be invited to act as a mentor to younger Participants entering the Program.

² Market rental is based on a combination of 2 and 3 bedroom properties in each relevant region.

2.7. Program Outcome Measures

Program performance will be measured across 3 Outcome Measures, being Housing, Health and Justice. Performance will be quantified by comparing these key Outcome Measures of COMPASS Participants against a contemporaneous Control Group.

Although COMPASS is expected to achieve a number of indirect outcomes (such as improvement in child protection and education outcomes), the 3 Outcome Measures have been selected as they can be directly linked to genuine avoided costs achieved by the State.

Research indicates that the support provided by COMPASS will result in a material improvement in the lives of OOHLC leavers in each of these measures. These measures have been selected on the basis that they most closely reflect the program logic and can be readily captured by the State in an objective, routinely captured dataset. The below table shows the performance bands against which the program will be assessed:

Outcome Measurement (% Improvement against Control Groups)



Each Participant will be tested twice against the Housing and Health Outcome Measures, 2 and 4 years after their commencement of the Program and once against the Justice Outcome Measure, 4 years after their commencement of the Program. These tests will be conducted separately, meaning that each Participant may achieve different results across each of the Outcome Measures at any given Measurement Date. For example, a Participant may achieve an “exceptional” Housing Outcome Measure, but “minimum” Health or Justice Outcome Measures.

For the Housing Outcome Measure, the assessment at year 4 will be determined at the cumulative result across the 4 year period (years 1-4 inclusive). In the case of the Health Outcome Measure, the 2 measurement points are mutually exclusive – that is, the year 2 assessment will assess performance in years 1 and 2, the year 4 assessment will assess performance in years 3 and 4. These differences reflect differences in the distribution of the data evident through historical analysis and ensure a reliable and appropriate control group can be created that provides the best possible benchmark from which to compare COMPASS' long lasting outcomes.

As each Participant will only be measured at these key points in the Program, it means that the number of Participants tested at each occasion will vary.



3. INVESTMENT OVERVIEW

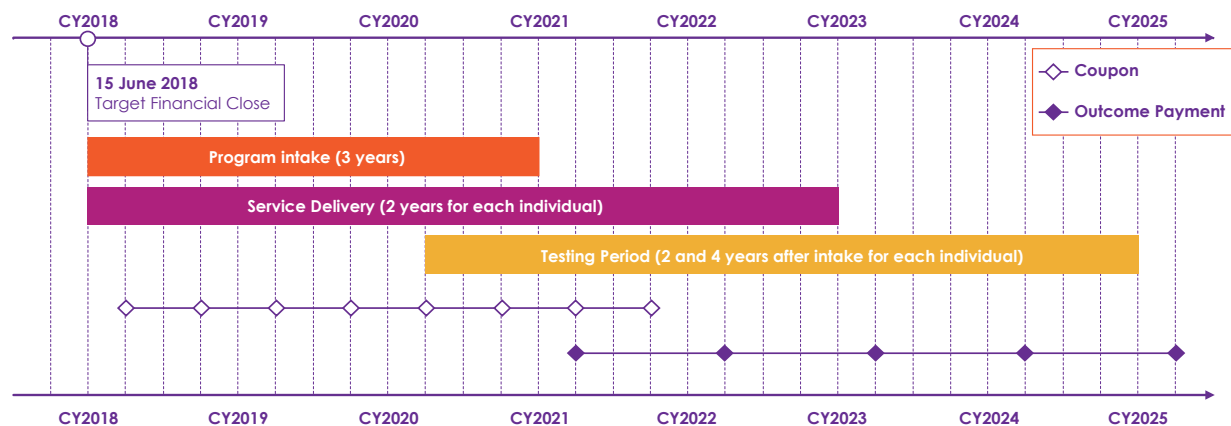
3.1. Introduction

An investment in the COMPASS SIB offers investors a unique opportunity to generate a financial return and assist in the COMPASS Program aimed at improving the lives of young OOHLC leavers in Victoria.

By investing in this SIB, Noteholders will receive an ongoing fixed cash yield (in the form of coupons), supplemented by a share in a series of Outcome Payments, which will be made by the State to the Issuer and passed on to Noteholders, based on the success of the COMPASS Program against the Outcome Measures. In addition, the properties acquired as part of the COMPASS Program will be sold at the close of the Program, with the net sale proceeds to be distributed to Noteholders.

3.2. Timeline

The COMPASS SIB will have a tenor of approximately 7.25 years in total and will exist in a series of overlapping, but distinct phases, as outlined below:



3.3. Sources and Uses

The COMPASS Program has a total of \$20.6m in outlays. It is intended that these costs will be funded through a number of sources, as follows:

USES		SOURCES	
Service Delivery	\$11.4m	Note Proceeds	\$14.2m
Property Acquisition	\$6.1m	Interest Revenue	\$0.2m
Establishment Costs	\$0.5m	State Standing Charge	\$6.2m
Ongoing Transaction Costs	\$0.6m		
Note Coupons	\$2.0m		
	\$20.6m		\$20.6m

3.4. Subscription and Settlement

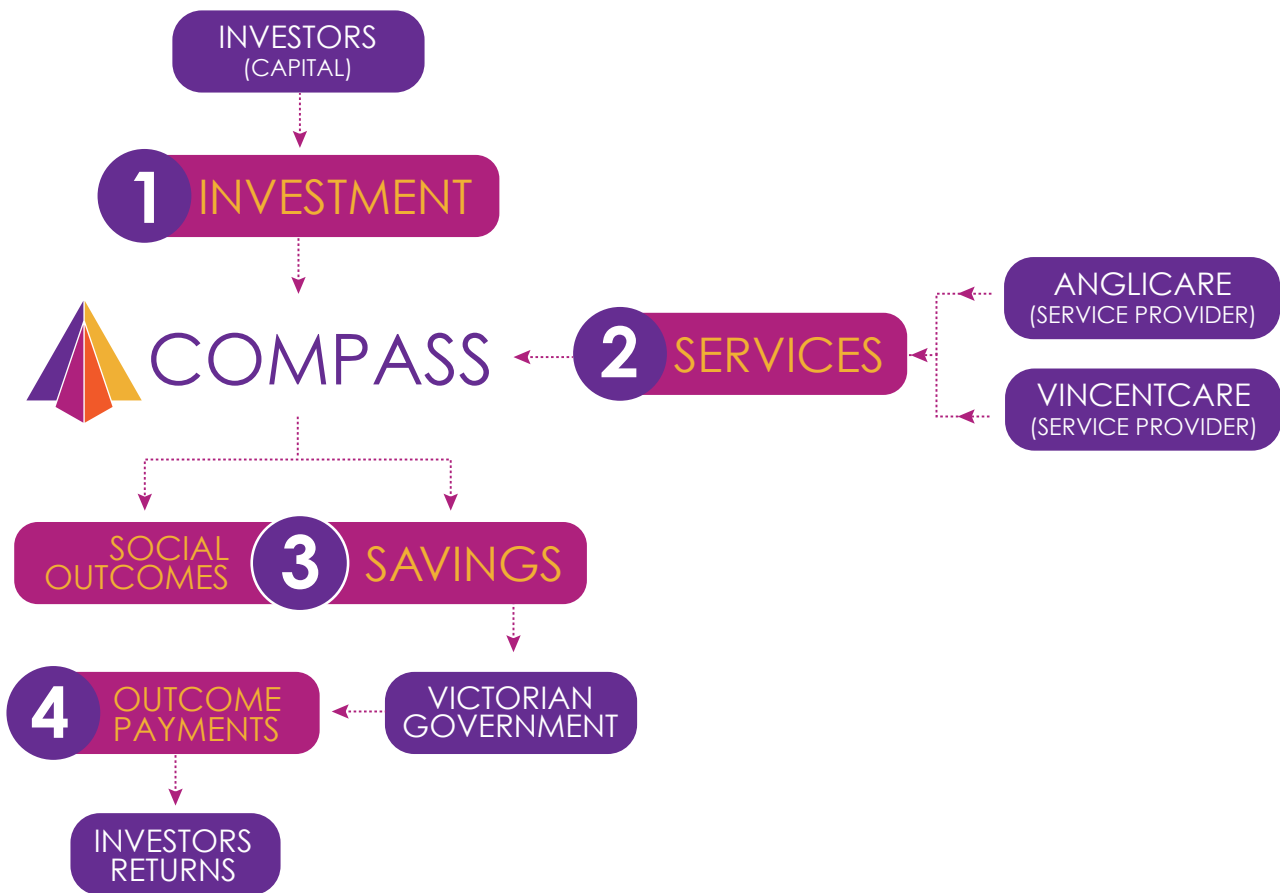
The Notes will be issued in 3 equally ranking tranches, over 3 Bond Issuance Dates as follows:

- Tranche 1 \$3,550,000 Financial Close
- Tranche 2 \$3,550,000 6 months after Financial Close
- Tranche 3 \$7,100,000 12 months after Financial Close

Investors wishing to invest in the SIB will be required to invest in all 3 tranches on a proportionate basis, with a minimum aggregate investment of \$50,000 (and in \$10,000 increments thereafter).

Investors in the Notes will irrevocably undertake to subscribe in an allocation of Notes comprising a pro rata number of Tranche 1, Tranche 2 and Tranche 3 Notes. If an investor fails to subscribe to either Tranche 2 or Tranche 3 Notes at the dates described above, then all of its Tranche 1 and/or Tranche 2 Notes will be automatically transferred to the Issuer (or its nominee) without any entitlement to any other compensation.

3.5. Funding Structure



- 1 Compass Leaving Care Limited issues Social Impact Bond Loan Notes, raising \$14.2m in funding from investors to fund the COMPASS Program
- 2 AV and VC provide a staff and services to the Program Participants under the Services Subcontract
- 3 These services help Participants transition out of OOHC resulting in improved social outcome for young people, as well as significant avoided costs for the State
- 4 The State makes a series of performance-linked Outcome Payments to the Compass SPE which will then be passed by the Compass SPE to Investors

3.6. Investor Reporting

Annual compliance and performance reporting will cover COMPASS' Outcome Measures and Outcome Payments to Noteholders.

4. KEY PARTIES

4.1. About Compass Leaving Care Limited

Compass Leaving Care Limited is a special purpose entity (Compass SPE, or Issuer) and company limited by guarantee. The Compass SPE is an entity to be jointly controlled and managed by AV and VC.

The Compass SPE has been established to provide a standalone legal entity, through which AV and VC are able to deliver the COMPASS Program on a joint venture basis.

The Compass SPE will have a governance structure to be supported through a board comprising of 4 directors, 2 from AV and 2 from VC (including the CEO and a Board member from each organisation).

The management team will include a senior manager (the COMPASS Director), finance manager and operations manager. The constitution of Compass Leaving Care Limited outlines the dispute resolution process, which is documented in the constitution and include escalation to Board level if the matter is unresolved.

Some of the key functions that the Compass SPE will provide are:

- Act as the financial conduit between Noteholders and the State, including as the legal entity holding assets on behalf of Noteholders (cash and property);
- Sub-contract program delivery to AV and VC as Service Providers, as per the Implementation Agreement with the State (refer to Section 6.1 (Transaction Structure) for details);
- Provide statutory reporting with annual financial statements that will be independently audited;
- Provide ongoing Note administration requirements such as providing communication and updates to Noteholders; and
- Purchase residential properties and enter into head leasing arrangements with landlords.

4.2. Anglicare Victoria

Anglicare Victoria is one of Victoria's leading Out of Home Care and Family Service providers supporting Victoria's most vulnerable children, young people and families. AV works to transform the futures of children and young people, families and adults. As Victoria's leading child and family welfare organisation, AV works to create positive change for the most vulnerable and disadvantaged community members.

The organisation's transformational agenda is supported by a dedicated team of more than 1500 staff and 2000 volunteers state-wide. It works closely with a range service delivery partners including the Victorian government. AV is committed to improving outcomes for our children, young people and families through continuous quality improvement. AV rigorously monitors their own outcomes and performance, and is always looking for new and innovative ways to provide care, and deliver evidence-based interventions that make a real difference.

AV has a broad suite of programs and is one of the few community service organisations with the complete integrated set of family and out-of-home care services and also providing complementary mental health services, financial services, Child FIRST, Integrated Family Services, playgroups and youth services and a long history of providing effective, recovery-focused interventions for young people, individuals and families experiencing Alcohol and Drug (AOD) issues.

In any given year AV will provide residential, foster or kinship care for over a thousand Victorian children, help over 120 families to stay together through their Rapid Response and Cradle to Kinder programs and support over 3000 parents through the evidence-based ParentZone program that helps people build better parenting skills.

In addition to being a Service Provider, AV will be participating in the COMPASS SIB with an investment of up to \$500,000.

4.3. VincentCare Victoria (VCV)

VincentCare Victoria provides a range of services for disadvantaged and vulnerable people, including those who are homeless, mentally and physically disabled, aged, and suffering from forms of substance abuse. VC has a proud history of providing accommodation services and support to people experiencing homelessness or at risk of homelessness.

In 2009, VC established VincentCare Community Housing (VCCH), a Registered Housing Provider, to work in association with VC in providing housing services. Both VC and VCCH deliver accommodation support for people experiencing homelessness in multiple settings across the homelessness service delivery continuum - crisis accommodation, dispersed and congregate women's refuges, transitional housing, supported therapeutic accommodation, community rooming house, independent living units, head leased properties and private tenancy support.

VC support individuals and their families so that their basic needs are met in terms of food, shelter, safety and security; provide access to programs and pathways that strengthen an individual's resilience and support them in accessing opportunities within their communities.

In addition to being a Service Provider, VC will be participating in the COMPASS SIB with an investment of up to \$500,000.

4.4. Advisers

AC and VC engaged KPMG and Corrs Chambers Westgarth to provide commercial and legal advice throughout the design and development of the COMPASS social impact bond.

KPMG was engaged to provide advice across a range of elements of COMPASS' Program and Loan Note design. This advice has included data analytics, transaction structuring, strategy and negotiations, as well as tax advice.

Corrs Chambers Westgarth was engaged to provide legal advice across transaction structuring, strategy and negotiations. Corrs also advised on corporate governance issues, and on contractual allocation of risk.

4.5. Key Personnel



Paul McDonald,
Chief Executive Officer
at Anglicare Victoria

Paul is currently the Chief Executive Officer of Anglicare Victoria, the State's leading Agency in delivering out-of-home care and family support to vulnerable children young people and families. The organisation is renowned for being Australia's leading edge provider to disadvantaged children, young people and families.

His previous positions have included Executive Director in the Department of Human Services responsible for the leadership and management of Victoria's Child Protection Services and Youth Justice Program. He also led the Government's response to the heroin overdose crisis that captured Melbourne in the late 1990's to early 2000. He won, on behalf of the Department of Human Services, the Prime Minister's Award for his Department's work in harm minimisation during that time.

He is Chair of the Home Stretch Campaign, a national campaign which seeks to stop young people in state care becoming homeless, unemployed or in prison when they have their care terminated at 18 years. He has also chaired nationally significant inquiries in the areas of Alcohol Advertising, and Inhalants Abuse, on behalf of the Australian Government, and his recommendations have led to new approaches to the problems of petrol and paint sniffing amongst indigenous youth. He has led nationally significant organisations targeted at disadvantaged adolescents including YSAS, the first Australian youth specific drug and alcohol treatment service for 12 -21 years olds, and established the St Kilda Crisis Centre, one of the country's busiest crisis service and needle and syringe exchange program at the time.

He was appointed by the Government as State Co-Chair of the Reform of the Out-of-Home Care System for the Victorian Government, and is current President of the Centre for Excellence in Child and Family Welfare. He is also the Patron of the Youth Workers Association. He was also recently the recipient of the Robin Clark leadership award at the 2017 Victorian Protecting Children Awards. This award recognises a leader who inspires others about achieving the best outcomes for Aboriginal and non-Aboriginal children, young people and their families.



John Blewonski,
Chief Executive Officer,
VincentCare Victoria

Since 2009, John has been the Chief Executive Officer of VincentCare Victoria, a leading provider accommodation services and support to people experiencing homelessness or at risk of homelessness. Prior to becoming Chief Executive Officer of VincentCare Victoria, John held numerous roles within Anglicare Victoria including as Chief Operating Officer from 2007 to 2009 and Executive Manager, Corporate Services from 2001 to 2007.

John also serves as a Board member for various not-for-profit and social service organisations that seek to address homelessness issues and empower the lives of those most disadvantaged in our communities. This includes his current role as chairman of the Council to Homeless Persons (CHP) which is the peak body representing organisations and individuals in Victoria with a commitment to ending homelessness. John has been a board member of CHP since 2012.

In addition, since 2014 John has been a board member of Catholic Social Services Victoria which is an organization focused on supporting the poor, disadvantaged and marginalized members of our community.

Further, John is currently a member of the Rough Sleepers Advisory Taskforce which oversees the delivery of the emergency response package by the Victorian Government to develop a long-term strategy to tackle challenges of street homelessness. He has also authored a range of key articles and industry conference presentations.

John is a graduate member of the Australian Institute of Company Directors (GAICD) and an Associate Fellow of the Institute for Managers and Leaders, Australia.





“ It’s more than just that we don’t expect biological children to be independent at age 18. It’s also that young people in care often have backgrounds that create more obstacles for them to overcome”.

5. COMPASS GOVERNANCE & MANAGEMENT

5.1. COMPASS Governance

As outlined in Section 4.1 (About Compass Leaving Care), a special purpose entity has been established as a company limited by guarantee. Directors of the Compass SPE comprise of the CEO and a Board member of each of AV and VC. Regular meetings of Directors, will provide oversight for the Program, its implementation and performance, and in particular ensure that the individual service agencies are meeting their obligations under the service contracts.

In addition, a Project Coordination Group, comprising senior management in the Compass SPE and both service delivery organisations, will be established to ensure a high level of coordination, monitoring and accountability for implementation and performance. This group may refer issues to the Directors meeting as required and has already been convened to oversee execution and planning. The Project Coordination Group supersedes an existing working group that has been regularly convened throughout the SIB's development.

5.2. Operational Management

An Operations Manager will be appointed to manage state wide delivery of the Program. The Operations Manager will be responsible for establishing, implementing and managing the COMPASS Program, including planning, team and budget management and liaising with AV, VC and DHHS to ensure coordinated state wide consistency of the Program.

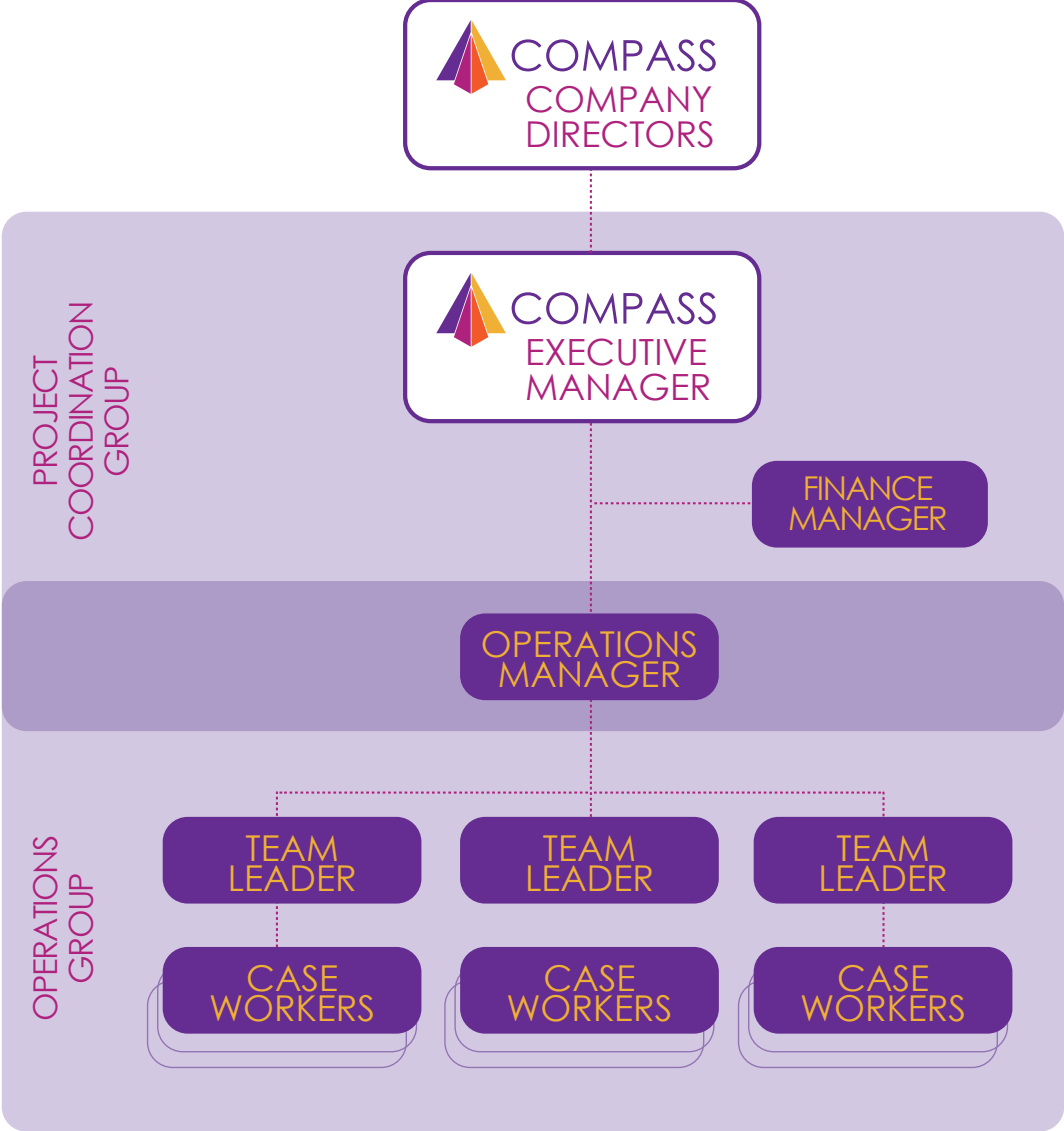
The Operations Manager will work in close partnership with the COMPASS Executive Director and will also report to the AV's Regional Director, Western Region to ensure that specified performance targets are delivered.

5.3. Joint Working Group

The close collaboration with government will be maintained throughout the life of the Note, with both parties working closely together to ensure timely and seamless referral of clients. This collaborative relationship is reflected in the establishment of the Joint Working Group, as noted in the Implementation Agreement, and described in more detail in the COMPASS Operations Manual.

The Joint Working Group will meet once a month (or as necessary) and will consist of representatives from AV, VC, and DHHS (including the State contract manager). The Joint Working Group will have flexibility to invite senior representatives to meetings as required (e.g. Deputy Secretaries, CEOs of delivery organisations) to resolve issues and disputes. Meetings can be arranged outside of these times at the convenience of members.

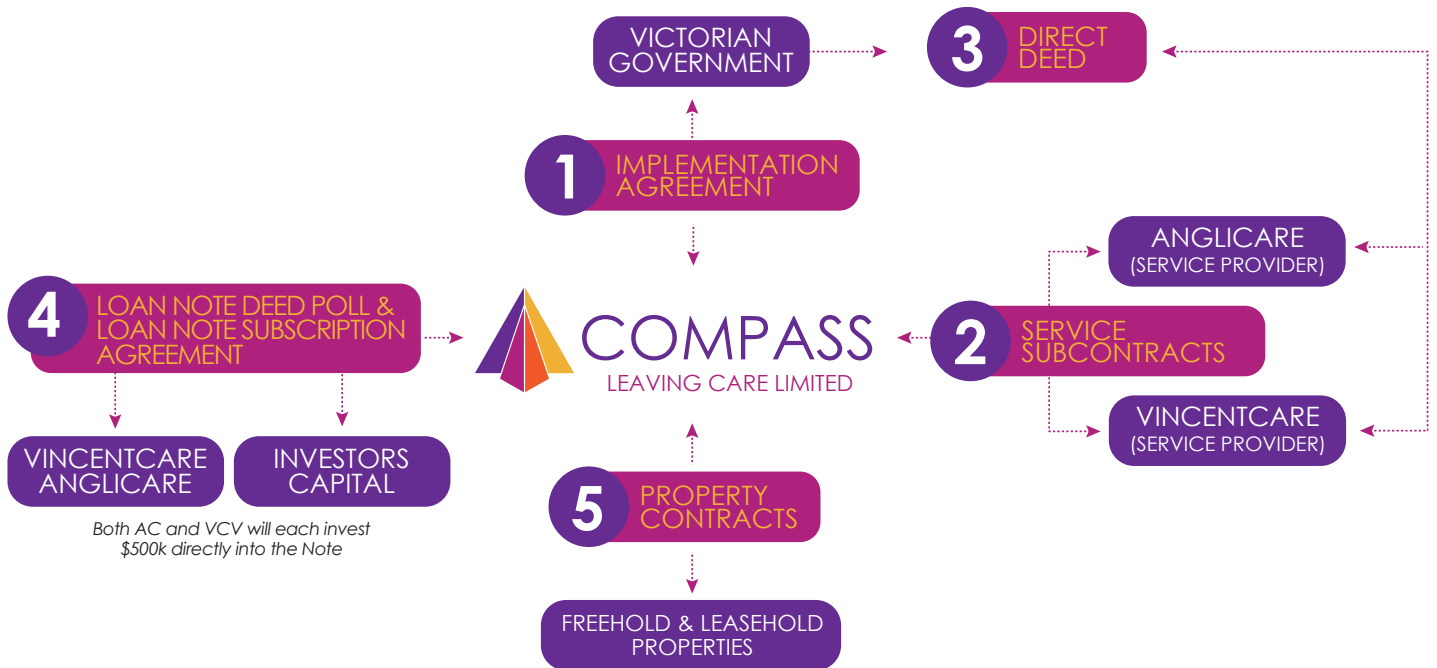
5.4. Organisation Chart



6. TRANSACTION STRUCTURE AND KEY DOCUMENTS

6.1. Transaction Structure

The COMPASS SIB has been structured based on a special purpose entity (Compass Leaving Care Limited), who will be the Issuer and primary contractual counterpart to the State, as shown in the diagram below:



1 The Implementation Agreement sets out the obligations of the State and the Issuer, including terms covering:

- eligibility criteria for service Participants and referral processes;
- the Outcome Measures adopted
- the basis of Outcome Payment calculations (see Section 7.2 (Performance Payments) for more details)
- breach and termination provisions (including underperformance)
- general provisions such as dispute resolution, warranties, indemnities, administration, intellectual property rights and confidentiality.

2

The Services Subcontracts are outsourcing agreements between the Issuer and AV and VC for delivery of the Program. The general provisions of the Services Subcontract follow the form of the Implementation Agreement. The Services Subcontract also sets out the amounts and timing of payments for delivery of the COMPASS Program.

3

A Direct Deed between the State and the Service Providers will provide certain direct rights and obligations between those parties. This deed provides the State rights and obligations against each Service Provider to provide its services to the Program in the event of default or insolvency of the Company, ensuring program continuity.

4

The Notes represent a secured lending arrangement between the Noteholders and the Issuer, with recourse of the Noteholders limited to the assets of Compass Leaving Care Ltd. The Notes will be issued pursuant to the Loan Note Deed Poll. The Notes have an expected overall term (from the issue date for the Tranche 1 Notes) of approximately 7.25 years (i.e. from the targeted Financial Close date of 15 June 2018 to 30 September 2025).

For details of the determination of Coupon Payments and the timing and amounts payable for Outcome Payments see Section 7 (Payment Calculations). Terms and conditions for the subscription of the Notes are set out in Section 11 (Applications).

5

Compass Leaving Care Limited will enter into a series of head lease and property purchase agreements to procure the properties required for service delivery. A registered mortgage will be placed over each of the freehold properties acquired by the Issuer, in favour of the security trustee and held on behalf of Noteholders.

In addition, the Company will enter into lease and sublease arrangements with the Program's Participants.

7. PAYMENT CALCULATIONS

Investor returns will be generated through a series of cash flows including

- 1) Coupon Payments;
- 2) Outcome Payments; and
- 3) Property sale proceeds.

These payments have been structured to ensure that investors will receive a cash yield throughout the life of the SIB, with Coupon Payments being made in the earlier years and Outcome Payments in the later years.

7.1. Coupon Payments

Noteholders will receive a series of coupons that will be paid prior to commencement of the Outcome Payments. At each Coupon Payment Date, Noteholders will receive a coupon calculated as 3.50% of the total Aggregate Issue Amount, which equates to \$248,500 each half year. For the avoidance of doubt, this coupon amount (\$248,500) will be paid at each Coupon Payment Date, regardless of the cumulative face value of the Notes issued at that date.

There are eight Coupon Payment Dates, on 30 September and 31 March each year between the financial close and 31 March 2022 (at which point the Notes is expected to generate a cash yield through Outcome Payments).

7.2. Performance Payments

Noteholders will receive Outcome Payments based on the performance of the Program annually, from 12 months following the first Participants' completion of the Program (expected to be 30 September 2021) until 30 September 2025. The value of these payments will vary periodically, based on the performance of the Program and the number of Participants being tested against each Outcome Measurement Date.

At each Measurement Date, Participants will attract a payment based on their cohort's improvement relative to the Control Group. These payments have been calculated according to the relative weightings of the performance measures and the number of measurement points, as follows:

- Housing Outcome Measure (60%, 2 measurement points per Participant)
- Health Outcome Measure (20%, 2 measurement points per Participant)
- Justice Outcome Measure (20%, 1 measurement point per Participant)

The value of these payments per Participant are shown below:

OUTCOME PAYMENT (per Participant, per test)			
PERFORMANCE BAND	HOUSING (2 tests)	HEALTH (2 tests)	JUSTICE (1 tests)
Exceptional	\$18,986	\$6,329	\$12,658
Excellent	\$18,202	\$6,068	\$12,135
Very Good	\$16,345	\$5,449	\$10,897
Good	\$13,667	\$4,556	\$9,112
Improved	\$12,168	\$4,056	\$8,112
Minimum	\$6,115	\$2,039	\$4,077

These payments will accrue quarterly, based on the timing of the intake of Participants into the Program, but will be paid to Noteholders on an annual basis. The payment made at the Outcome Payment Date will consist of the aggregate of 4 preceding Outcome Payments accrued at each Outcome Measurement Date prior to the Outcome Payment Date (but, to avoid doubt, excluding the Outcome Payment for the Outcome Measurement Date that falls on the Outcome Payment Date).

7.3. Property Sale Proceeds

Bondholders will receive a share of the net proceeds from the sale of the Program's property on a pro rata basis of their investment in the SIB. These proceeds will be net of any transaction costs.

Ongoing maintenance costs have been included in the Program's budget and therefore no additional capital expenditure is expected to be required in order to prepare the property for sale.

The properties are expected to be sold in a gradual and orderly fashion between 2021 (year 5) and the Final Outcome Payment Date will be based on the operational needs of the Program during this time.

In the instance of an Early Termination Event, the properties are expected to be sold in an orderly fashion based on the operational needs of the Program. Noteholders will receive a share of the net proceeds of sale in addition to any Early Termination Payment.

It is expected that VC will be a likely buyer of these properties, however, they are under no obligation to do so. If VC elects to purchase any of the properties, they will participate in sale process along with other potential buyers.

7.4. Estimated Returns

The scenarios shown below are calculated assuming the Program consistently achieves the displayed performance levels against all three Outcome Measures and assumes no appreciation in property values (i.e. – all properties are sold at cost).

Total Payments to Noteholders Scenarios



It should be noted that if the Program performs below the “minimum” level of performance, no Outcome Payments will be made by the State for the relevant Outcome Measure for that Payment Date. These results have not been included in the above scenarios, as they will likely result in an Early Termination Event. Early Termination Events are described in greater detail in Section 7.6 (Early Termination Events).

Factors that can influence the Internal Rate of Return (IRR)

The estimated returns outlined above are based on a series of assumptions relating to the timing and quantum of cash flows in the Program. Changes to these assumptions will result in a higher or lower level of return. These assumptions include:

- Blended performance against Outcome Measures.** The above IRRs assume the Program consistently performs at a certain level, across all 3 Outcome Measures, for the life of the Note. For example, a consistent “exceptional” result in the Housing Outcome Measure, combined with a consistent “improved” result across the Health and Justice Outcome Measures will generate an estimated IRR of 7.00%.
- Timing of Participant flow through the Program.** The amount paid to Noteholders at each Outcome Payment Date is impacted by the number of Participants who have completed the Program (and subject to measurement) at that date. The estimated returns above reflect COMPASS’ best estimates of the flow of Participants through the Program. If actual inflow is weighted towards the early stages of the Program, returns will be higher than estimated above (and lower if participation is weighted towards the end of the Program).

- **Property value.** The expected returns outlined above are based on the Program properties being sold at cost. Should property values increase or decrease over the life of the program, this will impact the estimated returns listed above. For example, should the Program achieve a consistent “very good” result and the properties experience a 5% appreciation over the life of the Note, the estimated return would increase to 7.41%.
- **Timing of property sale.** The expected returns outlined above assume the properties are sold 6 months after the Program has been completed. It is likely that these properties will be sold gradually over a number of years, based on Program needs at the time. Should properties be sold sooner than assumed, this will improve the return (and a later sale would lower the return).

7.5. Tax

Availability of Tax Exemptions

The Issuer will apply for a tax exemption from the relevant Australian taxes, including income tax, Goods and Services Tax (GST), land tax and stamp duty. For a charitable entity to obtain these tax exemptions, it must be endorsed as tax exempt in those areas by the Australian Taxation Office (“ATO”). Obtaining ATO endorsement broadly involves the following two-step process:

- Step 1: The charity must register with the Australian Charities and Not-for-profits Commission (ACNC). This process requires the Compass SPE to provide various information relating to its structure and purpose, along with details of the concessions that will be sought from the ATO; namely endorsement as a Deductible Gift Recipient (DGR) and as a tax concession charity in relation to the relevant taxes.

The ACNC application is currently being drafted, and will generally be processed within 28 days. It is anticipated that the ACNC will register the Compass SPE in due course.

- Step 2: Once the Issuer is registered with ACNC, it must separately apply to the ATO for endorsement. Based on the proposed activities of the Compass SPE, it is expected that the ATO will endorse it as tax exempt, however, there is a 60 day period for the ATO to make this decision following submission of the application.

The Compass SPE will also lodge a ruling with the Victorian State Revenue Office to confirm that the charitable exemption will apply to the Issuer’s proposed acquisition of land in Victoria which it will use to provide its services. The stamp duty ruling can be lodged concurrently with the ACNC application and a response to the ruling generally takes 8 weeks. This exemption would also cover any ongoing land taxes.

The Issuer has sought tax advice from KPMG in relation to the tax exemption process explained above and is in the process of preparing its ACNC application and stamp duty ruling. Having regard to the purpose of the Compass SPE and its intended activities, the Issuer does not expect this process to be protracted or onerous and expects these exemptions to be confirmed in due course.

Tax Treatment of the Notes

The following tax comments are of a general nature and aim to provide prospective Australian-resident Note investors with information on the potential tax treatment of the Notes. The Notes investors should seek independent tax advice to confirm the tax treatment of the Notes based on their specific circumstances.

Classification of the Notes

The characterisation of a particular financial arrangement as debt or equity is relevant for determining the tax treatment of the instrument and any returns paid from it. The characterisation is determined with reference to the substance of its terms and conditions and may not necessarily align to its legal form.

One of the key requirements of the debt test is that the instrument issuer (the Issuer) has an effectively non-contingent obligation (ENCO) to provide a financial benefit to the entity holding the interest (the Noteholders) of an amount at least equal to the issue price of the financial instrument. This requirement is not likely to be satisfied for the Notes for the following key reasons:

- With the exception of any proceeds from the sale of the Program's property portfolio, the Issuer is under no obligation to repay the outstanding Note principal unless the stated performance conditions are met. The performance conditions are generally based on the Program achieving successful outcomes for the out-of-home care leavers and these cannot be determined with any certainty at the time the Notes are issued. Neither can the proceeds to be received on sale of the properties.
- With the exception of the 3.5% coupon, paid half-yearly the Note investors are not guaranteed any returns on their Notes.

Consequently, it is anticipated that the Notes will be classified as equity interests for income tax purposes.

Nature of Returns

Based on the above analysis, the coupon and performance linked returns paid on the Notes are likely to be characterised as non-share dividends for Australian income tax purposes. The non-share dividends should be taxed in the Note investors' hands as ordinary income at such time the cash proceeds are received. As the SPE is expected to be an income tax exempt entity, any non-share dividends paid would be unfranked.

Property sales will occur on the occasion of the termination or completion of the Program. The Note investors are expected to receive property sale proceeds in the following scenarios:

- When an Early Termination Event is triggered, investors are expected to receive on a pro rata basis the final balance of the Program's assets which include residual cash and net sale proceeds of property.
- When the Program is completed, the investors are expected to receive the net proceeds of the sale of property on a pro rata basis of their investments in the SIBs.

It is likely that these proceeds will firstly be applied to repay the principal of the SIB Note, with any remaining amounts returned as an ordinary distribution.

It is expected that the return of property proceeds as principal repayments will be capital in nature, and the receipt of these amounts should reduce each Note investor's tax cost base in the Note. This may result in a capital gain arising should that cost base be reduced to nil.

Other Implications

As an equity instrument, any returns on the Note would not be tax deductible for the Issuer. This should have no practical impact for the Issuer as it is expected to be an income tax exempt entity.

No stamp duty should apply on subscription for the Notes provided that no investor alone or together with associated persons will have 50% or more of the Notes.

7.6. Early Termination Events

There may be certain circumstances in which either COMPASS or the State may wish to wind up the Program early. Provisions in the Implementation Agreement allow for this, providing both parties with the right to terminate the Program under a variety of scenarios (described below).

Prior to a termination decision being made, the State and COMPASS will work together to assess the ability to address the ongoing performance of the Program and the causes for the Early Termination Event, providing an opportunity for the Program to be amended and continue.

Full Payment	Partial Payment
<ul style="list-style-type: none">• Termination by the State for convenience• Termination by the Compass SPE for cause• Changes in taxes, law or policy• Intervening Event	<ul style="list-style-type: none">• Termination by the State for cause• Underperformance (see note)

Note – Underperformance is defined as Housing and one other measure achieving a result below "Minimum" for 2 consecutive Outcome Measurement Dates. Both the State and the Compass SPE have the right to terminate the Program for underperformance.

Once a decision has been made to terminate the Program, the operational focus of the Program will shift towards transitioning Participants out of COMPASS. This will include helping them to find secure housing and (if available) other programs that will meet their needs. This “transition out” period will last for no less than 180 days and will be funded by the Compass SPE during this time. Program staffing and the property portfolio (including leased properties) will also wind down (dictated by Participant needs at the time).

Break costs incurred as a result of terminating property leases, employment or other contracts during this wind down process will be funded by specific payment mechanisms in the Implementation Agreement.

After the “transition out” period, an Early Termination Payment will be determined in accordance with the Implementation Agreement. The value of this payment will depend on the nature and timing of the Early Termination Event, as described in the table above.

Full Payment

Where the Program is terminated and a full payment is payable to Noteholders, the State will make an Early Termination Payment that reflects the performance of the Program up to the date of termination.

This payment will consist of:

- The accrued but unpaid Standing Charge
- The present value of the remaining Outcome Payments for the Participants who had entered the Program at the point it was terminated. Payment will be based on the average performance achieved by the Program before it was terminated, and discounted at the 3-Year TCV Bond Rate (currently 2.25%).

Partial Payment

In a partial compensation scenario, the State will make an Early Termination Payment that has been calculated to ensure total payments to Noteholders is at least 50% of the Bond Aggregate Issue Amount, less the acquisition costs of associated with the Program’s property assets and any Coupon and Outcome Payments made to date.

7.7. Noteholder Returns following an Early Termination Event

In the event of termination (under any scenario), final payments to Noteholders will be made after the Early Termination Payment and break costs have been calculated and paid by the State. Noteholders will share pro rata in the final balance of the Program’s assets (consisting primarily of residual cash and net sale proceeds of property), which will include any Early Termination Payment made by the State.

Noteholder returns in an Early Termination Event scenario will vary based on (amongst other things) the timing of the event, Program participation and cost incurred to date. A potential termination scenario may be that the Program is terminated for underperformance after the third Measurement Date (estimated to be in March 2021). In this instance, it is likely that no Outcome Payments will have accrued. It is estimated that in this scenario, Noteholders will receive a payment of \$2.5m in addition to the aggregate Note Coupons previously received of \$1.5m, totalling \$4.0m, or 49% of the Note proceeds not utilised for property purchases.

It is estimated the Program will hold approximately \$0.7m in cash at this point, resulting in Noteholders receiving total cash payments of \$4.7m (or 58% of the Note proceeds not utilised for property purchases). This means that in a worst case scenario and assuming no change in property value, in such a termination scenario, Noteholders are estimated to make a \$3.4m capital loss, which represents 76% of the Aggregate Issue Amount being returned.

“ I believe teenagers are still getting a sense of themselves and still developing mentally, psychologically and socially and for teenagers in care they have had a disrupted life and need support from adults they can form a relationship with, have a positive role model to lead an independent life.”

8. CASH FLOW SUMMARY

8.1. Noteholder Cash Flows

The below table shows the estimated Noteholder cash flows under a “very good” scenario:

SCENARIO:		VERY GOOD								
NOTEHOLDER IRR		7.02%								
\$'000 / FY	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Investment Made	(3,550)	(10,650)	-	-	-	-	-	-	-	(14,200)
Note Coupon	-	497	497	497	497	-	-	-	-	1,988
Property Repayment	-	-	-	-	-	-	6,058	-	-	6,058
Performance Repayment	-	-	-	-	1,395	1,547	3,552	1,648	-	8,142
Performance Bonus	-	-	-	-	-	-	-	673	2,190	2,863
Net Cash Flow	(3,550)	(10,153)	497	497	1,892	1,547	9,610	2,321	2,190	4,851

Under the “very good” scenario, Noteholders are expected to receive \$2.0m in Coupons, as well as \$11.0m in Outcome Payments, resulting in a gain of \$4.8m (assuming no change in property values).

8.2. COMPASS SPE Cash Flow

The below table shows the estimated total cash flows to the Issuer under a “very good” scenario:

SCENARIO: “VERY GOOD”	TOTAL CASH FLOW (\$'000)	COMMENTARY
Government Standing Charge	6,200	Agreed payments from the State as detailed in the Implementation Agreement
Interest Revenue	198	This is an estimate that may change over time depending on prevailing interest rates
Service Provision	(10,184)	Services costs have been determined through a detailed costing exercise conducted by AV and VC
Program Establishment Costs	(393)	Costs relate to the sourcing and onboarding of staff
SPE Management & Administration	(820)	Including the secretariat costs of the SPE including State liaison, finance and reporting
Ongoing Transaction Costs	(563)	Includes independent verification of Outcome Payments and other monitoring costs
Reimbursement of adviser fees	(500)	Includes legal, commercial, tax, data analytics and program design advice obtained by AV and VC throughout the development of the SIB
Note Coupon	(1,988)	As described in Section 7.1 (Coupon Payments)
Total Operating Cashflow	(8,050)	

SCENARIO: "VERY GOOD"	TOTAL CASH FLOW (\$'000)	COMMENTARY
Property Purchases	(6,058)	Property purchase costs have been determined based on the Program's needs in the 3 Catchment Areas
Property Sale	6,058	Actual sale price will be determined by prevailing market rates
Total Investing Cash Flow	-	
Note Drawdown	14,200	
Outcome Payments (from the State)	11,005	Outcome Payments received and paid will depend on the performance of the Program
Note Repayment (Outcome Payments)	(8,142)	
Performance Bonus (Outcome Payments)	(2,863)	
Note Repayment (Property)	(6,058)	Actual sale price will be determined by prevailing market rates
Total Financing Cash Flow	8,142	
Net Cash Flow	92	



9. RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below and other information contained in this IM before making an investment decision. They are not an exhaustive description of every risk associated with an investment in the Notes and the Issuer may be unable fulfil its payment or other obligations under or in connection with the Notes due to factors that the Issuer did not consider to be a material risk based on information currently available or which it may not currently be able to anticipate.

If any of the risks described below (or unlisted risk) actually occurs, the value and liquidity of the Notes may decline, and an investor could lose part of their original 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.

9.1. Program Performance

Noteholder returns will be subject to the outcome levels achieved through the COMPASS Program. If the COMPASS Program fails to achieve certain Outcome Measures, Noteholder returns will be reduced and, in some scenarios, Noteholder subscriptions may not be fully repaid. Neither the Issuer nor AV and VC are able to guarantee the Outcomes that will be achieved by the Program. Prospective investors should carefully review the description of the Program and Outcome Measures in order to determine a view on future performance.

AC and VC have a long history in their respective fields of successfully delivering improved outcomes for disadvantaged young people and homelessness services and have developed the Program based on a thorough literature review and data analysis. Program performance will be carefully monitored by the Issuer, the SPE Board of Directors (see Section 5.1 (COMPASS Governance) for more details) and independently verified.

9.2. Control Group

The Control Group rates of utilisation for State services include the number of occasions support is sought from specialist homelessness services (short term or emergency), the number of presentations at a hospital emergency department and the number of convictions recorded in the justice system. There is a risk that external factors could influence the performance of the Control Group relative to COMPASS Participants (such as a change in Government policy), that could impact the success of COMPASS.

This risk will be mitigated by the use of a contemporaneous Control Group, such that any external factors would likely affect both COMPASS Participants and the Control Group. If the change in the Control Group was as the result of a change in Government policy, this would trigger an Early Termination Event process, which includes a period in which COMPASS will work with the State to develop a means to continue the Program. Should an Early Termination Event be triggered, it will result in a full payment to Noteholders (as described in Section 7.6 - Early Termination Events).

9.3. Referral Volume

Lower than planned to the COMPASS Program referrals would reduce the level of Outcome Payments made by the State (at any given level of performances).

Noteholders are protected against any shortfall in referral volumes through a Referral Shortfall mechanism, whereby any shortfall against the target referral number of 202 will attract a Performance Payment based on the higher of actual performance and “very good”.

9.4. Delay in Program Commencement

The first cohort of Participants is expected to enter into the Program from June 2018 onwards. The timing of the Outcome Payments to be made to the Company by the State are based on the timing and of Participants' entry into (and completion of) the Program, with the first Outcome Payment expected to be made in September 2021. If commencement of the Program is delayed, this could result in investors receiving Outcome Payments later than expected.

Noteholders are expected to continue to receive ongoing cash payments in the event of delay, by virtue of the Note Coupon Payments, which will not cease until March 2022.

9.5. Issuer Credit Risk

The Issuer has no commercial or charitable function other than the prescribed activities under the COMPASS Operations Manual. There is limited recourse by Noteholders against the Issuer. In the event the Issuer has insufficient assets to meet all its financial obligations and liabilities, there is a risk that Noteholders may suffer a financial loss in respect of their original investment.

9.6. Shortfall in Note Subscription Payments

COMPASS will be receiving the Note proceeds over an extended period, in the form of 3 equally ranked tranches, in which, investors are obligated to participate on a proportionate basis. There is therefore a risk that some investors may not meet these subscription requirements, which may result in a shortfall in Note proceeds at the second or third Note Settlement Date.

The Note Issue Documents (described in Section 10.8 (Documents Incorporated by Reference)) incorporate subscription requirements and undertakings, in which any investor who fails to meet the subscription requirement will forfeit their existing holding and rights to future issuances to the Issuer (or its nominee) without any entitlement to any other compensation. The Issuer will then have the right to re-issue these Notes to new or existing investors.

9.7. Service Provider Solvency

The COMPASS SIB is contingent upon AV and VC, in their capacity as Service Providers, to deliver the Program in accordance with the Services Subcontracts. There is a risk that either party could be unable to fulfil their obligations due to insolvency, which would trigger the early termination of the Implementation Agreement.

Both Service Providers have a long history of sustainable social service provision in Victoria. AV was formed in 1997 as an amalgamation of 3 of Victoria's most experienced welfare agencies with a combined experience of 260 years. VC was formed in 2003 as a subsidiary of St Vincent de Paul Society Victoria Inc., an institution with over 60 years history of service provision and is a registered housing provider.

9.8. Housing Supply

The COMPASS Program is a flexible housing model that will allow young people to engage with different housing options depending on their individual circumstances. As a 'gateway' to achieving meaningful improvement across a lot of areas, it is important that the Program can procure appropriate housing that meets the needs of Participants (including purchasing appropriate housing for highly complex cases), in order to achieve positive results in each of the Outcome Measures. The purchase of property as part of the COMPASS SIB minimises risk associated with shortfalls in suitable supply for this cohort through the private market. There is a risk that the Compass SPE may not be able to procure sufficient appropriate properties to meet its objectives.

VC will be the primary Service Provider in relation to COMPASS' property services. VC has substantial experience providing services of this nature in Victoria. It currently head leases 117 properties within a highly regulated environment and has established policies, procedures and systems that meet the Housing Registrar's performance standards. VC maintains a dedicated Procurement Team to identify suitable properties for clients from various cohorts. Members of the Procurement Team have extensive experience and qualification as property brokers and VC will leverage from its successful Head Leasing Program in the private rental market to source head leasing properties for the COMPASS Program. VC possesses a deep capability to source and support high quality private rental solutions for people experiencing or at risk of homelessness as VC is well connected with active relationships with 33 real estate agents. VC also has access to property consultants who will facilitate the purchase of properties on behalf of COMPASS.

9.9. Property Prices

Noteholder returns will be subject to future price risk associated with the residential property market. As part of the Program, COMPASS will purchase \$6.1m worth of residential property (inclusive of transaction costs) in order to provide housing to Participants with highly complex needs. The properties are expected to be sold gradually between Year 5 and the Final Outcome Payment Date, based on the operational needs of the Program during this time. Noteholders will receive the sale proceeds (net of transaction costs) which may or may not exceed their original purchase price and result in either a capital gain or loss.

Neither the Issuer nor AV and VC are able to guarantee the future price outcomes of these residential properties, and prospective investors should carefully consider the medium term outlook for residential property prices.

VincentCare Victoria has substantial experience in property management and there is budgeted expenditure in the COMPASS Program for maintenance and repairs in order to properly maintain fixture and fittings. This also includes all necessary insurance to cover incidental damage, fire and theft to the properties. Whilst no representation can be given on the future price direction of residential property, COMPASS aims to purchase a geographically diversified portfolio at an affordable entry point which may reduce price volatility.

9.10. Reliability and Timeliness of Data

Performance measurement will rely on data to be provided by multiple departments of the Victorian Government. Whilst the Operations Manual includes procedures for data comparison and checking, human error, or delays in the entry and extraction of data for the purpose of calculating the Outcome Measures may result in Outcome Payments being delayed, which may impact Noteholder returns.

The Data used in calculating the Outcome Measures will be both provided and collected by the State. These data are currently used by the State for other purposes with established collection and audit procedures. Any delayed payment from the State (for any reason) will attract a default interest rate equal to the Reserve Bank of Australia target cash rate, plus 5.00%.

9.11. Change in Government Policy

A change in Government policy could potentially impact the COMPASS Program (or the Government's involvement in the Program). If such a change in policy were to impact the Outcome Measures experienced by the Participants or the Control Group, there may be circumstances in which investor returns could be impacted.

In any such scenario, the Issuer will have the ability to terminate the Program and receive a "full payment" from the State if the relevant change has a materially adverse effect on the reasonable expected financial returns to Noteholders under the Implementation Agreement. The Issuer must also comply with the relevant notice and consultation requirements in order to terminate the Implementation Agreement in such circumstances.

For more information, see Section 7.6 (Early Termination Event)

9.12. Enforcement of the Implementation Agreement against the State

If the State does not perform its obligations under the Implementation Agreement, subject to the applicable dispute resolution provisions therein, the Issuer could commence civil proceedings against the State, subject to the Crown Proceedings Act 1958 (Vic) (Crown Proceedings Act). In such proceedings, the proceedings and rights of parties are as near as possible the same, and judgment and costs shall follow or may be awarded on either side, and shall bear interest, as in an ordinary case between subjects of the State.

However, if a judgment is obtained against the State, no execution, attachment or similar process can be issued against the State or any property of the State. Nevertheless, if any judgment is given against the State in such proceedings, the State is obliged to satisfy the judgment out of money legally available. In order to render money legally available, specific appropriation by legislation passed by the Parliament of the State would be necessary before any payment is made, unless the amount involved is such that it could be paid out of funds available under an existing standing appropriation.

9.13. Insurances

To mitigate the risks across the COMPASS SIB and the delivery of the COMPASS Program, the Issuer, Anglicare Victoria, VincentCare Victoria, and any other subcontractors will be required to maintain third party insurance of the type and coverage as set out in the Implementation Agreement and the relevant Services Subcontract. If the relevant insurance carriers fail to perform their obligations or the coverage amount is insufficient, such third party insurance cover may be insufficient for a particular matter or group of related matters and could adversely affect the recovery of amounts by the Issuer in respect of any related claim it may have under the relevant Services Subcontract.

9.14. Comparable investments

Investors may suffer unforeseen losses (including opportunity costs) due to fluctuations in market values making the rate of return on comparable securities or investments more favourable than the rate of return under the Notes.

9.15. Key Personnel

COMPASS is reliant on a number of key personnel employed by the Issuer, and its ability to attract and retain quality staff. The loss of staff members could potentially have an adverse impact on the Program's performance.

Program staffing will be provided by AV and VC through the Services Subcontracts. Both organisations will manage key personnel risk by directly involving a number of senior and experienced people in the management of the Program and will maintain a business continuity plan and a succession plan.

9.16. Modifications and Waivers

The Loan Note Deed Poll Conditions contain provisions for Noteholders to consider matters affecting their interests generally and to agree to modification to the Loan Note Deed Poll. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.

9.17. Tax Advice

The Compass SPE will apply for a tax exemption from the relevant Australian taxes, including income tax, Goods and Services Tax (GST), land tax and stamp duty. For a charitable entity to obtain these tax exemptions, it must be endorsed as tax exempt in those areas by the Australian Taxation Office. The Compass SPE has sought tax advice from KPMG in relation to the tax exemption process and is in the process of preparing the appropriate applications.

Having regard to the purpose of the Compass SPE and its intended activities, the Compass SPE does not expect this process to be protracted or onerous and expects these exemptions to be confirmed in due course.

This IM contains limited and general information in respect of the taxation treatment of an investment in the Notes. Investors should seek their own professional tax advice.

9.18. Legal Investment Considerations

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.

9.19. Note Secondary Trading

The Notes will have no secondary trading market when issued, and may not ever develop. If a market does develop, it may not be liquid. Investors may not be able to sell their Notes easily given illiquidity could have a significant 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.





10. LEGAL NOTICES

10.1. Selling and Distribution

By submitting an Application to the Issuer or its relevant agent an investor applies to purchase Notes in accordance with the Subscription 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 Subscription 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 Subscription Terms, these selling restrictions and under circumstances that will result in compliance by the Issuer or any other person making any additional disclosures or applying for or obtaining additional licences, registrations, authorisations, consents, approvals, lodgements, notifications, filings or any other similar matters from any government, state instrumentality, judicial body or similar body exercising regulatory or public functions.

No action has been taken in any overseas jurisdiction that would permit an offering of any of the Notes or the distribution of the IM or any other offering material.

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 2001* (Cth)) 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 2001* (Cth), (2) does not constitute an offer or invitation to a 'retail client' as defined for the purposes of Chapter 7 of the *Corporations Act 2001* (Cth), (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 *United States Securities Act of 1933* (as amended) (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*) absent registration under the *U.S. Securities Act* or an exemption from registration. The Notes may only be offered and sold in Australia in 'offshore transactions' (as defined in Regulation S under the *U.S. Securities Act*) in accordance with 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.

10.2. Agency and Distribution

The Issuer may agree to pay fees to any trustee or agent for undertaking its 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 Note Agent and may indemnify the Note Agent 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.

10.3. Independent Advice

Investors should be aware that, in some scenarios, no Outcome 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.

10.4. No Offer

This IM does not, and is not intended to, constitute an offer or invitation by or on behalf of any Relevant Party to any person to subscribe for, purchase or otherwise deal in any Notes.

10.5. No Authorization

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 COMPASS Program 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.

10.6. No Independent Verification

No representation, warranty or undertaking, express or implied, is made, and no responsibility is accepted, by any Relevant Party (other than the Issuer, on the terms provided under Important Notices - Responsibility) or, for the avoidance of doubt, the State, 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.

10.7. 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.

However, if the Issuer does in its absolute discretion update or supplement the information in this IM, any such information will be subject to the terms and conditions set out in this IM.

10.8. 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;
- the Services Subcontracts (with certain commercial-in-confidence matters redacted);
- Loan Note Deed Poll, incorporating the Loan Note Conditions;
- Loan Note Subscription Agreement
- 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 supplement to this IM may 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 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.

10.9. Disclaimer – Forward-looking statements

This IM contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believe”, “estimate”, “plan”, “project”, “anticipate”, “expect”, “intend”, “likely”, “may”, “will”, “could” or “should” or, in each case, their negative or other variations or other similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Neither the Issuer nor the Note Agent guarantees that any strategy, plans, objectives, targets, goals, future events or intentions will be achieved. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Relevant Parties, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual Outcomes will not differ materially from these statements.

11. APPLICATIONS

Eligible investors may apply for Notes by submitting an application form that accompanied a copy of this IM.

If you have not received an application form with this IM, you can request one from:

info@compassleavingcare.org.au

The Issuer may in its sole discretion accept or reject an application. Applicants will be informed of the success of their application.

Applications will close 01 June 2018, or any such date as the Issuer may determine. The targeted Financial Close date is 15 June 2018. The offer period may close early, therefore, applicants are encouraged to consider submitting their application as soon as possible.

An applicant cannot withdraw their application once it has been lodged, except as permitted under the *Corporations Act 2001* (Cth).

11.1. Investor Eligibility

An offer to invest in the COMPASS SIB is made only 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 2001* (Cth) is not required to be made; and
- wholesale clients (as defined in section 761 of the *Corporations Act 2001* (Cth)).

11.2. Subscriptions and application

New applications must also provide supporting identification documents as part of the requirements of Anti-Money Laundering and Counter Terrorism Financing Laws (AML/CTF Law) identification or verification procedures conducted by the Issuer or any Relevant Party.

The Issuer may in its discretion accept or reject an application. You will be informed of the success of your application.

Prospective Investors must provide certain information as required by the Issuer as part of the COMPASS SIB identification or verification procedures under AML/CTF Law. A prospective Investor's interest cannot be registered without having provided this information.

The Issuer (or its transaction service providers) may be required to provide to the Australian Taxation Office (ATO), or any other Government department or agency, information regarding prospective Investors, investments, income, or any other information requested by those organisations.



12. GLOSSARY

12.1. Key Terms

AGGREGATE ISSUE AMOUNT	<p>\$14,200,000 in principal amount of the Notes. The principal amount of the Notes will be issued in 3 separate, equally ranked tranches as follows:</p> <table><thead><tr><th>Tranche</th><th>Amount</th></tr></thead><tbody><tr><td>Tranche 1</td><td>\$3,550,000</td></tr><tr><td>Tranche 2</td><td>\$3,550,000</td></tr><tr><td>Tranche 3</td><td>\$7,100,000</td></tr></tbody></table> <p>The denomination of each Note will be \$100</p>	Tranche	Amount	Tranche 1	\$3,550,000	Tranche 2	\$3,550,000	Tranche 3	\$7,100,000
Tranche	Amount								
Tranche 1	\$3,550,000								
Tranche 2	\$3,550,000								
Tranche 3	\$7,100,000								
NOTE	<p>Medium-term Notes offered by the Issuer which are direct, unsubordinated, secured debt obligations limited in recourse to the assets of the Issuer. The Notes will be issued in registered, uncertificated form in 3 equally ranking tranches on the terms and conditions of the Loan Note Deed Poll, together with the relevant supplements.</p>								
NOTE AGENT	<p>To be determined.</p>								
NOTE COUPONS OR COUPON PAYMENT	<p>A half yearly coupon will be paid calculated at a rate of 3.50% per annum on the Aggregate Issue Amount of \$14,200,000. The Coupon Payment will be paid half yearly, between 30 September 2018 and 31 March 2022.</p>								
LOAN NOTE DEED POLL	<p>The Social Impact Bond Loan Note Deed Poll which will be made by the Issuer. The Loan Note Deed Poll sets out the terms and conditions of the Notes and the obligations of the Issuer in relation to them.</p>								
CATCHMENT AREAS	<p>The areas (as defined by the Victorian Department of Health and Human Services) whence COMPASS Participants will be drawn.</p> <p>These areas are described in more detail in Section 2.5 (Catchment Areas).</p>								

<p>COMPASS OR COMPASS PROGRAM OR THE PROGRAM</p>	<p>COMPASS is an innovative, evidence-informed Program designed to improve the lives of out-of-home care leavers. The Program consists of the provision of stable housing, case workers and access to specialised services tailored to each individual to prepare them for independent living.</p>
<p>COMPASS PARTICIPANTS</p>	<p>All eligible individuals who are accepted into the COMPASS Program.</p>
<p>CONTROL GROUP</p>	<p>The COMPASS Control Group will consist of Victorian OOHC leavers who will not participate in the COMPASS Program. The service utilisation of this Group will be tracked contemporaneously alongside that of COMPASS Participants and will be used to as a basis of providing a performance benchmark.</p>
<p>EARLY TERMINATION EVENT</p>	<p>The Implementation Agreement may be terminated prior to its scheduled maturity in various circumstances as further described in Section 7.6 (Early Termination Events). In the event of an Early Termination Event, the State will make an Early Termination Payment to the Issuer based on the terms of the Implementation Agreement. See Section 7.7 (Noteholder Returns following an Early Termination) for more details.</p>
<p>IMPLEMENTATION AGREEMENT</p>	<p>A contract between the State and the Issuer dated 15 February 2018 which is the framework agreement for the COMPASS SIB arrangement. Payments from the State to the Issuer are a combination of a fixed Standing Charge and Outcome Payments based on the performance of the Program relative to a contemporaneous Control Group.</p>
<p>INDEPENDENT CERTIFIER</p>	<p>An independent organisation that is appointed to determine the performance of the COMPASS Program against the Outcome Measures and to validate the calculation of the payments to be made under the Implementation Agreement.</p>

INVESTORS OR NOTEHOLDERS	Any person who is a holder of a Note from time to time.
ISSUER OR COMPANY OR COMPASS SPE	Compass Leaving Care Limited is the Note Issuer. Compass Leaving Care Limited is a company limited by guarantee that is owned jointly by Anglicare Victoria and VincentCare Victoria. It is a special purpose entity that has been established for the purposes of issuing the SIB and contracting with the State.
LIMITED RECOURSE	The assets available to the Issuer to be applied to the payment or repayment of amounts owing under the Notes are limited to the assets of Compass Leaving Care Limited. Investors should note the limitation of liability of the Issuer and indemnity set out in the Loan Note Deed Poll.
OPERATIONS MANUAL	A document that forms part of the Implementation Agreement between the COMPASS SPE and the State that details operational aspects of the COMPASS Program, including Outcome Measurements.
OUTCOME MEASURES	<p>The specific measures that will be used to determine the success of the COMPASS Program for the purposes of calculating Outcome Payments, being:</p> <ul style="list-style-type: none"> • the number of short-term or emergency accommodation “needs identified” instances per person (the Housing Outcome Measure); • the number of emergency department presentations per person (the Health Outcome Measure); and • the number of convictions recorded by courts for individuals relative to the applicable intake cohort (the Justice Outcome Measure). <p>For the purposes of Outcome Measures, “needs identified” is the term as defined in the Australian Institute of Health and Welfare ‘Specialist Homelessness Services Collection Manual’, July 2013.</p>

OUTCOME MEASUREMENT DATES

The dates on which COMPASS will be tested against the Outcome Measures and Outcome Payments are calculated. Outcome Measurement Dates will occur quarterly, commencing at 24 months from the end of the first quarter the first cohort of Participants entered the Program (estimated 30 September 2020) and will end on 30 June 2025.

OUTCOME PAYMENTS

These are payments made by the State to the Issuer based on the performance of COMPASS relating to the 3 Outcome Measures. Outcome Payments will be calculated at each Outcome Measurement Date and will be paid (on aggregate) at each Outcome Payment Date.

OUTCOME PAYMENT DATES

The dates on which the State will make Outcome Payments to the Issuer. Outcome Payment Dates will start 12 months after the first Outcome Measurement Date (estimated 30 September 2021) and will continue every 12 months until the Final Outcome Measurement Date (expected to be 30 September 2025) unless the agreement is terminated or expires earlier. The payment made at the Outcome Payment Date will consist of the aggregate of the 4 preceding Outcome Payments accrued at the Outcome Measurement Dates (but, to avoid doubt, excluding the Outcome Payment for the Outcome Measurement Date that falls on the Outcome Payment Date).

OUT-OF-HOME CARE (OOHC)

Out-of-home care refers to the care provided to a child or young person when there has been an order made under the Children and Young Persons Act 1989 (Vic) to place that child or young person under the care of the Secretary of the DHHS, rather than their family. Types of care provided may include residential care, kinship care and foster care.

PREPARATION DATE	3 May 2018
RELEVANT PARTY	Each of: (i) the Issuer; (ii) the Note Agent; (iii) the Service Providers; and (iv) any person other than the Issuer acting as an Agent from time to time, and Relevant Party means any of them, as the context requires.
SERVICE PROVIDERS	Anglicare Victoria and VincentCare Victoria as the entities contracted to deliver the COMPASS Program.
SERVICE PROVIDER INVESTMENT	Anglicare Victoria and VincentCare Victoria will be participating in the Note with a value of up to \$1,000,000 in total (\$500,000 each).
SERVICES SUBCONTRACT	Agreements to be entered into by the Issuer and the Service Providers, for the delivery of the COMPASS Program. Under this arrangement, the Issuer will use the proceeds of the Note issuance and Standing Charge payments under the Implementation Agreement to make periodic payments to the Service Providers for the delivery of services, on a cost basis.
STANDING CHARGE	An aggregate amount of \$6,200,000 payable by the State paid over 8 instalments between 01 October 2020 and 30 September 2022.
THE STATE	The State of Victoria, acting through the Department of Health and Human Services

SUBSCRIPTION AMOUNTS

Investors must apply for a minimum of 500 Notes and incrementally 100 Notes thereafter, i.e. \$50,000 (and in \$10,000 increments thereafter) in principal amount. Investors must apply for a pro rata number of Tranche 1, Tranche 2 and Tranche 3 Notes. For example, a Noteholder application for a total of 5,000 will consist of:

Tranche 1 1,250 Notes

Tranche 2 1,250 Notes

Tranche 3 2,500 Notes

SUBSCRIPTION TERMS

The terms as set out in the Loan Note Subscription Agreement and Loan Note Deed Poll, incorporating the Note Conditions.

TRANSFERS

Investors should note the transfer restrictions for the Notes, including, without limitation, those set out in the Loan Note Deed Poll, incorporating the Loan Note Conditions. The Issuer's consent is required for any transfer of the Notes.

TAXES & STAMP DUTY

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.

Investors should obtain their own taxation, stamp duty and other revenue advice regarding an investment in any Notes.



Appendices

1. EVIDENCE GUIDED DESIGN

The design of the Program is underpinned by extensive literature review of research and practice evidence both in Australia and overseas, that demonstrates that stable housing provides a 'gateway' to improving outcomes across a variety of domains and that care leavers experience systemic barriers to accessing services and support. For example:

- Research and practice evidence indicates stable housing, complemented by suitable supports, can help care leavers establish a secure base to participate in employment^{xii}.
- Lack of suitable supported housing options are identified by care leavers as a key driver of offending in the post-care period^{xi}.
- Care leavers face systemic and personal barriers to good health^{xiv} and risk-taking behaviour, self-harm and poor access to dental, optical and aural health servicesⁱⁱⁱ.

The Program design has also been informed by ongoing engagement with experience practitioners with day to day contact with young people in out-of-home care and recent care leavers, via a Practice Advisory Group. This group has been meeting throughout the Joint Development Phase to inform development and has provided detailed input into the Operational Manual to ensure effective implementation plans are in place.

The Consortia has also benefitted by the support and guidance of Professor Mark Courtney, Professor of the University of Chicago School of Social Service Administration, an international expert on child welfare issues and policies. His current research includes studies of the adult functioning of former foster children, and of experimental evaluation of independent living services for foster youth. Professor Courtney has provided consultation services and reviewed the Program design. Importantly, AV and VC have also had a number of discussions with young people with experience of leaving the care system, who have provided invaluable insights into the challenges, their own skills and readiness, and the supports that they feel would have helped them in their transition out of care.

Research

Research suggests that gradual, supported transition to independence is likely to improve outcomes for care leavers across multiple life areas, and act as a protective factor against later difficulties^{xv}. The ongoing provision of material and social supports via the proposed intervention– including suitable supported accommodation options – is expected to confer direct and indirect individual benefits on Participants.

- Stable housing is a mediating factor in assisting care leavers overcome past difficulties, with stable and suitable housing after care supporting the development of positive emotional, social, and economic wellbeing for the individual^{xiii}.
- Provision of stable housing for care leavers has been closely linked with improved outcomes across health, social connections, education, and employment^{xv}.

- Lack of suitable supported housing options identified by care leavers as key driver of offending in the post-care period^{xi}
- Research suggests extending care has a positive impact on risk of arrest^{xvi}
- Strong relationships between adolescents and their parents or other caring adults (i.e key worker) are critical to helping youth avoid teenage pregnancy and other risky behaviours^{xii}
- Education and training is a predictor of reduced unemployment and long-term social and economic disadvantage^{xix}

This research has informed the development of the Program logic and detailed Program planning, as outlined in Section 3 (Investment Overview) of this document.

Victorian data analysis

The Joint Development Phase of the COMPASS SIB has also benefitted by the opportunity to conduct detailed actuarial analysis of de-identified administrative data.

Governed by strict protocols to protect client privacy and acting on behalf of COMPASS, permission was obtained to link data across justice, health and social care domains for the first time in Victoria (in the context of social impact investing). This allowed AV and VC to develop a deep understanding of the different risk factors, and of how those risk factors interacted.

While confidentiality requirements prevent the results of this analysis from being released, results supported findings in the published research by showing significant over-representation by young people who had been in care in the justice system, the use of health services including both emergency departments and inpatient health services, and in housing-related datasets.

This analysis has also underpinned the development of performance measures, the approach to stratification of the client group, and the development of the method for designing and determining the Control Group for measurement purposes, as discussed later in this document.

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COMPASS

CONTACT DETAILS

info@compassleavingcare.org.au

