

Arc Social Impact Bond

Information Memorandum
21 June 2023 as updated on 25 March 2024



Important notices

This Information Memorandum (the **IM**) relates to the issue of limited recourse Arc Social Impact Bonds (the **Arc SIBs** or **Notes**) by SVA Nominees Pty Ltd (ACN 616 235 753) (the **Issuer**) in its capacity as trustee for the Arc SIB Trust (ABN 39 880 516 089) (the **Trust**). The Trust is managed by Social Ventures Australia Limited (ACN 100 487 572, AFSL 428865) (the **Trust Manager**).

Capitalised terms in this IM are defined terms. They are listed in Section 12 (*Glossary*) or defined elsewhere in the IM.

No disclosure to investors

This IM is not a prospectus or other disclosure document for the purposes of the Corporations Act. Neither this IM nor any other disclosure document in relation to the Notes has been, or will be, lodged with ASIC. This IM is not required to and does not contain all of the information which would be required to be included in a product disclosure statement or a prospectus.

The Trust Manager has been appointed by the Issuer as an intermediary to make offers to arrange for the issue, variation or disposal of financial products of the Issuer. The offering of the Notes has also not been, nor will be, examined or approved by ASIC. The Issuer has been appointed as an authorised representative of the Trust Manager (authorised representative number 001252051).

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

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

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

Not for distribution or release in the United States

This IM may not be distributed or released in the United States. The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933 (the **US Securities Act**) or under any securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States or to, or for the account or benefit of, any "U.S. person" (as defined in Regulation S under the US Securities Act) absent registration under the US Securities Act or an exemption from registration. The Notes may only be offered, sold, transferred or otherwise disposed of in Australia in "offshore transactions" (as defined in Regulation S under the US Securities Act) in accordance with Regulation S under the US Securities Act.

Responsibility

The Issuer accepts responsibility for the information contained in this IM, other than for (1) the information included in Sections 4.1, 4.2, 4.4, 4.5 and 4.7 (*Arc Program Details*), 5.3 (*Vacro*) and 5.4 (*Key Vacro personnel*) which have been furnished to the Issuer by Vacro, (2) Section 5.5 (*Housing Providers*) which have been furnished to the Issuer by each Housing Provider, and (3) the details of the other persons named in the '*Directory*' section.

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

Herbert Smith Freehills have given their consent to be named in this IM as legal advisers to the Issuer. Herbert Smith Freehills has not authorised or caused the issue of this IM, does not make or purport to make any statement in this IM (or a statement on which a statement in the IM is based), and takes no responsibility for any part of this IM.

Intending purchasers to make independent investment decision and obtain professional advice

This IM contains only summary information concerning the Issuer, the Arc Program and the Notes. It should be read in conjunction with the documents which are expressed to be incorporated by reference in it, in particular, the SIB Deed Poll and the Purchase Deed. Please refer to Section 10.8 (*Documents incorporated by reference*) to access these documents. The information contained in this IM is not intended to provide the basis of any credit or other evaluation in respect of the Issuer or any Notes and should not be considered or relied on as a recommendation or a statement of opinion (or a report of either of those things) by any Relevant Party that any recipient of this IM should subscribe for, purchase or otherwise deal in any Notes or any rights in respect of any Notes.

An investment in the Notes is subject to risks, including loss or delay in the repayment or payment of principal and coupons. Please refer to Section 9 (*Risk Factors*) for more information.

This IM does not describe all the risks of an investment in any Notes or the exercise of any rights in connection with them. Prospective investors should consult their own professional advisers about risks associated with an investment in any Notes and the suitability of investing in the Notes in light of their particular circumstances. Please also refer to Section 10 (*Legal Notices*).

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Foreword

Dear Investor,

Thank you for considering an investment in the Arc Social Impact Bond (**Arc SIB**), which seeks to improve social outcomes for people leaving prison in Victoria who are at risk of homelessness.

As an Investor, you will be funding the working capital of the Arc Program (**Arc** or the **Program**). Arc draws heavily on local and international evidence and has been designed to provide a base for participants to create a new narrative arc for their life, build a new sense of self and move away from patterns of offending. The Program will provide at least three months of planning and connection prior to release from prison, two years of innovative, intensive case management support post-release and, crucially, access to stable housing.

The Arc Program will be delivered by Vacro, a Victorian community reintegration specialist supporting people in contact with the criminal justice system for over 150 years. Arc will draw on Vacro's deep understanding of how disadvantage drives involvement with the criminal justice system, and the role that homelessness plays in this cycle.

The Program will be delivered in partnership with several experienced community housing providers, which we are expecting will include Housing Choices Australia, Beyond Housing, Aboriginal Housing Victoria, Women's Property Initiatives and Uniting among others.

It is anticipated that approximately 387 people will be enrolled in the Arc Program over a 3.25 year period across metropolitan and regional Victoria. Each of these individuals will have served a sentence of at least three months and will be assessed by Corrections Victoria as being at risk of homelessness.

The Program is expected to generate positive outcomes for individuals, their families, the community, and the Victorian Government. The State will make payments to the Arc SIB Trust based on participants' measured reductions in the utilisation of justice, health and homelessness services. The investment returns generated by the Arc SIB will in turn reflect the level of these payments, and in the Target performance scenario, is expected to be approximately 8% per annum.

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



A handwritten signature in black ink that reads "Suzie Riddell".

Suzie Riddell
Chief Executive Officer
Social Ventures Australia

1. Key Terms and Dates

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

1.1 Key Terms: Entities and Contracts

General	
Scenarios	<p>The Scenario determines the number of people expected to be enrolled in the Measurement Group and the calculation of payments from the State to the Issuer. There are two Scenarios:</p> <ul style="list-style-type: none">● Plan Big Scenario: the scenario which applies unless and until a Scale Down Trigger has been determined to have occurred during the Housing Review● Stay Small Scenario: the scenario which applies on and from a Scale Down Trigger that has been determined to have occurred (or deemed to have occurred) during the Housing Review <p>The Scale Down Trigger will occur if the Housing Review concludes that the Housing Agreements (or memorandums of understanding or such other arrangements as approved by both parties) entered into by the Issuer collectively provide in-principle commitment to the supply of 60 or less properties to Arc participants for each annual period commencing on 1 July 2025 and 1 July 2026.</p> <p>The Housing Review will take place following 31 October 2024 with a determination to be made by the State and the Issuer by no later than 31 December 2024 on whether the Scale Down Trigger has occurred. See section 6.2 (<i>Implementation Agreement</i>) for details.</p>
Notes	<p>Medium-term notes offered by the Issuer which are direct, unsubordinated and unsecured debt obligations, limited in recourse to the assets of the Arc SIB Trust.</p> <p>The Notes will be issued in registered, uncertificated form in two tranches, the Tranche 1 Notes and the Tranche 2 Notes on the terms and conditions of the SIB Deed Poll together with the relevant Note Issue Supplement.</p>
Arc SIB objectives	<p>The proceeds from the issue of the Notes will be used to fund the delivery of the Arc Program and related activities. The Program will support people leaving prison in Victoria who are at risk of homelessness, and aims to reduce participants' utilisation of justice, homelessness and health services.</p>
Arc Program or Program	<p>An innovative, intensive case management program for people leaving prison at risk of homelessness. The Arc Program is designed as a three-month pre-release and two-year post-release program with tiered intensity of support alongside access to stable housing on release from prison.</p>

Entities

Arc SIB Trust or Trust

A charitable trust (ABN 39 880 516 089) established under the Trust Deed. The trustee of the Trust has entered into the Implementation Agreement with the State and will use the proceeds of the Notes to fund the delivery of the Arc Program (through the Services Agreement and Housing Agreements) and transaction-related expenses (including the costs and expenses of the Trust and its administration).

Issuer

SVA Nominees Pty Ltd (ACN 616 235 753), a company incorporated under the Corporations Act that is wholly owned by Social Ventures Australia Limited (ACN 100 487 572) (**SVA**), in its capacity as trustee for the Arc SIB Trust.

The Issuer has appointed the Trust Manager as an intermediary to make offers to arrange for the issue, variation or disposal of financial products of the Issuer.

Trust Manager

SVA in its capacity as manager of the Arc SIB Trust.

State

The State of Victoria, acting through the Department of Families, Fairness and Housing (**DFFH**).

Vacro

Vacro (ABN 47 004 426 162) is the party contracted to deliver the Arc Program under the Services Agreement.

Housing Providers

Community housing providers who enter into a Housing Agreement with the Issuer to supply and manage appropriate housing for Arc Program participants. Intended Housing Providers include Housing Choices Australia, Beyond Housing, Aboriginal Housing Victoria, Women's Property Initiatives and Uniting.

Noteholders

'Wholesale investors' (as described in Section 11.3 (*Investor eligibility*)) who have subscribed for the Notes.



Contracts

Implementation Agreement	A contract between the State and the Issuer dated 14 June 2023 as amended by the amending deed dated 13 March 2024 which is the framework agreement for the Arc SIB arrangement, and which incorporates the Partnership Manual. Payments to the Issuer under the Implementation Agreement are a combination of fixed Standing Charge, Outcome and Enrolment Payments. See Section 6.2 (<i>Implementation Agreement</i>) for details.
Services Agreement	An agreement between the Issuer and Vacro dated 11 September 2023 as amended by the amending deed dated 25 March 2024 for the delivery of the Arc Program, under which the Issuer will use the proceeds of the issuance of the Notes and payments received under the Implementation Agreement to make payments to Vacro for the delivery of support services.
Housing Agreements	Agreements to be entered into by the Issuer with each Housing Provider for the supply and management of housing for Arc Program participants. The Issuer will use the proceeds of the issuance of the Notes and payments received under the Implementation Agreement to make payments to Housing Providers for the delivery of housing and related services.
SIB Deed Poll	The Arc SIB Deed Poll entered into by the Issuer in favour of each Noteholder from time to time, as amended by the amending deed poll dated 25 March 2024. The SIB Deed Poll sets out the terms and conditions of the Notes and the obligations of the Issuer in relation to them, and includes the form of the Note Issue Supplements to be made by the Issuer at or around the time of the issue of the Tranche 1 Notes and Tranche 2 Notes.
Purchase Deed	The Arc SIB Purchase Deed made by the Issuer and the Trust Manager as amended by the amending deed dated 25 March 2024 and to be entered into by each investor purchasing Notes subject to the acceptance of its application by the Issuer.
Other documents	In addition to the above documents, the documentation for the Arc SIB arrangement also includes (1) a Direct Deed between the State and Vacro, providing for certain direct rights and obligations of those parties as between themselves, (2) the Trust Deed, which establishes the Trust and (3) the Management Deed, which provides for the management of the Trust by the Trust Manager.

1.2 Key Terms: Implementation Agreement

Measurement

Measurement Group	<p>All eligible individuals who are enrolled in the Arc Program. In respect of the Plan Big Scenario, it is expected that around 387 people will be enrolled over an approximately 3.25 year period, of which approximately 38 will be Enrolled Women.</p> <p>In respect of the Stay Small Scenario, it is expected that around 234 people will be enrolled over a 3.25 year period, of which approximately 23 will be Enrolled Women.</p> <p>See Section 4.3 (<i>Eligibility and enrolment</i>) for details.</p>
Outcome Measures	<p>The specific measures that will be used to determine the success of the Arc Program, including for the purposes of calculating Outcome Payments in respect of Enrolled Men, being:</p> <ul style="list-style-type: none">● the Awarded Sentences in respect of offences committed in the two-year period after an individual is released from prison (Justice Outcome);● the Homelessness Service Periods over the three-year period after an individual is released from prison (Housing Outcome); and● the Emergency Department Presentations over the two-year period after an individual is released from prison (Health Outcome). <p>See Section 4.8 (<i>Performance measurement</i>) for details.</p>

Measurement

Counterfactual Rates	<p>For each of the Outcome Measures, the level of service utilisation that would have been expected in the absence of the Arc Program.</p> <p>The Counterfactual Rates will be a fixed number for each metric and each year after leaving prison, based upon the outcomes of a reference group of individuals meeting the Arc eligibility criteria who are released from prison during the two-year period commencing 1 July 2021. The Counterfactual Rates will also be specific to population sub-segments so that baseline outcomes appropriately reflect the mix of individuals enrolled in the Program.</p> <p>See Section 4.8 (<i>Performance measurement</i>) for details.</p>
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Payments¹

Standing Charge	<p>In respect of the Plan Big Scenario, a fixed amount of \$13 million payable by the State to the Issuer in four equal instalments.</p> <p>In respect of the Stay Small Scenario, a fixed amount of \$7.969 million payable by the State to the Issuer in two instalments of \$3.25 million and two instalments of \$734,500.</p>
Outcome Payments	<p>Payments made by the State to the Issuer based on the level of improvement in each of the Outcome Measures for Enrolled Men, relative to the Counterfactual Outcomes. Outcome Payments can vary between nil and:</p> <ul style="list-style-type: none">• \$16.9 million in the Plan Big Scenario; and• approximately \$10.4 million in the Stay Small Scenario. <p>See Section 7.3.2 (<i>Outcome Payments</i>) for further details.</p>
Enrolment Payments	<p>Payments made by the State to the Issuer based on the total number of Enrolled Women, including any 'deemed' enrolments resulting from lower than planned referrals to the Arc Program. Enrolment Payments can vary between nil and:</p> <ul style="list-style-type: none">• \$3 million in the Plan Big Scenario; and• approximately \$1.9 million in the Stay Small Scenario. <p>See Section 7.3.3 (<i>Enrolment Payments</i>) for further details.</p>
Termination Payments	<p>The Implementation Agreement may be terminated prior to the expiry of its term in various circumstances as further described in Section 6.2 (<i>Implementation Agreement</i>). In this event, a Termination Payment is payable to the Issuer based upon the circumstances and timing of the termination and measured Program performance to that point. See Section 7.6 (<i>Payments on termination</i>) for further details.</p>
Cap on Payments	<p>The overall maximum payments under the Implementation Agreement is \$30 million in the Plan Big Scenario and approximately \$18.4 million in the Stay Small Scenario.</p>

¹ All payment amounts are exclusive of GST.

1.3 Key Terms: Notes

Subscription

Aggregate Issue Amount

The Aggregate Issue Amount will be determined based on the applicable Scenario. Following the conclusion of the Housing Review, the Issuer will notify each Investor no later than 31 January 2025 whether the Plan Big Scenario or the Stay Small Scenario applies. In both Scenarios, the denomination of each Note is \$100.

Scenario	Plan Big Scenario	Stay Small Scenario
Aggregate Issue Amount	\$9,000,000 in principal amount of the Notes	\$5,508,000 in principal amount of the Notes (61% of the Plan Big Scenario)
Tranche 1 Notes	\$2,250,000 in principal amount (25% of the Aggregate Issue Amount)	\$2,250,000 in principal amount (41% of the Aggregate Issue Amount)
Tranche 2 Notes	\$6,750,000 in principal amount (75% of the Aggregate Issue Amount)	\$3,258,000 in principal amount (59% of the Aggregate Issue Amount)

Minimum Subscription Amount

Investors must apply to subscribe for a minimum of \$50,000 in principal amount, i.e. 500 Notes comprising 125 Tranche 1 Notes and 375 Tranche 2 Notes.

Tranche 2 Notes Subscription Undertaking

Under the Purchase Deed, investors in the Notes irrevocably undertake to subscribe an allocation of Notes, comprising 25% Tranche 1 Notes and 75% Tranche 2 Notes in the Plan Big Scenario (and 41% Tranche 1 Notes and 59% Tranche 2 Notes in the Stay Small Scenario). Payment of the purchase price for the Tranche 2 Notes will be required between 1 May 2025 and 30 June 2025.

If an investor does not pay the purchase price for the Tranche 2 Notes that it has subscribed for, all of its Tranche 1 Notes will be automatically transferred to the Issuer (or its nominee) at a discounted capital price of 50% of the outstanding principal amount of those Notes (and without any entitlement to any other compensation, including that no amount of any interest or other amount that has accrued in respect of such Notes will be paid or payable to the Investor). Prior to the issue of the Tranche 2 Notes, any Tranche 1 Note may only be transferred if the Noteholder remains bound and the transferee becomes irrevocably bound by the Tranche 2 Notes Subscription Undertaking.

See clause 3 (*Tranche 2 Notes Subscription Undertaking*) of the Purchase Deed for further details.



Payments

Fixed Coupons A nominal 3% per annum coupon is payable within 10 Business Days of each of Determination Dates 1, 2 and 3 (30 June 2025, 2026 and 2027).

The first Fixed Coupon is only payable in respect of Tranche 1 Notes as the Tranche 2 Notes will be issued after Determination Date 1.

Performance Coupons A variable amount payable within 10 Business Days of each of Determination Dates 4, 5 and 6 (30 June 2028, 2029 and 2030) or the Early Redemption Date if occurring earlier, which is determined as each Noteholder's pro rata share of the Distributable Trust Assets at the relevant date. Performance Coupons are subject to an overall maximum of \$5,500,000 in the Plan Big Scenario (and \$3,370,000 in the Stay Small Scenario).

See Section 7.1 (*Coupon Payments*) for further details.

Mandatory Redemptions Within 10 Business Days of Determination Dates 4 and 5, a proportion of each Noteholder's Notes will be redeemed at their principal value.

The number of Notes redeemed will be determined as each Noteholder's pro rata share of the Redeemable Trust Assets at the relevant date, subject to rounding for whole Note denominations. The Issuer may elect to redeem the Tranche 1 Notes, the Tranche 2 Notes or both Tranches.

The maximum principal amount of the Notes that may be redeemed in relation to Determination Dates 4 and 5 collectively is \$8,100,000 in the Plan Big Scenario and \$4,957,200 in the Stay Small Scenario (90% of the Aggregate Issue Amount in each respective Scenario).

Redemption on maturity or termination Within 10 Business Days of the Scheduled Maturity Date or the Early Redemption Date (if one occurs), all outstanding Notes will be redeemed from the Redeemable Trust Assets at their outstanding principal amount.

If Redeemable Trust Assets are less than the aggregate outstanding principal amounts of all Notes then on issue, the redemption amount will be each Noteholder's pro rata share of the Redeemable Trust Assets.

General

Limited recourse The assets available to the Issuer to be applied to the payment or repayment of amounts owing on the Notes are limited to the assets of the Trust available to the Issuer.

Investors should note the limitation of liability of the Issuer and indemnity set out in clause 11.5 (*Limited recourse*) of the SIB Deed Poll.

Transfers Investors should note the transfer restrictions for the Notes, including, without limitation, those set out under clause 4 (*Title and transfer*) of the SIB Deed Poll.

Fees and expenses Management Fees payable to SVA and fees incurred by SVA, the Issuer and Vacro in respect of the establishment and termination of the Arc SIB will be paid for by the Trust. All other Trust expenses will be paid by SVA out of its Management Fee. Details of the fees can be found in Sections 6.6 (*Management Deed*) and 7.4 (*Other cash flows impacting Noteholder returns*).

Taxes and 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.

Investor Reporting Annual performance and social impact reporting will cover Program outcomes and payments to Noteholders.

Key Risks Details concerning certain key risks of investing in the Arc SIB are set out in Section 9 (*Risk factors*).

1.4 Key Dates

Milestone	Date
Applications open	From 1 July 2023 to such date as the Issuer may determine. Applications will close once aggregate accepted subscriptions reach \$9,000,000, or earlier as determined by the Issuer.
Financial Close	Target 14 May 2024 The date upon which Tranche 1 Notes are issued, which will occur once all conditions precedent set out in clause 4.2 (<i>Conditions to each issue of the Notes</i>) of the Purchase Deed have been satisfied.
Tranche 1 Subscription Amounts payable	Date of application. Subscription amounts will be held in a non-interest bearing proceeds account until the Notes are issued.
Tranche 2 Subscription Amounts payable	No later than 5.00pm (Sydney time) on 30 June 2025.
Calculation Dates	30 June and 31 December each year from 31 December 2025 to 31 December 2029 inclusive (9 Calculation Dates).
Determination Dates	30 June each year from 2025 to 2030 inclusive (6 Determination Dates).
Scheduled Maturity Date	30 June 2030



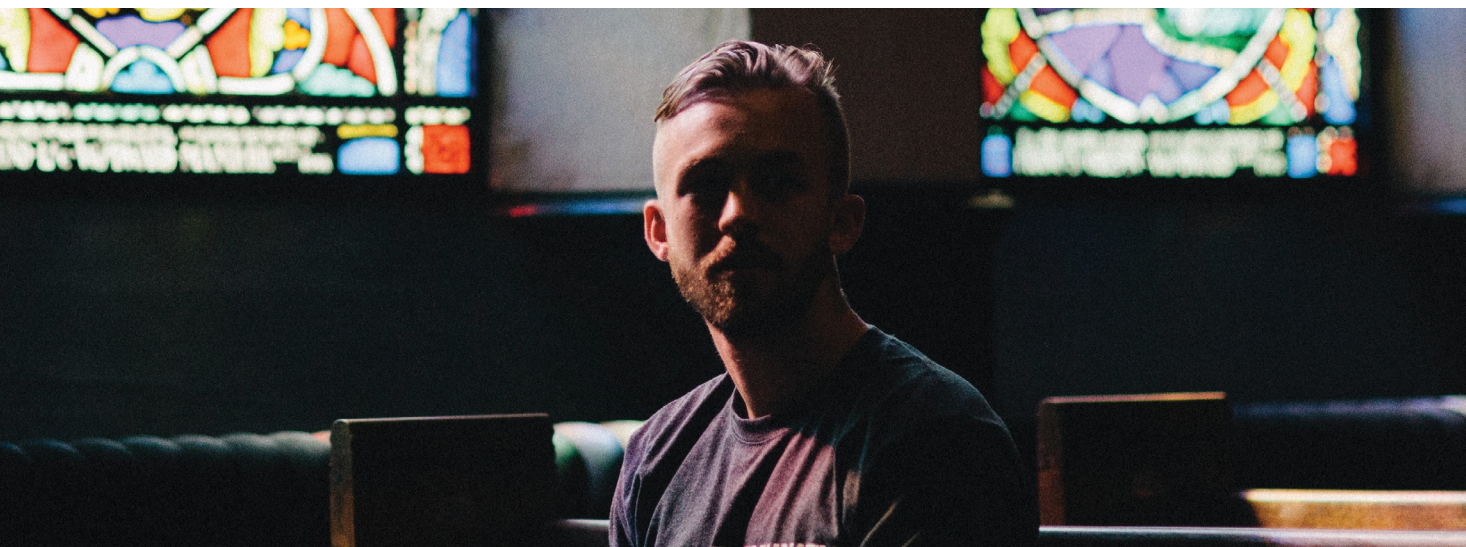
2. The Arc SIB in context

2.1 SVA's Social Impact Bonds

SVA is proud of the pioneering work it has done in the social impact bond sector in Australia. The Arc SIB is the ninth social impact bond that SVA has launched over the last decade, including Australia's first SIB, the Newpin Social Benefit Bond.

Table 1: SVA's Social Impact Bonds

SIB	Target area	Delivery partner	Status	Investor return
Newpin SBB (NSW, 2013)	Children in out-of-home care (OOHC)	Uniting NSW.ACT	Matured (services continued under follow-on contract)	10% pa
Aspire SIB (SA, 2017)	Adults experiencing homelessness	Hutt St Centre	Service delivery	Projected 14% pa
Resolve SBB (NSW, 2017)	Adults experiencing mental ill-health	Flourish Australia	Service delivery	Projected 3% pa
Newpin Qld SBB (Qld, 2017)	Children in OOHC	UnitingCare Queensland	Terminated early	7% pa
Sticking Together SIB (NSW, 2018)	Young people with high barriers to employment	SYC	Terminated early (services continued under follow-on contract)	-3% pa
Side by Side SIB (Vic, 2020)	Children disengaging from education	Berry Street and VACCA	Service delivery	Target 6% pa
Foyer Central SIB (NSW, 2021)	Young people at risk of homelessness who have been in OOHC	Uniting NSW.ACT	Service delivery	Target 6% pa
Newpin SA SIB (SA, 2021)	Children in OOHC	Uniting Communities	Service delivery	Target 6% pa



2.2 Social impact investment in Victoria

The Victorian Government is committed to supporting the social impact investment market through the Partnerships Addressing Disadvantage initiative. Four social impact investments have been launched to date, including:

- the Journey to Social Inclusion (J2SI) social impact investment, which aims to improve outcomes for people experiencing chronic homelessness;
- the COMPASS Social Impact Bond, which aims to improve outcomes for young people transitioning from care to independent living;
- the Living Learning Social Impact Bond, which aims to improve outcomes for young people aged 15 to 21 living with a mental health condition who are disengaged from traditional schooling; and
- the Side by Side Social Impact Bond, which aims to improve outcomes for students in early primary school.

In December 2021, the State released a Request for Proposals calling for innovative social impact investment proposals in the area of people exiting justice settings who are homeless or at risk of homelessness. Vacro and SVA submitted a proposal and were subsequently invited to participate in a joint development phase, which commenced in mid-2022.

The Department of Families, Fairness and Housing is the lead government agency for the Arc SIB and has been instrumental in the implementation of social impact investments in Victoria. Corrections Victoria (**CV**), within the Department of Justice and Community Safety, is a key delivery partner for the Arc SIB, with responsibility for referring eligible individuals to the Arc Program. The Department of Treasury and Finance (**DTF**) is a key implementation partner for the Arc SIB, working closely with DFFH.



"Victorians leaving prison are at a very high risk of homelessness, that makes it even harder for them to build a stable, healthy life and find a job. That's why we're supporting a new program to reduce homelessness and reoffending and improve health outcomes. Arc Partnership Addressing Disadvantage aims to break the cycle, giving housing support and the chance of a new life to people who are starting over. This means fresh hope for people exiting the justice system, and better outcomes for their children and their families"

The Hon. Tim Pallas MP, Victorian Treasurer

3. Investment overview

3.1 Introduction

The Arc SIB provides investors with an opportunity to help break the cycle of reoffending and homelessness.

This impact investment will raise capital to fund the delivery of the Arc Program in Victoria. Arc is an intensive pre- and post-release program that facilitates access to stable housing on release for people who have served a sentence of at least three months and are assessed as being at risk of homelessness.

The Arc Program draws on Vacro's deep understanding of the interaction between criminal justice system involvement and personal, social and structural disadvantage. It draws heavily on local and international evidence to provide a base for participants to create a new narrative arc for their life, build a new sense of self and move away from patterns of offending and homelessness.

An investment in the Arc SIB is expected to deliver competitive risk-adjusted financial returns to Noteholders over its term. Coupon Payments and the repayment of principal amounts are linked to the measured performance of the Arc Program, and in particular the Program's success in reducing interactions with the justice system, homelessness services and crisis health services, relative to the counterfactual.

Arc SIB: Targeted financial and social outcomes²



- Approximately **387 individuals enrolled** in the Arc Program over a 3.25 year period in the Plan Big Scenario, of which **38 are Enrolled Women**
- Approximately **234 individuals enrolled** in the Arc Program over a 3.25 year period in the Stay Small Scenario, of which **23 are Enrolled Women**



- 12.5% reduction in **Awarded Sentences** relative to baseline



- 45% reduction in the number of **Homelessness Service Periods** relative to baseline



- 15% reduction in the number of **Emergency Department Presentations** relative to baseline



- **\$28.5 million in payments by the State** to the Arc SIB Trust in the Plan Big Scenario, comprising \$13 million Standing Charge payments, \$13 million Outcome Payments and \$2.5 million Enrolment Payments
- **\$17.4 million in payments by the State** to the Arc SIB Trust in the Stay Small Scenario, comprising \$8 million Standing Charge payments, \$8 million Outcome Payments and \$1.5 million Enrolment Payments

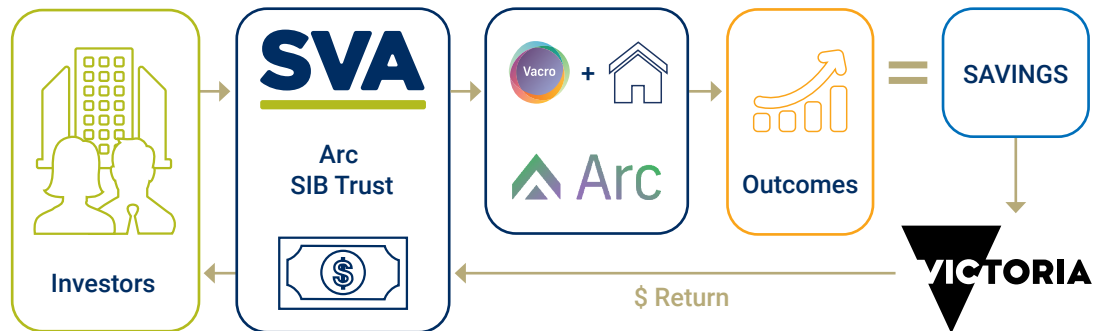


- **\$3.3 million Coupon Payments** to Noteholders in the Plan Big Scenario, comprising \$0.6 million Fixed Coupons and \$2.7 million Performance Coupons
- **\$2.1 million Coupon Payments** to Noteholders in the Stay Small Scenario, comprising \$0.4 million Fixed Coupons and \$1.7 million Performance Coupons
- Internal rate of return over the Note term of **8.3% per annum** in both the Plan Big Scenario and the Stay Small Scenario

² Investors should note that neither the Issuer nor the Trust Manager gives any guarantee or assurance that the targeted outcomes or amounts in this table will be achieved.

3.2 Structure overview

Figure 1: Arc SIB structure overview



The State has entered into a contract (the Implementation Agreement) with the Issuer that will, if successful, have a positive impact on the individuals engaged in the Arc Program, and reduce future costs to the Victorian Government through a reduction in the utilisation of government services.

The level of payments from the State to the Issuer is dependent upon (among other things) improvements in measured participant outcomes relative to a counterfactual, on the terms agreed between the State and the Issuer under the Implementation Agreement.

To fund the Arc Program during the period prior to the receipt of Outcome Payments from the State, the Issuer is offering Arc SIB Notes to investors, pursuant to the terms and conditions of the SIB Deed Poll. Other than the Fixed Coupons, payments to Noteholders are determined by the balance of Trust Assets, and are thus directly linked to the performance of the Arc Program. Other influences include the amounts paid to Vacro and Housing Providers, and earnings on cash balances in the Trust. Details of how these payments are calculated can be found in Section 7 (*Calculation of payments*).

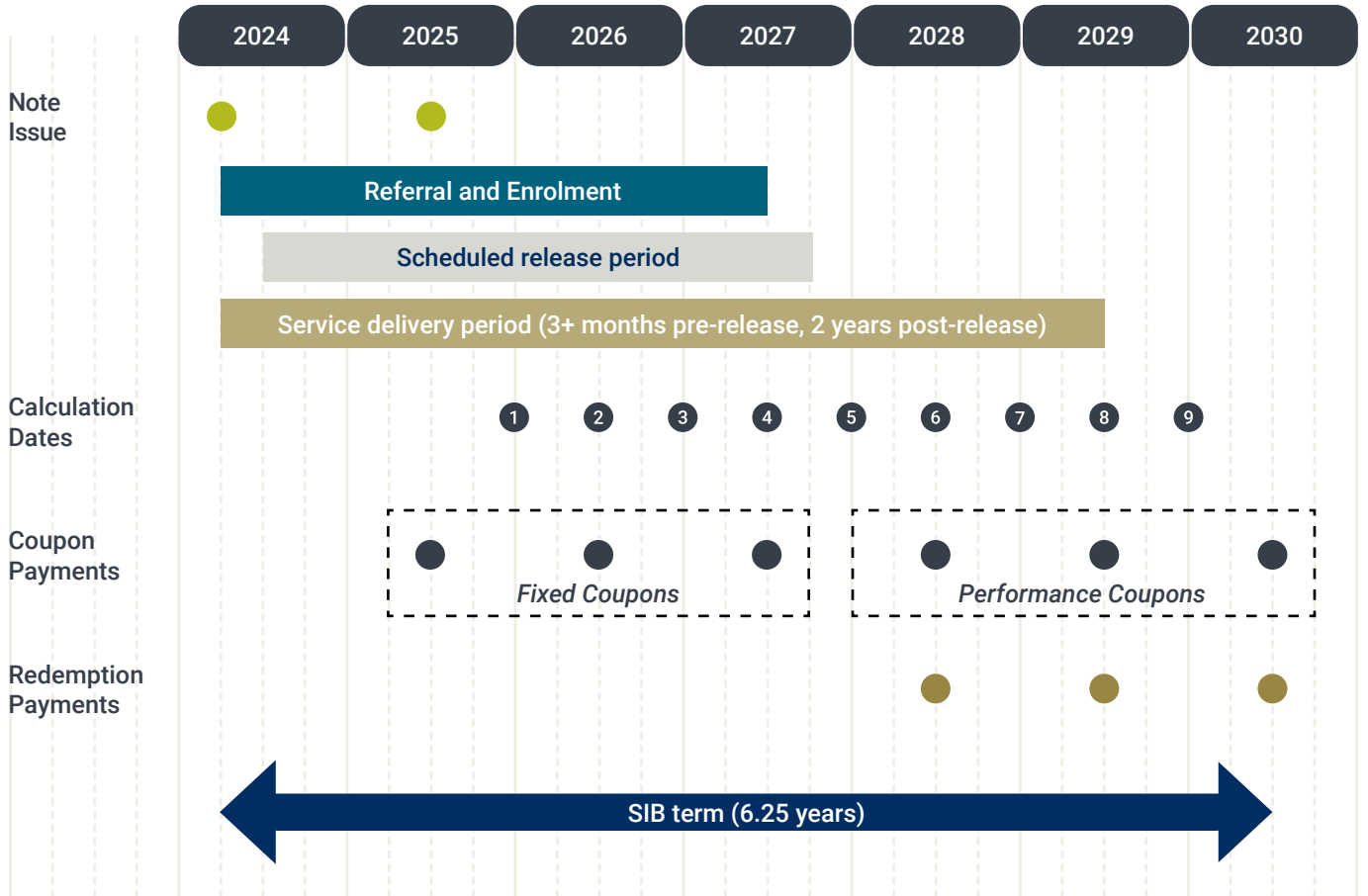
A summary of the contracts underpinning these arrangements can be found in Section 6 (*Transaction structure and key documents*).



3.3 Timeline overview

The term of the Arc SIB is approximately 6.25 years (dependent upon Financial Close), and key dates are set out in Figure 2.

Figure 2: Arc SIB timeline





4. Arc Program details

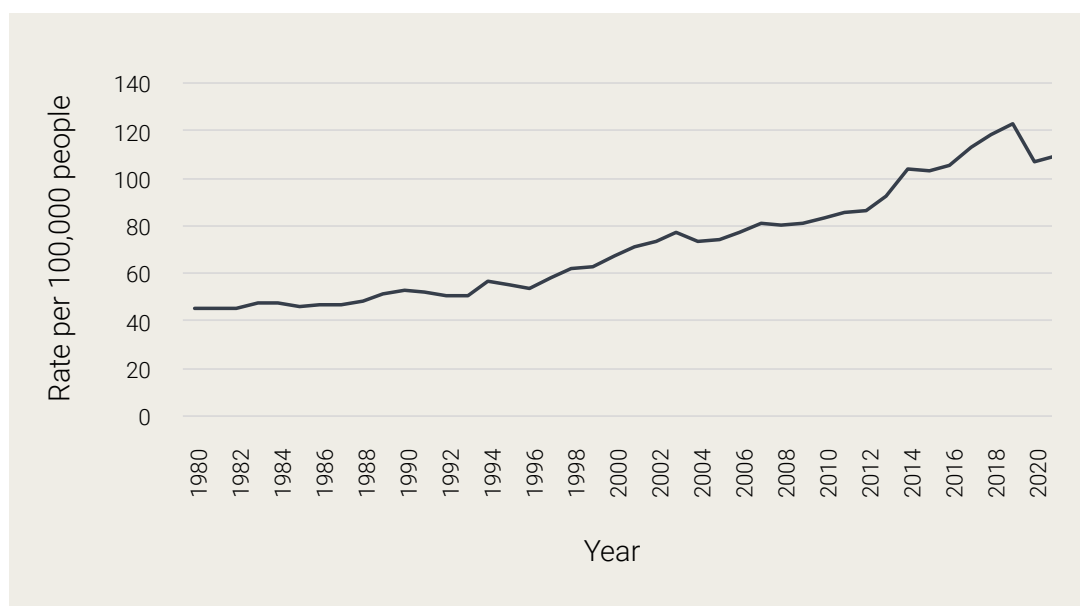
4.1 Social context

In Australia, more than half of people leaving prison face homelessness on releaseⁱ and almost half are reincarcerated within two years.ⁱⁱ There is clear evidence linking these two statistics: experiencing homelessness increases the risk of imprisonment,ⁱⁱⁱ and experiencing imprisonment increases the likelihood of homelessness.^{iv} The reasons for the relationship between homelessness and imprisonment are complex and include the higher levels of surveillance experienced by people who are living outside of a conventional home and the common causes of homelessness and offending (for instance problematic drug and alcohol use and mental illness).^v

Despite clear data outlining the cyclical relationship between incarceration and homelessness, and a growing understanding of best practice internationally in how to respond to this relationship, specialist housing and case management support for people exiting prison remains a significant gap in the service sector landscape.

Recent years have seen a considerable expansion of Victorian prison populations, notwithstanding a decrease in imprisonment rates during the Covid-19 period.

Figure 3: Imprisonment rate per 100,000 people for Victoria^{vi}



During this time, there has also been growing investment in programs intended to reduce re-offending. However, as valuable as these programs are, they have limited capacity to improve outcomes for people who do not have anywhere to live, do not have any access to financial resources, and are socially and emotionally isolated. There is a need for services that respond directly to these factors on release.

Breaking entrenched cycles of reoffending among high-risk populations requires an approach that understands the underlying social and structural issues. It must build prison leavers' capacities, create opportunities for greater social and economic participation and help them move away from the criminal justice system and into safe, stable accommodation.

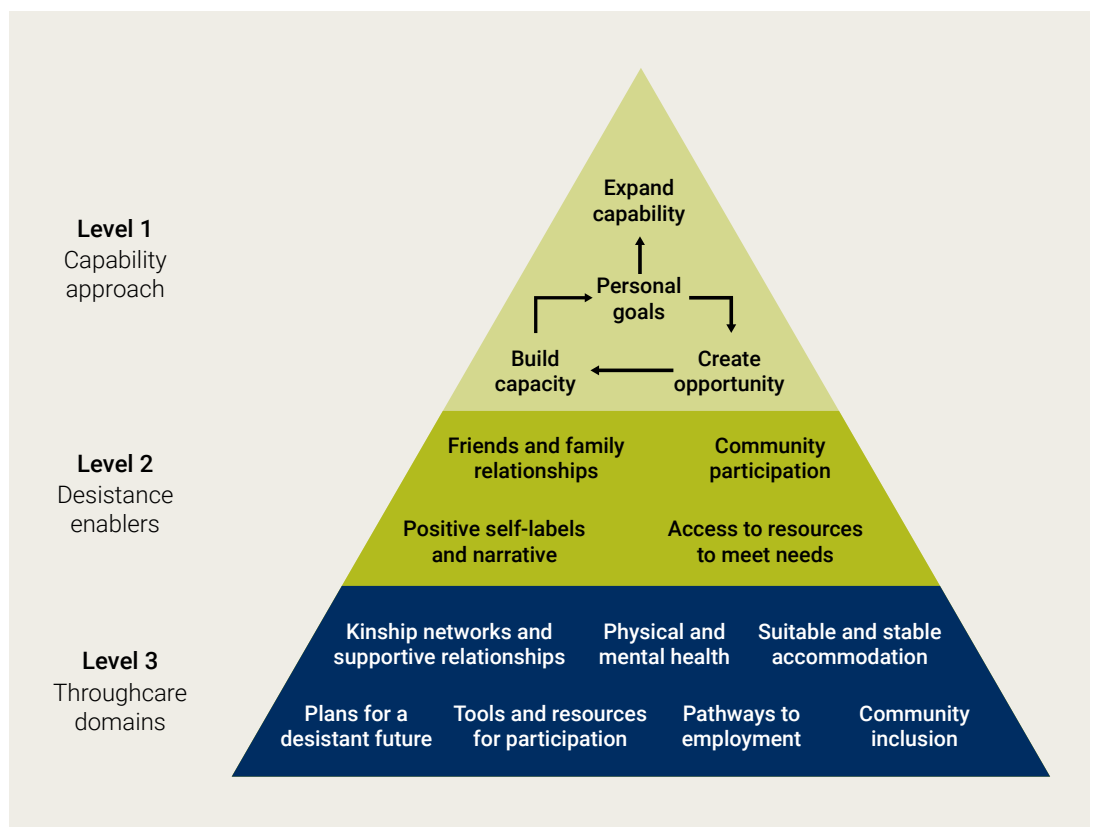
4.2 Arc Program background

Arc’s program logic is informed by Vacro’s comprehensive knowledge of the interaction between criminal justice system involvement and the multiple forms of disadvantage, of which homelessness is a primary contributor.

The Arc Program is grounded in Vacro’s^{vii} innovative reintegration practice framework, which incorporates three elements that are considered essential for reintegrating people in contact with the criminal justice system:^{viii}

Level 1	Capability approach	Every person has a range of capabilities they can choose to exercise in different ways; the fundamental role of programs like Arc is to expand the opportunities open to participants to live a life that they value, and to develop participants’ capabilities to take advantage of those opportunities.
Level 2	Desistance theory	Desistance theory is based on research into how and why people stop offending. It provides an evidence base for how people create a new, positive narrative about their future and what is required to support that narrative, maximising their chances of successful reintegration.
Level 3	Throughcare model	Throughcare is the process of delivering continuous care for people in prison from when they are incarcerated until after their release, when they have support networks in the community. Critical elements include continuity of program structures and relationships with service staff.

Figure 4: Arc Reintegration Practice Framework



See Section 4.5 (*Program details*) for information about how each throughcare domain is expressed in the Arc Program.

"When the Victorian Government announced a new Partnership Addressing Disadvantage to address the housing crisis for people leaving prison, we immediately saw the potential to finally close a yawning gap.

The people we work with plan to find a job, reconnect with their children, address their mental health issues and much more when they leave prison. And it's not just about meeting their basic needs. It's about defining a new role for themselves, in their family and friendship groups, and in their community.

But it is impossible to make those plans a reality without housing, and more than half of all prison leavers face homelessness. We see many of our current program participants founder as we try to find accommodation when social housing is chronically under-resourced and the private rental market is unaffordable.

Arc brings together everything that evidence – and our experience – tells us is necessary for success. A place to live on release from prison; a world-first practice framework that understands the many factors that help people not just access the things they need but also bring to life the new narrative they've created for themselves; and a two-year support timeframe that covers the period that people need to make lasting change.

Our aim is not just to help the 387 people who will enrol in this program. It is to demonstrate that this model is the best way to assist people leaving prison, with the aim of changing reintegration support in Victoria forever."

Marius Smith, Chief Executive Officer Vacro



4.3 Eligibility and enrolment

Eligibility

To be enrolled in the Measurement Group, an individual must meet the following eligibility criteria, or be agreed to be eligible by the parties:

- aged 18 years or more;
- serving a court-ordered sentence with a scheduled release date that is at least three months after the date of referral and before 30 September 2027;
- not on remand for a separate matter;
- at risk of homelessness;
- intends to reside in one of the Arc service locations; and
- not eligible for the Community Support Program (an intensive support program for some prisoners who have committed serious violent or sex offences).

An individual will be deemed to be at risk of homelessness if their Corrections Victoria Reintegration Assessment Tool accommodation need is scored as a '1' (women only), '2' or '3':

- A score of 3 indicates that the individual does not have any accommodation options upon release or that they have a proposed accommodation option which presents a safety or family violence risk for them;
- A score of 2 indicates that the individual's proposed accommodation arrangement is crisis/emergency accommodation only, or is not considered prosocial; and
- A score of 1 indicates the proposed housing arrangement is considered prosocial but there are potential long term housing stability concerns.

Based on historical data, it is estimated that each year there will be around 550 eligible individuals released from prison.

Enrolment

Potential participants will be referred to the Arc Program by CV staff at the relevant correctional facility at least 3 months prior to their release.

Arc Program staff will confirm the individual's eligibility (in particular their preferred post-release location) and gain their consent to commence pre-release planning and engagement. Critically, Arc Program staff will also work with Housing Providers to identify suitable housing options. A housing plan will be developed with the individual's input into preferred location and characteristics and, wherever possible, suitability of specific properties.

Enrolment is contingent upon Program capacity and housing availability in the individual's preferred location, and the individual consenting to their housing plan and ongoing outcome measurement.

Once formally enrolled, the individual will be included in the Measurement Group and their outcomes will be included in the determination of the Program's performance regardless of the level of their subsequent engagement with the Program. It is anticipated that over the two-year support period around 10% of enrolled individuals will stop actively participating in the Program for a variety of reasons, including moving out of the service area, disengagement and death. Of this group, it is expected that 2% of enrolled individuals will disengage soon after their release, and will not take up Arc housing and support.

4.4 Scale and location

The planned scale of the Arc Program will depend on the Scenario that applies as determined during the Housing Review (taking place from 1 November 2024 and to be concluded by no later than 31 December 2024).

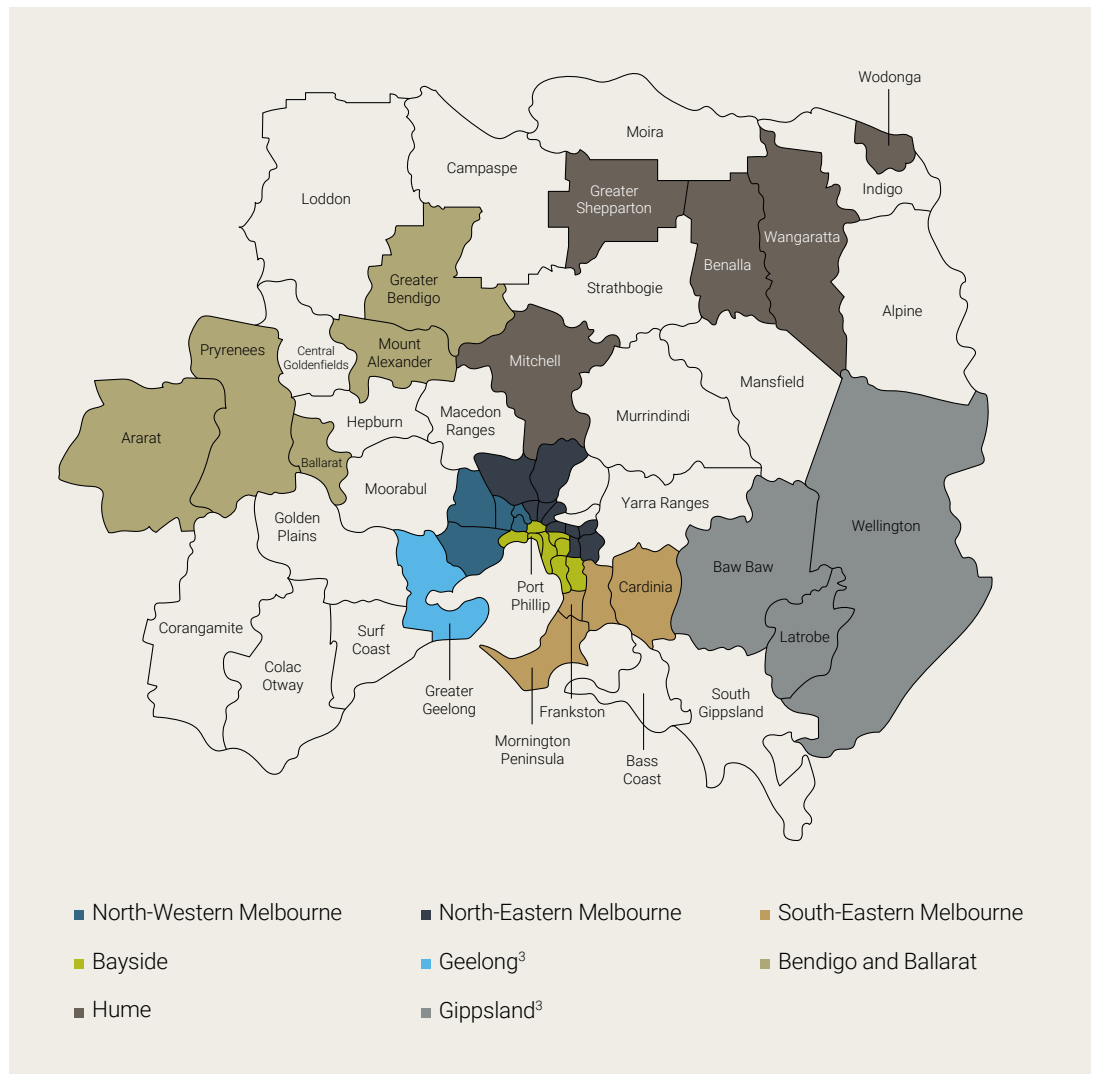
In respect of the Plan Big Scenario, it is planned that the Arc Program will enrol approximately 387 eligible individuals (around 72 people in the first year and around 140 people each year thereafter, or one-quarter of the eligible pool).

In respect of the Stay Small Scenario, it is planned that the Arc Program will enrol approximately 234 eligible individuals (around 72 people each year, or one-eighth of the eligible pool).

Referrals can be made by all correctional centres in Victoria except Ravenhall Correctional Centre and Judy Lazarus Transition Centre. Enrolled individuals will be released from prison over a 3.25 year period commencing at the start of July 2024.

Services are expected to be delivered in the following geographic clusters:

Figure 5: Service delivery regions



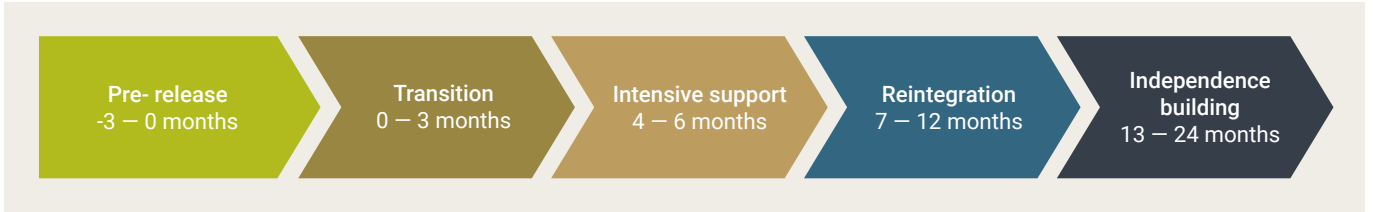
It is anticipated that around three-quarters of enrolled individuals will reside in the Melbourne metropolitan area in the Plan Big Scenario, with the remaining quarter in regional areas (in the Stay Small Scenario it is anticipated that a larger proportion of enrolled individuals will reside in the Melbourne metropolitan area).

³ Subject to a Housing Provider being able to supply properties in these regions.

4.5 Program details

The Arc Program is designed as a minimum three-month pre-release and two-year post-release program with tiered intensity of support. Every journey will be unique, and the level of support will be adjusted to reflect the strengths and needs of each participant. The general phases of the Arc Program are as follows:



Figure 6: Arc Program phases



Pre-release phase (3+ months)

The initial focus of the Program will be building trust and rapport, and expanding on the work already done with Vacro’s ReLink program or another similar program. Participants will be assisted to develop a transition plan across each of the throughcare domains in the Arc reintegration practice framework. The participant’s housing will be confirmed during this phase.

The key throughcare domains during this phase are:

	<p>Domain 1: Suitable and stable accommodation</p>
<p>Arc will work with Housing Providers to identify safe, functional and suitable properties for participants. Ideally, housing will have enough space to accommodate family where appropriate and be close to relevant community supports, transport and services. The housing will be safe and located in areas with prosocial neighbours.</p>	
	<p>Domain 2: Plans for a desistant future</p>
<p>Arc will work with participants prior to release to develop a coherent, prosocial identity and optimistic plan for social and economic participation. The Program will encourage and motivate participants to identify who they want to be and develop self-belief that desistance is possible.</p>	



Transition phase (3 months)

This phase will focus on supporting participants through the post-release period, as well as responding to common post-release crises.

In most cases, Arc will transport participants from the prison gate to their new home, and then will be in contact with participants daily during the first week post-release. Arc will assist participants to attend vital appointments and acquire basic necessities using a brokerage allowance.

Community supports will be established to provide integrated care responses to crises (for example, relapse into drug and alcohol use) and assist participants to plan their finances and connect with family and friends where appropriate. Where relevant, liaison with CV will facilitate the establishment of a routine to support the successful completion of parole.

The key throughcare domains during this phase are likely to be:



Domain 3: Tools and resources for participation

Arc will support participants to access identification documents and technology to enable social and economic participation (for example, email, social media, navigation and public transport applications, myGov and internet banking).



Domain 4: Physical and mental health

Arc will support participants to define their health goals and establish healthy routines, recognising that physical and mental health is critical for social and economic participation. This may include building capabilities to prepare healthy meals and recognise signs of drug and alcohol use or mental health relapses. Arc will also arrange access to clinical supports, alcohol and other drug counselling, and community health care. Arc's NDIS System Navigator and Mental Health Worker will support relevant applications and connections.

Intensive support phase (3 months)

This phase will focus on self-care, building participants' life skills and connecting them with opportunities that are unrelated to the criminal justice system. This will also involve improving participants' responses to trigger events, as well as maintaining their tenancy.

While some participants will begin to focus on pathways into the community and employment, the key throughcare domain for most participants will likely be:



Domain 5: Kinship networks and supportive relationships

Arc will support participants to repair strained relationships, develop healthy new connections and relationships, and establish appropriate boundaries with individuals who increase the risk of re-engaging with antisocial behaviour. This may include learning to comply with intervention and child protection orders, and accessing behaviour change programs, parenting courses and family counselling.

Reintegration phase (6 months)

During this phase, participants will consolidate their progress, pursue more ambitious goals and continue to be forward thinking about desistance from crime. Intensity of Arc case management will gradually reduce as participants gain trust in their care team and confidence in their ability to live in the community in an engaged and productive manner.

The key throughcare domains for participants will be:

Domain 6: Community inclusion



Arc will support participants to access prosocial activities that give them purpose, such as sporting clubs, arts groups and Aboriginal Community Controlled Organisations, whilst fostering participants' social skills for participation, including inclusive attitudes to diversity. Arc will provide meaningful opportunities for participants to contribute their lived experience to Vacro projects.

Domain 7: Pathways to employment



Some participants are expected to be 'job ready' on release and Arc will support them to access employment through Vacro's Second Chance Jobs program and Jobs Victoria Employment Service agencies.

Other participants will need to work towards being 'job ready' with the support of Arc. At the right time for each participant, Arc will support participants to engage in training and education, obtain relevant licenses, clothing and equipment required to work, and develop their resume, job search and interview skills.

For some participants with significant mental ill-health conditions or disabilities where employment may not be a realistic goal, Arc will support them to live fulfilling lives by focusing on the other domains.

Independence building phase (12 months)

As participants build their independence, contact with Arc will gradually reduce based on the needs of each participant. This process will not be linear, and case managers will reduce or increase their contact as needed to deal with circumstances as they arise.

This phase will focus on transition planning and establishing a suitable long-term housing pathway. Review of a participant's responsible tenancy capabilities, future income, life skills and potential for further change will form the basis of their housing transition plan, which may involve a move into independent rental, social housing or return to family. Liaison with Housing Providers on housing transition plans will be critical to successful housing outcomes.

Amy's Story⁴

"Sure, I have a real and proper roof over my head now, and life is going well, but it's been a long road to get here. I'm not sure where I'd be if I hadn't been connected to my Vacro case manager along the way.

It's true, I've been in prison a few times. The second-last time I was diagnosed with schizophrenia and border-line personality disorder, so when I was released from prison without any support, I guess it wasn't a surprise when I ended up back in custody only 14 days later. But you know what? That was one of the best things that could have happened to me because that's when my case manager came into my life.

She took the time to understand me and what I needed. Then, she connected with me with the NDIS and other services that help with my mental health. Thanks to her, I have a good relationship with the people who gave me my transitional house and I'm looking forward to a positive future."

⁴Vacro ReConnect participant. The participant's name has been changed to protect their privacy.

4.6 Housing

The Arc Program is grounded in the 'Housing First' principle of immediate access to accommodation. It is intended that each participant will be provided with stable housing by a Housing Provider upon their release from prison. During the pre-release period, the Arc team will liaise with the Housing Providers and participants to identify suitable housing.

Arc will work closely with Housing Providers to support participants to build capability to maintain their tenancy. Once a participant has a plan for stable housing post-release, Arc will support them to plan for and establish a suitable long-term housing pathway (this could be private rental, social housing, living with family or kin or another independent living arrangement).

Properties provided by Housing Providers will come from a range of sources, including properties head leased by Housing Providers from the private market and properties owned by the Housing Providers.

Owned properties

Where possible, Arc participants will be 'matched' with a suitable property that is owned by the Housing Provider, subject to property availability and the individual meeting tenancy requirements (such as being on the Victorian Housing Register, or **VHR**). The Arc SIB Trust will pay Housing Providers an annual utilisation fee on each property.

It is anticipated that for some individuals the best long-term solution will be to remain in social housing, but the Arc Program will support all participants to explore and develop pathways to independent accommodation.

It is estimated that in the Plan Big Scenario, 35% of housed participants will be in a Housing Provider-owned property (and 50% in the Stay Small Scenario), at an average cost to the Arc SIB Trust of \$3,100 per tenancy.

Head lease properties

Where a suitable Housing Provider-owned property is not available, housing will typically be sourced through head lease arrangements. The Housing Provider will enter into a lease on the commercial market, and will sub-let the property to the Arc participant. The Arc SIB Trust will cover the gap between the market rent and the amount the tenant can pay (generally 25% of their income, plus Commonwealth Rent Assistance). The Trust will also pay Housing Providers an annual management fee on each property, and will cover vacancy costs and certain damages. Leases will be a maximum of 18 months and will not be extended. The focus will be on assisting tenants to take over the lease directly, or plan for a transition to alternative long term accommodation.

Participants placed into a head lease property as part of the Arc Program will not be removed from the VHR, to ensure that a social housing offer for long term housing is maintained as an option (subject to availability).

It is estimated that in the Plan Big Scenario, 65% of housed participants will be in a head lease property (and 50% in the Stay Small Scenario), at an average cost to the Arc SIB Trust of \$34,800 per tenancy (and \$31,300 per tenancy in the Stay Small Scenario).

Jake's Story⁵

"Before release from prison, I was excited about restarting my life, you know, reconnecting with my kids and getting back into my old place. When I got out, I learned it had been so damaged that I couldn't live in it. My case manager organised a hotel so at least I had somewhere to stay. I just wanted to be in my own space, where I could put down roots and restart my life.

Being in the hotel was difficult. Not having a regular community around, I felt like I didn't belong anywhere and couldn't see my kids. My case manager was my one support. When he learned I'd been missing parole appointments, he talked to my officer about what was making me feel down to make sure I didn't go back to prison for breaching parole conditions.

My case manager was with me all the way, from me completing parole to moving back into my old place. Even though I didn't have a whole community around me, that one person made a positive difference, not just in my life, but in the lives of my children, too."

⁵ Vacro ReConnect participant. The participant's name has been changed to protect their privacy.

4.7 Program management

Arc will have a dedicated Program Manager reporting to Vacro's Executive Director of Programs. The Arc Program Manager will oversee:

- Arc **Case Managers**, who will directly support participants to achieve their goals. They will have an average caseload of 16 participants. Senior case managers (with a half caseload) will each support a cluster of around 4-5 case managers. These clusters will support each other in implementing the Reintegration Practice Framework and will provide back-up for complex issues and short-term absences.
- Two **Housing Coordinators** in the Plan Big Scenario (or one Housing Coordinator in the Stay Small Scenario) who will be the primary relationship holders with the Housing Providers. The Housing Coordinators will work with Housing Providers to identify available housing stock, and with Case Managers to support individuals as they transition into and out of Arc-supported housing.
- A specialist **Mental Health Worker** and an **NDIS System Navigator**, who will develop referral pathways to mental health and disability services in each region and build Case Manager capacity to respond to participants' needs.
- A **Data Analyst** to ensure rigorous data collection. The analyst will report into Vacro's Strategic Research and Evaluation Designer, who will oversee data collection, management and reporting.

At full scale, Vacro will employ around 24 FTE staff to deliver the Arc Program in the Plan Big Scenario (or around 13 FTE staff in the Stay Small Scenario).

The performance of the Program will be monitored by the Joint Working Group, a governance committee comprising representatives from SVA, Vacro, DFFH, DTF and CV.

A Housing Working Group will also be established with representatives of each of the Housing Providers, which will monitor and plan for the housing needs of the Program.

4.8 Performance measurement

Outcome Measures

The specific Outcome Measures that will be used to determine the success of the Arc Program for the purposes of calculating Outcome Payments are as follows:

- **Justice Outcome: Awarded Sentences**
 - Relating to offences committed in the two-year post-release period
 - Sensitive to both frequency and severity of reoffending behaviour
 - Sentence length for any offence is capped (provisionally at three years) to avoid the distorting impact of outliers
 - Estimated sentences for open cases at each Calculation Date will be included in the determination of Awarded Sentences (based upon past sentencing rates), with estimates replaced by actual outcomes as cases are finalised
- **Housing Outcome: Homelessness Service Periods**
 - Recorded over the three-year post-release period
 - A 'service period' is counted as any calendar month in which the individual accesses one or more homelessness services and has their status recorded as homeless
- **Health Outcome: Emergency Department Presentations**
 - Recorded over the two-year post-release period
 - Number of presentations is capped (provisionally at 8) to avoid the distorting impact of outliers

In addition to these payment metrics, a wide range of measures will be tracked to gain a deeper insight into the Program's impact and progress against assumptions. In particular, reporting on the housing status of individuals will facilitate analysis of how well the Program supports individuals into stable private housing arrangements that are outside the social housing system.

Counterfactual

Counterfactual Rates

The Counterfactual Rates will be determined based on an analysis of the Awarded Sentences, Homelessness Service Periods and Emergency Department Presentations for a reference group of individuals meeting the Arc eligibility criteria who are released from prison during the two-year period from 1 July 2021 to 30 June 2023.

The reference group timing has been chosen on the basis that it is not materially impacted by Covid-19 disruptions, reflects the contemporary policy and service environment, and avoids the challenges of a reduced eligible pool size that would flow from an overlap with Program enrolments.

The analysis of reference group outcomes will be performed after 30 June 2025, when two years' post-release data will be available, and will be reviewed the following year when a third year of data is available for the full group.

Counterfactual Rates will be specific to:

- each Outcome Measure;
- each year post-release; and
- each cohort segment.

A segment-specific approach has been adopted to ensure that the counterfactual flexes with the characteristics and complexity of the individuals who are enrolled. The cohort segments will be determined during the reference group analysis process, based on an assessment of which characteristics are the strongest predictors of differentiated outcomes. It is anticipated that no more than three factors will be selected to create meaningful segments, and each factor will have no more than three possible values (for example, low, medium or high re-offending risk). Potential segmentation factors that will be assessed include (but are not limited to):

- Needs assessment score from the CV reintegration assessment tool;
- Risk of re-offending score from the CV level of services suite of assessments;
- age bracket;
- whether the individual identifies as Aboriginal or Torres Strait Islander; and
- the length of the sentence the individual is serving.

Counterfactual Outcomes

The Counterfactual Outcomes will be determined at each Calculation Date based on the total number of individuals in the Measurement Group, their segment, and the number of measured years (time since their release) for each of them.



Illustrative Counterfactual Outcomes example

At Calculation Date 4, Oliver has been out of prison for 1 year and 9 months. His cohort segment is High Needs/Medium Risk, which has the following Counterfactual Rates (*illustrative only*):

Outcome Measure	Year 1	Year 2	Year 3
Justice (Awarded Sentences)	3.9 months	2.5 months	n/a
Housing (Homelessness Service Periods)	2.0	1.6	1.5
Health (Emergency Department Presentations)	3.2	2.6	n/a

Oliver's Counterfactual Outcomes are:

- Justice: $3.9 + 2.5 \times 9/12 = 5.775$ months Awarded Sentences
- Housing: $2.0 + 1.6 \times 9/12 = 3.2$ Homelessness Service Periods
- Health: $3.2 + 2.6 \times 9/12 = 5.15$ Emergency Department Presentations

These figures are aggregated with those of all other Enrolled Men to determine the overall Counterfactual Outcomes.

At Calculation Date 5, Oliver's Counterfactual Outcomes will increase to reflect the fact that he has been in the Measurement Group for an additional 6 months.

Outcome Improvement

The reduction in service utilisation for each Outcome Measure will be determined at each Calculation Date in respect of all Enrolled Men:

$$\text{Outcome Improvement}^6 = \frac{\text{Counterfactual Outcomes} - \text{Recorded Outcomes}}{\text{Counterfactual Outcomes}}$$

The Recorded Outcomes at each Calculation Date are the total that have occurred for each Outcome Measure up to that point. The Recorded Outcomes, and each Outcome Improvement, are determined on a cumulative or 'program to date' basis to reduce the impact of year-to-year statistical volatility.

Enrolled Women

The female prison population is considerably smaller than the male prison population and it is anticipated that around 10% of Arc participants will be Enrolled Women, with a target of 38 individuals in the Plan Big Scenario (or 23 individuals in the Stay Small Scenario).

The two populations also have distinctly different service utilisation patterns after release from prison. The small size of the female Arc cohort means that measured outcomes are highly susceptible to statistical error. For this reason, Enrolled Women will not be included in outcomes measurement for the purposes of determining Outcome Payments, although their outcomes will be tracked and evaluated.

Instead, an Enrolment Payment will be made by the State to the Issuer in respect of total number of Enrolled Women. See Section 7.3.3 (*Enrolment Payments*) for further details.

⁶ This formula applies to each of Justice Improvement, Housing Improvement and Health Improvement.

4.9 Performance scenarios

A range of performance scenarios have been developed and agreed between SVA, the State and Vacro. Investors should note that:

- there is no guarantee that the Target objectives will be met;
- Outcome Improvements will occur along a continuum; these scenarios have been selected for illustrative purposes only; and
- the outcomes for each metric will vary independently (for example, the Justice Improvement may be tracking Below Target while the Housing Improvement is tracking Well Above Target).

These outcome scenarios are summarised in Table 2 below.

Table 2: Performance scenarios

Scenarios	Under-perform	Well Below Target	Below Target	Target	Above Target	Well Above Target	Out-perform
Justice Improvement	3%	6.25%	9.5%	12.5%	15.5%	18.75%	22%
Housing Improvement	12.5%	25%	35%	45%	55%	65%	75%
Health Improvement	3.75%	7.5%	11.25%	15%	18.75%	22.5%	26.25%
Enrolled Women (Plan Big Scenario)	33	35	37	38	39	41	43
Enrolled Women (Stay Small Scenario)	21	22	23	23	23	24	25

The Target performance scenario has been determined based on an assessment of the results achieved by other SIB programs as well as drawing on domestic and international literature. There is evidence that illustrates that well-implemented reintegration programs that are grounded in a capability approach and desistance theory, and adopt a throughcare model and housing first principles, can lead to reduced reoffending, better housing outcomes and reduced contacts with the health system.

A sample of relevant comparison programs, and a high-level summary of their impact, is set out in Table 3 on the following page. These summaries represent SVA's interpretation only, and investors are encouraged to conduct their own assessment of the literature. Investors should also note that some programs have small sample sizes, or address populations that differ from the Arc target cohort.

Vacro has demonstrated through its ReConnect program⁷ that it can support strong outcomes for clients who wish to create a new, crime-free life:^{xvii} Of the participants who nominated goals in a particular domain in 2021/22, Vacro's records indicate that:

- 60% of participants achieved stable housing for more than two months
- 32% of participants secured employment
- 33% of participants enrolled in and attended an educational course or training delivered by a registered training organisation
- 58% of participants reported progress maintaining contact with positive family supports and social groups
- 59% of participants achieved their goals with respect to accessing and maintaining treatment for alcohol and drug use
- 46% of participants achieved their goals with respect to accessing and maintaining mental health support
- 82% of participants developed stronger independent living skills

⁷ ReConnect is a post-release reintegration support for an average of 6 months funded by Corrections Victoria, which does not include provision of housing. Participants were men serving 12 months or more in prison and who had highly complex transition needs, and all women in prison.

Table 3: Comparator program outcomes

Program / Study	Comparable outcome improvement			Overview
	Justice	Housing	Health	
Aspire SIB (South Australia)^{ix}	35%	71%	28%	A three-year intensive case management support grounded on a housing first approach for people experiencing chronic homelessness (38% reported previous justice interaction). Outcome metrics included number of convictions, emergency accommodation periods and hospital bed days relative to a fixed baseline based on prior service utilisation.
Denver Supported Housing SIB (Colorado, USA)^x	26%	40%	18%	An assertive community treatment model of intensive clinical treatment, support, and case management delivered alongside a housing first approach for people experiencing homelessness and frequent interactions with the criminal justice system. Outcome metrics included number of gaol stays, shelter visits and emergency medical services relative to a control group.
One Service SIB (Peterborough, UK)^{xi}	9%	-	-	Pre- and one-year post release support delivered to short-sentence offenders by a consortium of service providers. Outcome metrics include reoffending relative to a matched control group.
Journey to Social Inclusion Phase 2 (Victoria)^{xii}	9%	-	11%	A three-year assertive and intensive case management support grounded on a housing first approach for people rough sleeping. Outcome metrics included number nights spent in prisons and emergency department visits relative to a control group (self-reported data).
OnTRACC SII (New South Wales)^{xiii}	-6%	-	-	A one-year post release support for people serving a parole supervision order and assessed with a medium to high risk of reoffending. Outcome metrics included proportion of people reconvicted, reimprisoned and returning to custody relative to a comparison group.
CRC Transition & Reintegration Programs (New South Wales)^{xiv}	62%	-	-	A three-month pre-release and 18 month post release intensive case management model deployed across a number of programs to support people leaving prison. Outcome metrics included number of proven offences and days in custody relative to prior to engagement with the program).
Re-Entry Housing Pilot Program (Washington, USA)^{xv}	39%	30%	-	An intervention for up to 12 months post-release with access to housing for high risk, high need people being released from prison without a place to live. Outcome metrics included the proportion of the group reconvicted and the proportion of the group with at least one period of homelessness.

5. Key parties



5.1 Social Ventures Australia

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

SVA is a not-for-profit organisation that works with partners to alleviate disadvantage – towards an Australia where all people and communities thrive. SVA influences systems to deliver better social outcomes for people by learning about what works in communities, helping organisations be more effective, sharing our perspectives and advocating for change.

5.2 Key SVA personnel



Kirsten Armstrong – Director, Impact Investing

Kirsten leads SVA's SIB and outcomes-based contracting practice area. Prior to joining SVA in 2023 Kirsten led the health practice at analytics consultancy Taylor Fry. Kirsten is an accomplished actuary and adviser, and has advised on major health and insurance system reforms in several countries. While working for the Fred Hollows Foundation she helped create the world's first healthcare development impact bond. Kirsten is a non-executive director of disability provider Northcott and of NSW's workers compensation insurer, icare.



Patrick Bollen – Associate Director, Impact Investing

Patrick joined SVA's SIB and outcomes based contracting practice area in 2020. He has supported the ongoing management of the SVA SIB portfolio and the development of new SIBs and outcomes-based contracts. Patrick previously worked as a management consultant, where his focus was helping government agencies to operationalise outcomes-focused commissioning approaches and policy reforms. He has also worked as a banking and financial services lawyer and as an accountant. Patrick holds a Bachelor of Laws (Hons) and a Bachelor of Commerce (Accounting) from the University of Adelaide. He also holds a Graduate Diploma of Legal Practice.



5.3 Vacro

Vacro is a not-for-profit organisation with a core purpose of supporting new beginnings for clients of the correctional system and their families, and building safer and stronger communities. Established in 1872, Vacro operates across every region in Victoria and is Victoria's only specialist reintegration organisation in the criminal justice sector.

Vacro delivers a range of programs and supports, including ReLink (a pre-release reintegration support funded by Corrections Victoria), ReConnect (a post-release reintegration support for up to 9 months funded by Corrections Victoria), Second Chance Jobs (job-readiness support pre-release, linking people with a 'job at the prison gate' and post-release reintegration support for up to 12 months co-funded by Corrections Victoria), and various parent and family programs.

In FY23 Vacro supported 818 participants to prepare for release from prison; employed around 68 staff; and had annual revenue of \$6.0 million and net assets of \$2.7 million.

5.4 Key Vacro personnel



Marius Smith – Chief Executive Officer

Marius joined Vacro in 2019 as CEO after developing the Castan Centre for Human Rights Law into a globally respected human rights policy, public education, and research hub where he led an extensive research project on the use of force in all forms of detention and co-founded the Indigenous Group of Learning at Port Phillip Prison.

Marius has worked as a lawyer at commercial law firms, worked with refugees in the Philippines, and managed an aid and development program in Sudan and Eritrea. Marius is a member of the Management Committee of the Disability Discrimination Legal Service.



Franceyne Cottier – Executive Director of Programs

Franceyne oversees Vacro's extensive participant-facing teams, including the ReLink and ReConnect programs, and the Time to Work Employment Service.

With extensive management experience spanning CPA Australia and the Victorian Government's Department of Justice and Community Safety, Franceyne is a Fellow of the Institute of Managers and Leaders and holds a Certificate IV in Government (Investigations and Statutory Compliance), as well as a Certificate IV in Workplace Assessment and Training.

Franceyne draws on her extensive experience in operational, team, and corporate management to benefit her team, their clients, and the wider community.



Melanie Field Pimm – Executive Director of Development

Melanie has led the design, development, and funding of new Vacro projects and services since 2012. Melanie has significant experience in case management, project management, and in the design and implementation of service responses for families, children, and women exiting prison. Holding a Bachelor of Social Work and a Bachelor of Arts, Melanie has a deep passion for and commitment to improving responses and outcomes for people involved in the criminal justice system. Melanie continues to be involved in sector research and advocacy groups throughout Victoria.



Dr Aaron Hart – Strategic Research and Evaluation Designer

Aaron has led the development of Vacro's organisational theory of change, program logics, monitoring and evaluation plans, program evaluations and organisational frameworks. Prior to joining Vacro in mid-2020, Aaron co-authored evaluations and contributed to service development and research projects in the Brotherhood of St Laurence Research and Policy Centre.

Aaron holds a PhD in Sociology and is an Industry Fellow in Social Policy at the University of Melbourne's School of Social and Political Sciences. He has published peer reviewed research on drug and alcohol issues, social policy, homelessness and aged care.

5.5 Housing Providers



Housing Choices Australia

Housing Choices Australia (**Housing Choices**) is an independent, national, not-for-profit housing provider that delivers high quality affordable housing for people on low to moderate incomes and for people with disability. Housing Choices own or manage over 7,400 properties across Australia, with more than 2,300 properties in Victoria.

Housing Choices has significant experience and expertise in managing housing for high-risk tenancies for vulnerable populations as well as participating in innovative housing and funding models, such as the Journey to Social Inclusion PAD, Aspire SIB, Homelessness to Home and Nightingale projects.

Housing Choices will provide housing to participants supported by the Arc Program across metropolitan areas.



Beyond Housing

Beyond Housing is a homelessness support service and community housing organisation providing regional Victorians with a pathway to home. Committed to preventing and ending homelessness, addressing housing affordability, and fostering housing stability, Beyond Housing believe in Home. Not homeless.

Beyond Housing deliver inclusive services, solutions and partnerships that have real social impact. Each year Beyond Housing support over 6,400 people and families through homelessness and housing support services, including people exiting prison through partnerships with Beechworth Correctional Facility, Dhurringile Prison, and the Department of Justice and Community Safety.

Beyond Housing currently owns and/or manages over 730 safe, secure homes for more than 1,300 people, with 305 more homes in the pipeline.

Beyond Housing will provide housing to participants supported by the Arc Program across regional Victoria, particularly in the Hume region.



Aboriginal Housing Victoria

Aboriginal Housing Victoria (**AHV**) is the largest Aboriginal registered housing agency and developer in Victoria. AHV is responsible for managing over 1,500 rental properties and providing appropriate, affordable and culturally safe accommodation for over 4,000 Aboriginal and/or Torres Strait Islander people. AHV is also the lead agency for Mana-na worn-tyeen maar-takoort (Every Aboriginal Person Has a Home), the Aboriginal Homebuyers Fund and the Aboriginal Private Rental Assistance Program in Victoria.

AHV endeavour to ensure that every Aboriginal person has a home through a capable and secure system that improves lives.

AHV will be the lead Housing Provider to provide housing to Aboriginal and Torres Strait Islander people enrolled in the Arc Program.



Women's Property Initiatives

Women's Property Initiatives (**WPI**) is a not-for-profit community housing provider. WPI creates new beginnings for women and children at risk of homelessness by providing permanent and affordable homes, access to support networks and ongoing advocacy. WPI's mission is to build a secure future for women and children in need by developing and providing good quality, long term, affordable housing. Secure and affordable homes help to break the intergenerational cycle of poverty and provide a foundation for happy and healthy lives.

WPI currently owns and manages 119 high quality homes accommodating more than 270 women and children and manages an additional 140 affordable rental properties on behalf of other organisations.

WPI will provide housing to women enrolled in the Arc Program.



Uniting

Uniting Housing (Victoria) (**Uniting**) is a registered community housing provider. Uniting provides safe, secure and affordable homes to individuals in housing stress, who are homeless or at risk of homelessness. Uniting's housing is widespread and covers metropolitan, regional and rural parts of Victoria.

Uniting provides inclusive housing services and, through its partnership with Uniting Vic.Tas, has the unique ability to offer a place-based, integrated service delivery model to its renters, connecting people with the supports they need. Increasing housing supply is Uniting's priority and it works in partnership to achieve this, as well as addressing the diverse range of housing needs across Victoria.

Uniting will provide housing to participants supported by the Arc Program across metropolitan and regional areas.

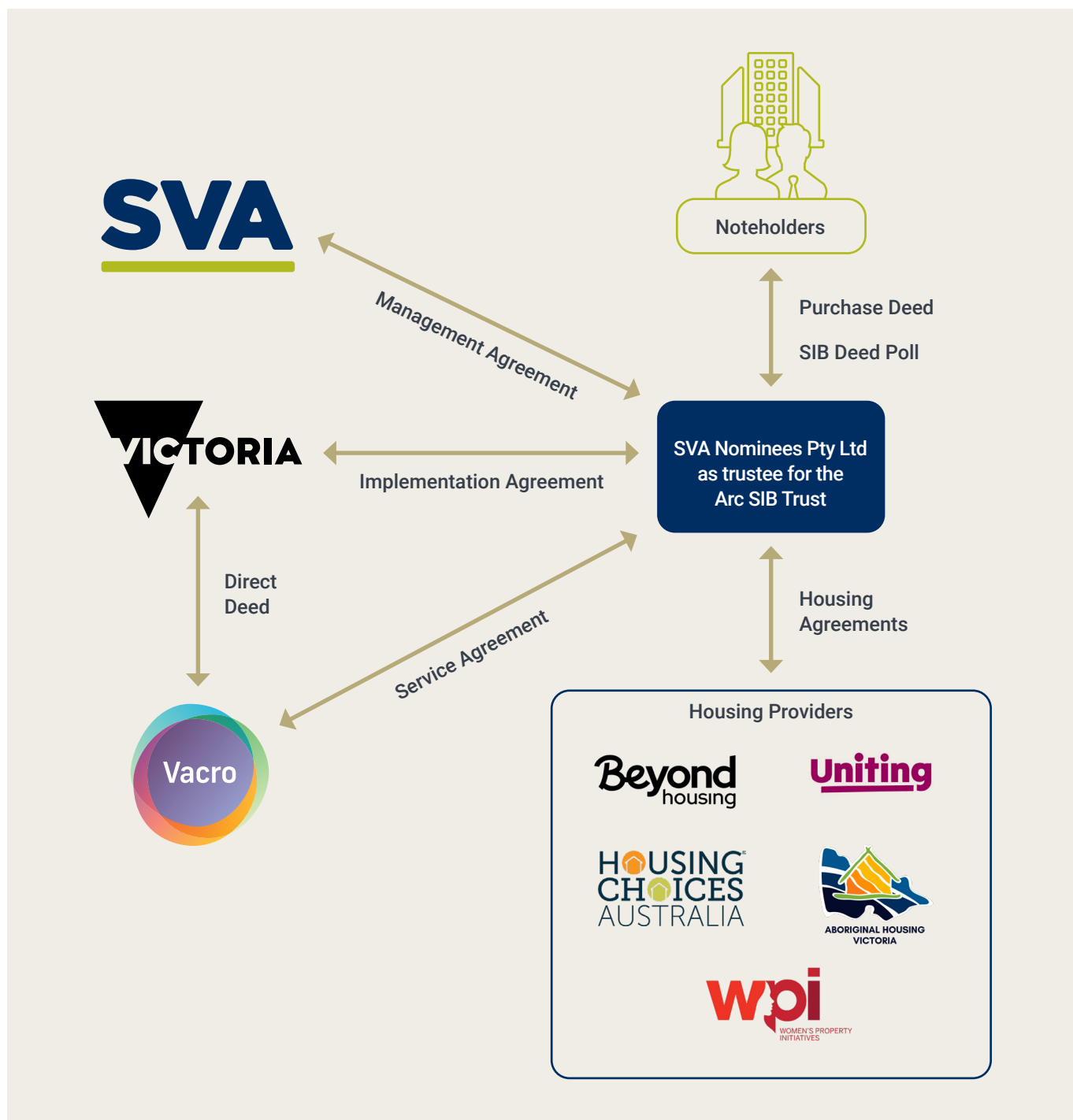


6. Transaction structure and key documents

6.1 Structure overview

The Arc SIB involves a number of contractual arrangements, as depicted in Figure 7 below.

Figure 7: Arc SIB contractual structure



6.2 Implementation Agreement

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

- conditions precedent to the Implementation Agreement coming into force, including full subscription of the Notes;
- eligibility criteria for Program participants and referral processes, including the minimum referrals of women that the State is required to make to the Arc Program;
- the oversight, co-ordination and communication framework for the project;
- the terms of the Annual Review, Performance Review, Enrolment Review, Housing Review, Expense Review and Counterfactual Review, and the consequences if the parties cannot agree to revised terms following a review;
- the Outcome Measures adopted;
- the basis of Enrolment Payment and Outcome Payment calculations and processes;
- breach, intervening event and termination provisions;
- insurance requirements and indemnity provisions;
- the authorised investments of the Trust, which include cash or deposits with authorised deposit taking institutions and bonds and other financial products rated A- or better;
- service delivery provisions such as adherence to Local Jobs First and Social Procurement requirements; and
- general provisions such as dispute resolution, warranties, administration, intellectual property rights and confidentiality.

The Implementation Agreement incorporates the Partnership Manual, which regulates the practical day-to-day operation of the Implementation Agreement, and also sets out the detailed process that will be followed to determine the Counterfactual Rates. The Implementation Agreement takes effect on the day all conditions precedent have been met.

Annual Review

An **Annual Review** will be undertaken by the Joint Working Group following 30 June each year from 2025 to 2029. The review will include (among other things):

- the number and nature of Referrals and Enrolments, and the size of the Measurement Group relative to plan;
- the engagement of Measurement Group members with the Program, including their housing status;
- housing supply and projected requirements;
- the performance of the Program;
- the cumulative expenses incurred by Vacro and Housing Providers relative to plan; and
- government policy, laws and regulation and other environmental changes that may impact on the delivery of the Program and achievement of Outcomes.

Performance Reviews

A **Performance Review** will be triggered after Calculation Dates 2, 3, 4 or 5 if the Justice Improvement is less than 6.25% or the Housing Improvement is less than 25%.

During a Performance Review, the parties will in good faith seek to negotiate and reach agreement on whether to continue the Implementation Agreement, including any variation to its terms (including the Counterfactual Rates). If the parties are unable to agree within 2 months from the commencement of the Performance Review, they each have a right to terminate the Implementation Agreement.

Enrolment Reviews

An **Enrolment Review** will be triggered as at 31 December 2024 or 30 June 2025 if the number of Enrolled Men is less than 80% of the planned number, or after Calculation Dates 1, 2 or 3 if the number of Enrolled Men is less than 90% of the planned number at that time.

During an Enrolment Review, the parties will in good faith seek to negotiate and reach agreement on whether to continue the Implementation Agreement, including any variation to its terms. If the parties are unable to agree within 2 months from the commencement of the Enrolment Review, they each have a right to terminate the Implementation Agreement.

Counterfactual Reviews

A **Counterfactual Review** will be triggered if:

- within six months of 30 June 2025, either party is of the reasonable opinion that the determination of appropriate Counterfactual Rates will not be possible; or
- after Calculation Dates 1, 2, 3 or 4 the Justice Improvement is more than 22% or the Housing Improvement is more than 75%.

The Counterfactual Review will ascertain whether the Counterfactual Rates represent a fair and accurate basis for measuring performance. The parties may negotiate and reach agreement on whether to vary the counterfactual measures, or any other terms. If the parties are unable to reach agreement within 3 months from the commencement of the Counterfactual Review, they each have a right to terminate the Implementation Agreement.

Housing Review

A **Housing Review** will be undertaken from 1 November 2024 and will be concluded no later than 31 December 2024 to review the current housing supply and projected housing requirements of the Arc Program.

If the Housing Review concludes that the in-principle commitments from Housing Providers to supply of the following number of properties to Arc participants for each annual period commencing on 1 July 2025 and 1 July 2026 is:

- At least 105 properties, then the Plan Big Scenario will continue to be the relevant Scenario for determining payments under the Implementation Agreement;
- 60 or less properties, then a Scale Down Trigger will occur and the Stay Small Scenario will be the relevant Scenario for determining payments under the Implementation Agreement;
- Between 60 and 105 properties, the parties may in good faith seek to negotiate and reach agreement as to any variation to the Implementation Agreement that may be considered necessary to allow the Implementation Agreement to continue with payments at an appropriately revised scale. If the parties are unable to reach agreement by 31 December 2024, then it will be deemed that a Scale Down Trigger has occurred and the Stay Small Scenario will be the relevant Scenario for determining payments under the Implementation Agreement.

The State and the Organisation must confirm their determination of whether the Plan Big Scenario continues or whether the Stay Small Scenario has occurred by no later than 31 December 2024. Each Noteholder will be notified of this determination by no later than 31 January 2025.

Expense Reviews

An Expense Review will be triggered after 30 June each year from 2025 to 2028 if the cumulative expenses incurred by Vacro and Housing Providers is \$250,000 higher (or lower) than planned.

During an Expense Review, the parties will in good faith seek to negotiate and reach agreement on any variation to the terms of the Implementation Agreement to ensure that they remain suitable to allow the successful delivery of the Arc Program.

Termination of the Implementation Agreement

The Implementation Agreement may be terminated in the following circumstances:

- termination by either party for failure to waive or satisfy any condition precedent;
- termination by the State for convenience or for cause (due to, among other things, a material breach (which is not capable of remedy or is not remedied within the cure period) by, insolvency of, or abandonment of service delivery by, Vacro or material failure of Vacro or the Issuer to comply with their respective baseline cybersecurity measures);
- termination by the Issuer for cause (due to a material breach of obligations by the State (which is not capable of remedy or is not remedied within the cure period));
- termination by either party following a Performance Review, Enrolment Review or Counterfactual Review; and
- termination in 'no fault' scenarios, including for extended intervening events (including natural disasters, industrial action, war or cybersecurity failure) and a change in tax legislation or law with adverse consequences.

Please see Section 7.6 (*Payments on termination*) for details of the consequences of termination under each of these circumstances.

6.3 SIB Deed Poll and the Notes

The Notes represent unsecured debt obligations of the Issuer, with recourse of the Noteholders limited to the extent of the Issuer's recourse to the assets of the Trust. The Notes will be issued pursuant to the SIB Deed Poll.

The Notes have an expected overall term of approximately 6.25 years (from the targeted Financial Close of 14 May 2024 to 30 June 2030).

The Aggregate Issue Amount for the Arc SIB will be a maximum of \$9,000,000 in the Plan Big Scenario and \$5,508,000 in the Stay Small Scenario. The Issuer will notify each Investor no later than 31 January 2025 as to whether the Plan Big Scenario or the Stay Small Scenario applies. For details of the determination of Coupon Payments and the timing and amounts payable for redemption of the Notes see Section 7 (*Calculation of payments*). Terms and conditions for the subscription of the Notes are set out in Section 11 (*Applications*).

6.4 Services Agreement

The Services Agreement is an outsourcing agreement between the Issuer and Vacro for delivery of the Arc Program.

The general provisions of the Services Agreement follow the form of the Implementation Agreement. The Services Agreement also sets out the amounts and timing of payments to Vacro for delivery of the Arc Program. If the contract goes to term, Vacro will receive service payments of a maximum of \$16.52 million in the Plan Big Scenario (or \$10.77 million in the Stay Small Scenario).

6.5 Housing Agreements

The Issuer will enter into a Housing Agreement with each Housing Provider. The Housing Agreements are housing supply and management agreements to provide housing and housing-related services to the Arc Program.

The Housing Agreements will set out the terms of the services that will be provided and the amounts and timing of payments to each Housing Provider. They will also set out the indicative number of properties that will be supplied to Arc participants and the expected mix of types of property supplied, with controls over the proportion of head lease properties.

6.6 Management Deed

SVA will manage the Arc SIB Trust under the terms of the Management Deed.

For this role, SVA will be paid a management fee of \$160,000 per annum (plus GST), paid quarterly in advance and indexed at a rate of 3.6% per annum.

The management fee is intended to cover:

- invoicing and managing State payments under the Implementation Agreement including verifying the determination of outcomes and payments;
- managing payments to Vacro under the Services Agreement;
- managing payments to Housing Providers under the Housing Agreements;
- preparing annual investor reporting and managing payments;
- convening governance meetings for the Trust;
- managing the assets of the Trust;
- preparing tax returns and financial accounts for the Trust;
- managing all other Arc SIB payments including GST;
- monitoring of performance under the Services Agreement and Housing Agreements;
- attending relevant meetings including the Joint Working Group convened under the Implementation Agreement; and
- providing performance oversight on behalf of Noteholders.



7. Calculation of payments

7.1 Coupon Payments

There are six Determination Dates, on 30 June each year from 2025 to 2030. Coupons will be paid to Noteholders within 10 Business Days of those dates.

7.1.1 Fixed Coupons

Noteholders will receive Fixed Coupons in respect of the first three Determination Dates (30 June 2025, 2026 and 2027). The Fixed Coupon rate is 3% per annum.

The amount of the Fixed Coupon payable on each Note in respect of Determination Dates 1, 2 and 3 is calculated as follows:

$$\text{Fixed Coupon} = \frac{\text{OPA} \times N \times 3.00\%}{365}$$

where:

- OPA is the outstanding principal amount of the Note at the applicable Determination Date
- N is the number of days elapsed from (and excluding) the later of the issue date for the relevant Note and the preceding Determination Date, up to (and including) the relevant Determination Date.

For the avoidance of doubt, there is no Fixed Coupon payable in respect of Tranche 2 Notes at Determination Date 1 as their issue date will be after Determination Date 1.

7.1.2 Performance Coupons

Performance Coupons are based on the balance of Trust Assets as described below, and so are directly linked to the performance of the Arc Program and the subsequent Outcome Payments to the Arc SIB Trust.

Performance Coupons are payable in respect of Determination Dates 4, 5 and 6 (or the Early Redemption Date, if occurring earlier), and are determined as each Noteholder's pro rata share of the Distributable Trust Assets as at the relevant date, subject to an overall maximum of \$5,500,000 in the Plan Big Scenario (and \$3,370,000 in the Stay Small Scenario).

The Distributable Trust Assets are determined as the aggregate amount of all Trust Assets, less the total of:

- (a) the maximum prospective amount of all future payments payable under the terms of the Services Agreement and the Management Deed;
- (b) an appropriate allowance for future amounts payable under the Housing Agreements (reflecting participant numbers, housing supply and associated costs);
- (c) an appropriate allowance for future debts and liabilities of the Trust and the Issuer (including the expenses that may be payable at any time up to the winding up of the Trust); and
- (d) the outstanding principal amount of all Notes then on issue,

subject to the Distributable Trust Assets not being less than zero.

Performance Coupons are calculated and payable immediately prior to the redemption of Notes determined in accordance with Section 7.2 (*Redemptions*) below.

7.2 Redemptions

7.2.1 Mandatory Redemptions

Within 10 Business Days of Determination Dates 4 and 5, a proportion of each Noteholder's Notes will be redeemed at their principal value.

The number of Notes redeemed will be determined as each Noteholder's pro rata share of the Redeemable Trust Assets at the relevant date, subject to rounding for whole Note denominations. The Issuer may elect to redeem the Tranche 1 Notes, the Tranche 2 Notes or both Tranches.

The maximum principal amount of the Notes that may be redeemed in relation to Determination Dates 4 and 5 collectively is \$8,100,000 in the Plan Big Scenario and \$4,957,200 in the Stay Small Scenario (90% of the Aggregate Issue Amount in both Scenarios).

The Redeemable Trust Assets are determined as the aggregate amount of all Trust Assets, less the total of:

- (a) the maximum prospective amount of all future payments payable under the terms of the Services Agreement and the Management Deed;
- (b) an appropriate allowance for future amounts payable under the Housing Agreements (reflecting participant numbers, housing supply and associated costs); and
- (c) an appropriate allowance for future debts and liabilities of the Trust and the Issuer (including the expenses that may be payable at any time up to the winding up of the Trust),

subject to the Redeemable Trust Assets not being less than zero.

7.2.2 Redemption on maturity or termination

Within 10 Business Days of the Scheduled Maturity Date (30 June 2030) or the Early Redemption Date (if one occurs), all outstanding Notes will be redeemed from the Redeemable Trust Assets at their outstanding principal amount.

If Redeemable Trust Assets are less than the aggregate outstanding principal amounts of all Notes then on issue, the redemption amount will be each Noteholder's pro rata share of the Redeemable Trust Assets, and Noteholders will suffer a capital loss.



7.3 State payments to the Issuer

The key determinant of the level of Performance Coupons and Note redemption payments received by Noteholders is the amount paid by the State to the Issuer under the terms of the Implementation Agreement. The basis of those payments is described broadly below.

All payments are exclusive of GST.

7.3.1 Standing Charge

The Standing Charge is an amount of \$13 million that will be paid in four equal instalments of \$3.25 million in the Plan Big Scenario (or in two instalments of \$3.25 million, followed by two instalments of \$734,500 in the Stay Small Scenario). Payments occur approximately one month after Financial Close and then on 1 July 2024-2026.

7.3.2 Outcome Payments

The Outcome Payment to be made following each Calculation Date is determined as:

- Earned Justice Outcome Amount *plus* Earned Housing Outcome Amount *plus* Earned Health Outcome Amount;
- subject to a maximum of 115% of the Total Target Outcome Amount; and
- less the aggregate of all Standing Charge payments and all Outcome Payments previously made,

subject to a minimum of nil and further subject to a maximum of \$30 million in the Plan Big Scenario (and \$18.39 million in the Stay Small Scenario) less the aggregate of all payments previously made.⁸

Payments are determined on a 'cumulative to date' basis with previous payments netted off to reduce the impact of statistical volatility on results.

This section of the IM is a summary, and investors should review Implementation Agreement Schedule 2 (*Payment Schedule*) and related definitions and sections for complete details of the calculations of the Outcome Payments.

Earned Outcome Amount

At each Calculation Date, the Earned Outcome Amount for each Outcome Measure is determined as:

$$\text{Earned Outcome Amount} = \text{Target Outcome Amount} \times \text{Outcome Payment Proportion}$$

Target Outcome Amounts

The overall Target Outcome Amounts for each metric by Scenario are as follows:

	Plan Big Scenario	Stay Small Scenario
Target Health Outcome Amount	\$2 million	\$1.23 million
Target Housing Outcome Amount	\$12 million	\$7.36 million
Target Justice Outcome Amount	\$12 million	\$7.36 million
Total Target Outcome Amount	\$26 million	\$15.94 million

⁸ State payments are subject to an overall maximum of \$30m in the Plan Big Scenario (and \$18.39m in the Stay Small Scenario).

The maximum total Outcome Payments that can be paid in each Scenario thus equals:

- Plan Big Scenario: \$26 million x 115% less the \$13 million Standing Charge payments, or \$16.9 million.
- Stay Small Scenario: \$15.94 million x 115% less the \$7.97 million Standing Charge payments, or \$10.36 million.

The Target Outcome Amounts increase gradually at each Calculation Date for both Scenarios as illustrated in Figure 8A and Figure 8B below.

Figure 8A: Target Outcome Amount (Plan Big Scenario)

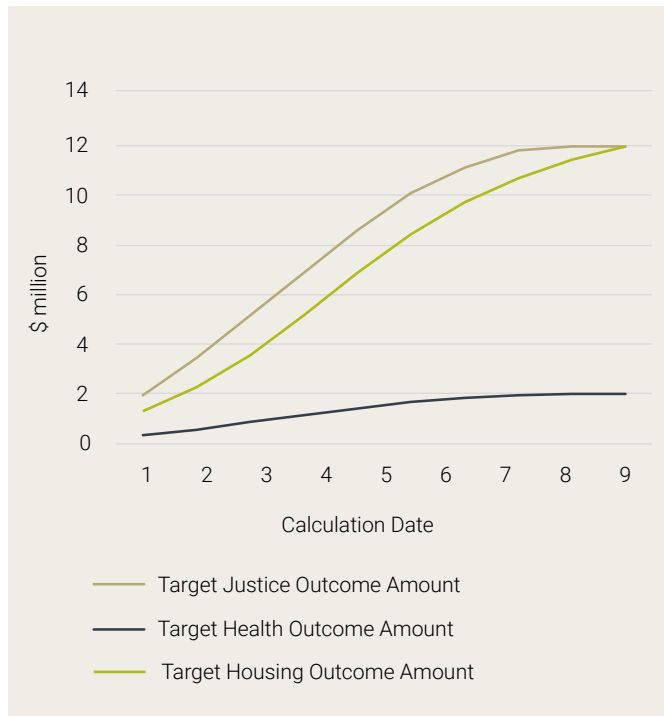
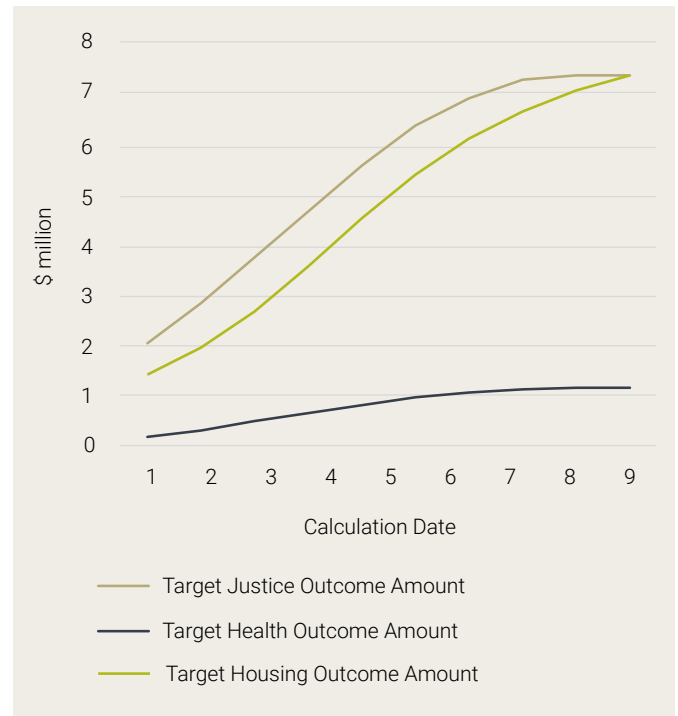


Figure 8B: Target Outcome Amount (Stay Small Scenario)



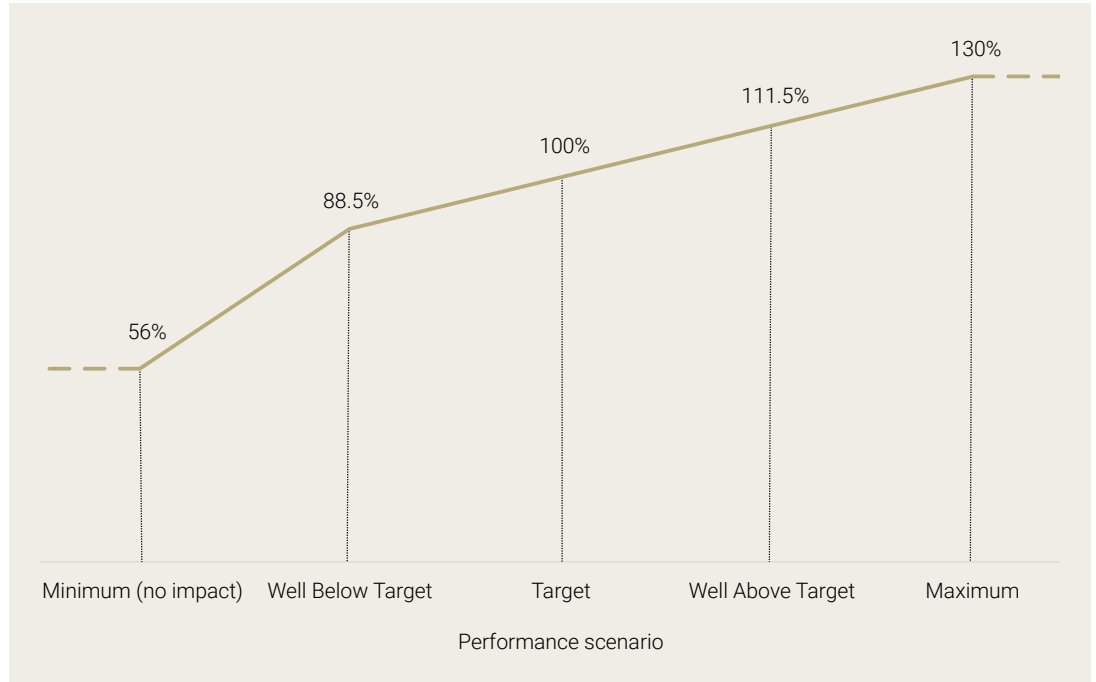
The Target Housing Outcome Amount increases more slowly than the Target Justice Outcome Amount in both Scenarios because Housing Outcomes are measured over three years rather than two, and so the proportion of all outcomes measured at each Calculation Date is lower than that for Justice Outcomes.



Outcome Payment Proportion

The Outcome Payment Proportion (OPP) for each metric is determined by the Outcome Improvement at the relevant Calculation Date. The OPP formula for each metric is calibrated so that the OPP has the same 'shape' across performance scenarios, as illustrated in the chart below. The performance scenarios referenced are those set out in Section 4.9 (*Performance scenarios*). The OPP formulas are consistent across the Plan Big Scenario and the Stay Small Scenario.

Figure 9: Outcome Payment Proportion



The OPP for each metric:

- has a minimum of 56% and a maximum of 130%;
- is 100% if the Target performance scenario is achieved;
- increases linearly from 56% (at 0% Outcome Improvement) to 88.5% at the Well Below Target scenario; and
- increases linearly above 88.5% until the maximum of 130% is reached.



Illustrative Outcome Payment example

At Calculation Date 4, the Outcome Improvement, the corresponding OPP, and the Target Outcome Amount for each Outcome Measure are determined to be:

Outcome Measure	Example Outcome Improvement	Outcome Payment Proportion (as calculated below)	Calculation Date 4 Target Outcome Amount	
			Plan Big Scenario	Stay Small Scenario
Justice	14%	102.76%	\$8,570,000	\$5,253,000
Housing	40%	97.13%	\$6,860,000	\$4,205,000
Health	15%	100.00%	\$1,430,000	\$877,000

For these example values of the Outcome Measures, the application of the formulas in the Implementation Agreement Schedule 2 (*Payment Schedule*) yields the following OPPs:

$$\text{Justice OPP} = 88.5\% + (14\% - 6.25\%) \times 1.84 = 102.76\%$$

$$\text{Housing OPP} = 88.5\% + (40\% - 25\%) \times 0.575 = 97.13\%$$

$$\text{Health OPP} = 88.5\% + (15\% - 7.5\%) \times 1.5333 = 100.00\%$$

Plan Big Scenario

Accordingly in the Plan Big Scenario:

- Earned Justice Outcome Amount = \$8,570,000 x 102.76% = \$8,806,532
- Earned Housing Outcome Amount = \$6,860,000 x 97.13% = \$6,663,118
- Earned Health Outcome Amount = \$1,430,000 x 100% = \$1,430,000

The total Earned Outcome Amount is **\$16,899,650**, which is less than 115% of the Total Target Outcome Amount (the maximum applied at this Calculation Date).

Previous payments made to this point are Standing Charge payments of \$13,000,000 plus an Outcome Payment of \$242,300 in respect of Calculation Date 3.

The Outcome Payment due in respect of Calculation Date 4 is calculated as follows:

$$\text{Payment} = \$16,899,650 - \$13,000,000 - \$242,300 = \mathbf{\$3,657,350}$$

Stay Small Scenario

Accordingly in the Stay Small Scenario:

- Earned Justice Outcome Amount = \$5,253,000 x 102.76% = \$5,397,983
- Earned Housing Outcome Amount = \$4,205,000 x 97.13% = \$4,084,317
- Earned Health Outcome Amount = \$877,000 x 100% = \$877,000

The total Earned Outcome Amount is **\$10,359,299**, which is less than 115% of the Total Target Outcome Amount (the maximum applied at this Calculation Date).

Previous payments made to this point are Standing Charge payments of \$7,969,000 plus an Outcome Payment of \$102,000 in respect of Calculation Date 3.

The Outcome Payment due in respect of Calculation Date 4 is calculated as follows:

$$\text{Payment} = \$10,359,299 - \$7,969,000 - \$102,000 = \mathbf{\$2,288,299}$$

7.3.3 Enrolment Payments

The Enrolment Payment payable in respect of each Calculation Date is determined as:

- the total number of Enrolled Women and Deemed Enrolments;
- multiplied by \$65,000; and
- less the aggregate of all Enrolment Payments previously made,

subject to a minimum of nil and a maximum of \$3.0 million in the Plan Big Scenario (and a maximum of \$1.89 million in the Stay Small Scenario).

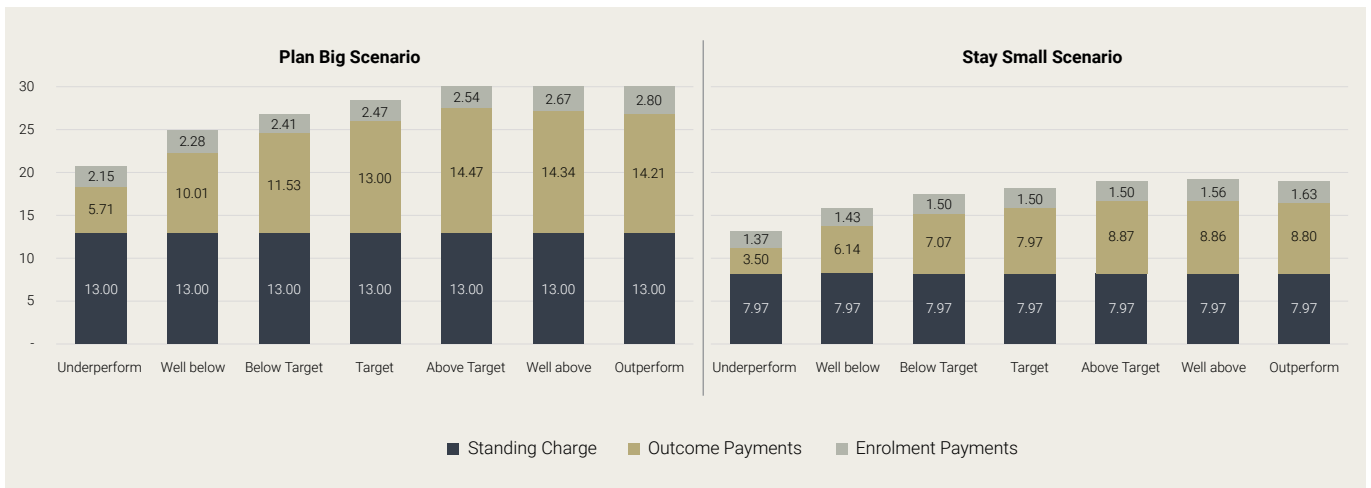
The Implementation Agreement includes a provision which commits the State to providing a minimum number of referrals from women’s correctional facilities to the Arc Program. The minimum referral figure is defined as four times the Planned Enrolments (Women). The number of Planned Enrolments (Women) is 38 in the Plan Big Scenario (or 23 in the Stay Small Scenario), pro-rated over the enrolment period. If the number of Enrolled Women is below plan, then the Deemed Enrolments is determined as:

- minimum referrals less actual referrals, multiplied by 25%; subject to
- a minimum of nil, and a maximum of planned enrolments less actual enrolments.

7.3.4 Total State payments by performance scenario

Total State payments will vary depending upon the measured performance of the Arc Program and in the Plan Big Scenario will be between \$14.56 million (the theoretical minimum payment) and \$30 million (the Cap on Payments), provided that the Implementation Agreement does not terminate early. In the Stay Small Scenario, the range is between \$8.93 million (the theoretical minimum payment) and \$18.39 million (the Cap on Payments). The total State payments (including the Standing Charge) have been estimated for each of the performance scenarios set out in Section 4.9 (Performance scenarios).

Figure 10: State payments by performance scenario



Total payments in the Target performance scenario are **\$28.47 million** in the Plan Big Scenario and **\$17.43 million** in the Stay Small Scenario.

The ‘Underperform’ scenario would trigger a Performance Review and would likely result in the termination of the Implementation Agreement after 1 January 2027. At that point the Standing Charge (\$13 million in the Plan Big Scenario and \$7.97 million in the Stay Small Scenario) would have been paid, but no Outcome Payments.

Outcome Payments decline in the ‘Outperform’ scenarios because the maximum payment (\$30 million in the Plan Big Scenario and \$18.39 million in the Stay Small Scenario) is reached, and Enrolment Payments (which are made earlier) increase.

7.4 Other cashflows impacting Noteholder returns

Noteholder returns are based upon the value of the Trust Assets, which in turn are dependent upon the total cashflows to and from the Trust. In addition to the State payments described above, estimated cashflows under the Target performance scenario are as set out in the table below for each Scenario:

Table 4: Other cashflows impacting Noteholder returns

	Plan Big Scenario	Stay Small Scenario
Earnings on Trust Assets: it has been estimated that Trust Assets will earn an interest rate of 3.5% per annum, generating a total inflow of ...	\$1.3 million	\$0.9 million
Payments under the Services Agreement are as set out in Section 6.4 (<i>Services Agreement</i>). The maximum total outflow over the term of the contract is ...	\$16.5 million	\$10.8 million
Payments under the Housing Agreements are as set out in Section 6.5 (<i>Housing Agreements</i>). The estimated total outflow over the term of the contract is ...	\$8.5 million	\$3.9 million
Payments under the Management Deed are as set out in Section 6.6 (<i>Management Deed</i>). The maximum total outflow over the term of the contract is ...	\$1.1 million	\$1.1 million
Establishment expenses incurred, comprising legal fees incurred by SVA and Vacro and a fee payable to SVA for intermediary services, are estimated to be ...	\$0.4 million	\$0.4 million



7.5 Estimated Noteholder returns

The total Coupon Payments and redemptions have been estimated under each of the performance scenarios set out in Section 4.9 (*Performance scenarios*). Neither the Issuer nor the Trust Manager give any guarantee, assurance or representation as to the likelihood of any of these scenarios eventuating. The approximate Noteholder Internal Rate of Return (**IRR**) and payments as a percentage of principal that would be generated in each of these performance scenarios for both the Plan Big Scenario and Stay Small Scenario are set out respectively in the tables below.

Table 5A: Noteholder returns by scenario (Plan Big Scenario)

Scenarios	Under-perform (full term)	Well Below Target	Below Target	Target	Above Target	Well Above Target	Out-perform
IRR (% per annum)	-15.0%	0.0%	4.5%	8.3%	11.9%	12.6%	12.7%
Proportion of principal repaid	43%	93%	100%	100%	100%	100%	100%
Coupon payments ⁹ as a % of principal	7%	7%	19%	36%	54%	54%	55%

Table 5B: Noteholder returns by scenario (Stay Small Scenario)

Scenarios	Under-perform (full term)	Well Below Target	Below Target	Target	Above Target	Well Above Target	Out-perform
IRR (% per annum)	-13.2%	0.8%	5.0%	8.3%	11.5%	12.3%	12.5%
Proportion of principal repaid	46%	96%	100%	100%	100%	100%	100%
Coupon payments ¹⁰ as a % of principal	8%	8%	22%	39%	55%	57%	57%

The 'Underperform' scenario has been included for both the Plan Big Scenario and the Stay Small Scenario however it would result in early termination of the Implementation Agreement. See Section 7.7 (*Noteholder position on termination*) below for details.

⁹ Both Fixed Coupons and Performance Coupons.

¹⁰ Both Fixed Coupons and Performance Coupons.

7.6 Payments on termination

The Issuer will refund the State the Remaining Standing Charge applicable at any Termination Date. The Remaining Standing Charge is determined with reference to the table below and the relevant Scenario.

7.6.1 Remaining Standing Charge

Table 5: Remaining Standing Charge

Termination Date	Remaining Standing Charge	
	Plan Big Scenario	Stay Small Scenario
On or before 30 June 2024	\$2,100,000	N/A
1 July 2024 - 30 September 2024	\$4,900,000	N/A
1 October 2024 - 31 December 2024	\$4,400,000	\$4,400,000
1 January 2025 - 31 March 2025	\$3,700,000	\$3,700,000
1 April 2025 - 30 June 2025	\$3,000,000	\$3,200,000
1 July 2025 - 30 September 2025	\$5,100,000	\$3,200,000
1 October 2025 - 31 December 2025	\$3,800,000	\$2,400,000
1 January 2026 - 31 March 2026	\$2,400,000	\$1,400,000
1 April 2026 - 30 June 2026	\$700,000	\$400,000
1 July 2026 - 30 September 2026	\$2,000,000	\$350,000
1 October 2026 - 31 December 2026	\$480,000	Nil
On or after 1 January 2027	Nil	Nil



7.6.2 Termination Payment

A Termination Payment will be made to reflect the benefits generated by the Program but not yet paid for up to any Termination Date.

The amount of Termination Payment payable is determined as at the Termination Date as:

- (a) the total number of Enrolled Women and Deemed Enrolments, multiplied by \$65,000 and subject to a maximum of \$3,000,000 in the Plan Big Scenario (or a maximum of \$1,885,000 in the Stay Small Scenario) less the aggregate of all Enrolment Payments previously made or payable; plus
- (b) the Terminal Earned Amount less the aggregate of all Standing Charge payments and Outcome Payments previously made or payable, subject to a minimum of nil,

subject to the overall Cap on Payments.

Terminal Earned Amount

The Terminal Earned Amount is the sum, for each Outcome Measure, of the following amount:

$$\text{Terminal Earned Amount} = \text{Terminal Target Amount} \times \text{Terminal Payment Proportion}$$

Terminal Target Amount

Plan Big Scenario

In the Plan Big Scenario, the Terminal Target Amounts are nil up to and including Calculation Date 2 (30 June 2026), and then increase gradually over time to reach \$12 million for each of the Justice and Housing Outcome measures, and \$2 million for the Health Outcome measure, in a similar manner to that set out in Section 7.3.2 (*Outcome Payments*).

Stay Small Scenario

In the Stay Small Scenario, the Terminal Target Amounts are nil up to and including Calculation Date 2 (30 June 2026), and then increase gradually over time to reach \$7.36 million for each of the Justice and Housing Outcome measures, and \$1.23 million for the Health Outcome measure, in a similar manner to that set out in Section 7.3.2 (*Outcome Payments*).

Terminal Payment Proportion

The Terminal Payment Proportion for each Outcome Measure is determined in the same way the OPP is calculated at each Calculation Date, as described in Section 7.3.2 (*Outcome Payments*). However, the Outcome Improvement used in the calculation is adjusted to reflect the reason for the termination, as set out in the table below.

Table 7: Outcome Improvement adjustment by reason for termination

Reason for termination	Terminal Outcome Improvement	
Terminated by State for convenience or by Issuer for cause	The Outcome Improvement determined as at the Calculation Date immediately preceding the Termination Date plus...	
	Justice	2.5%
	Housing	10%
	Health	3%
Terminated by State for cause	The Outcome Improvement determined as at the Calculation Date immediately preceding the Termination Date less...	
	Justice	2.5%
	Housing	10%
	Health	3%
All other scenarios	The Outcome Improvement determined as at the Calculation Date immediately preceding the Termination Date.	

7.6.3 Break Costs payable on termination

Certain additional costs are also payable in the event of termination to enable the provision of transition-out services, and allow for redundancies, lease-break expenses, legal costs and the wind up of the Trust (**Break Costs**). Maximum amounts for these Break Costs at all points in time, and the proportion of these costs that is paid by the State, are set out in the Implementation Agreement. All transition-out service costs are borne by the State regardless of the reason for termination.

7.7 Noteholder position on termination

In the event of termination, final payments to Noteholders will be made in accordance with Section 7.1 (*Coupon Payments*) and Section 7.2 (*Redemptions*).

In the circumstance that performance is tracking at the 'Underperform' level (as identified in Section 4.9 (*Performance scenarios*)), a Performance Review would be triggered following Calculation Dates 2, 3, 4 and 5. The Issuer may seek to identify and agree amendments that would enable the Arc SIB to continue, but may terminate the arrangement if no satisfactory changes could be made. If a termination occurred following Calculation Date 3 (31 December 2026, at which point around one-third of outcomes would be measured, providing a strong indication of likely overall performance), then it is estimated Noteholders would be repaid approximately **60% of their principal** in addition to the Fixed Coupon payments (in both the Plan Big Scenario and the Stay Small Scenario). This figure allows for the maximum net Break Costs incurred by the Issuer in respect of the relevant Scenario.

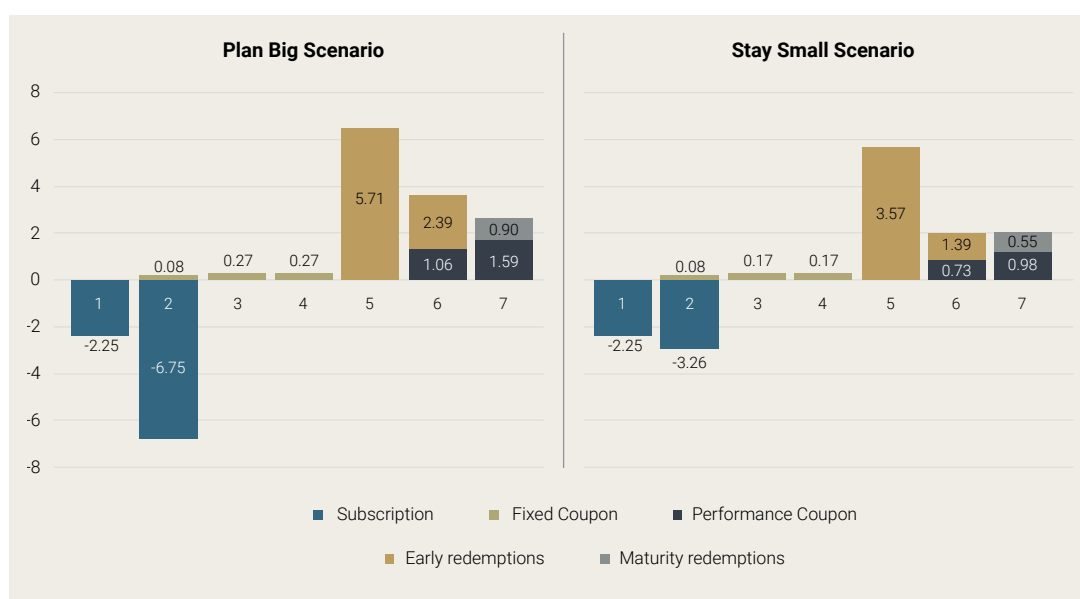
8. Cashflow summary

Under the Target performance scenario identified in Section 4.9 (*Performance scenarios*), the cashflows to and from the Trust are estimated to be as follows in the Plan Big Scenario and the Stay Small Scenario:

Table 8: Estimated Trust cashflows under Target performance scenario

	\$m	
	Plan Big Scenario	Stay Small Scenario
1. Note subscription amounts	9.00	5.51
2. Standing Charge payments under Implementation Agreement	13.00	7.97
3. Outcome Payments under Implementation Agreement	13.00	7.97
4. Enrolment Payments under Implementation Agreement	2.47	1.50
5. Interest on cash	1.32	0.88
Total inflows	38.79	23.82
6. Payments under Service Agreement	16.52	10.77
7. Payments under Housing Agreements	8.47	3.91
8. Payments under Management Deed	1.13	1.13
9. Transaction establishment costs (legal and capital raise fees)	0.39	0.39
10. Fixed Coupons under the Arc SIB Note	0.62	0.41
11. Performance Coupons under the Arc SIB Note	2.66	1.71
12. Note redemption payments	9.00	5.51
Total outflows	38.79	23.82

Figure 11: Estimated Noteholder cashflows under Target performance by contract year





9. Risk factors

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

Program performance

Noteholder returns are determined by the outcomes delivered through the Arc Program. Noteholders are exposed to the performance capabilities of Vacro as well as the efficacy of the underlying program logic. If Vacro fails to deliver the Program effectively, Noteholder returns will be adversely affected and in certain performance scenarios no Performance Coupon will be payable on the Notes and the principal amount invested by a Noteholder will not be wholly repaid.

Neither the Issuer, Vacro, nor any other person guarantees or gives any assurance in relation to the performance of the Notes, the return of capital to Noteholders or that the Target outcomes will be achieved. Prospective Noteholders are advised to review the description of the Arc Program and its goals in this document to determine their own view on the likely future performance of the Arc Program.

Vacro has a long history as a criminal justice reintegration services provider and has developed a reintegration practice framework that draws on an established evidence base.

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

If performance is tracking at a level that is well below target as described in Table 2 in Section 4.9 (*Performance scenarios*) then a Performance Review will be undertaken and the Issuer has the right to terminate the Arc SIB if no suitable basis for continuing can be agreed between the parties.

Housing supply

The Arc Program draws on housing first principles and aims to provide appropriate accommodation to all Program participants as they exit prison. Program performance could be compromised if insufficient suitable housing is available.

The Issuer has entered into Housing Agreements with Beyond Housing, Aboriginal Housing Victoria and Uniting. SVA has entered into memoranda of understanding with Housing Choices and WPI, who also participated collaboratively in the development of the Arc SIB arrangements, with the objective of entering into a Housing Agreement during the term of the Arc SIB. These Housing Providers have indicated that they can provide approximately 60 dwellings per year collectively to the Arc Program. Prior to Financial Close and up to the date of the Housing Review, the Issuer will seek to engage additional Housing Providers. During the Arc SIB term, the Issuer will also seek to engage additional Housing Providers if and when it is viewed that further housing supply is required.

Housing Providers can supply housing under a range of models. Use of properties that they own may be subject to obligations to the Director of the Office of the Housing Registrar, including that the individual housed is on the VHR. It is anticipated that the majority of Arc participants will be VHR eligible. It is expected that the majority of properties will be supplied by Housing Providers under a head lease model. There is a risk that insufficient suitable properties will be able to be secured, particularly in regional areas, if rental market conditions remain tight during the Arc SIB term.

Housing costs

Payments to the Housing Providers under the Housing Agreements will be determined by the number of individuals who are housed and the nature of the housing supplied (in particular, whether the property is owned or head leased by the Housing Provider). See Section 4.6 (*Housing*) for further details. There is a risk that the costs associated with the provision of housing (including damages to head lease properties by Arc participants as described directly below) are higher than planned, which would reduce Trust Assets and hence Noteholder returns. Conversely, costs may be lower than planned.

Costs associated with head-leased properties are materially greater than those that will be incurred in relation to properties that are owned by Housing Providers. The Trust Manager will work closely with Vacro and Housing Providers to ensure that the number of head lease properties is commensurate with the plan, and will have the right to cap the number of head lease arrangements under each Housing Agreement. In addition, payments to Housing Providers in respect of rent subsidies under the Housing Agreements are fixed per head lease property per annum (up to 18 months), which minimises exposure to increases in market rental prices.

An Expense Review will be undertaken if payments to Vacro and Housing Providers are \$250,000 higher (or lower) than planned. During an Expense Review, the parties may negotiate any amendments to the Implementation Agreement to ensure successful delivery of the Arc Program.

An allowance for certain damages to head-lease properties incurred by Housing Providers has been included by the Issuer in the estimated payments under the Housing Agreements. If the actual payments in respect of these damages (as caused by the participants, their household or guests) is higher than planned, the Issuer and the State will work collaboratively and act reasonably and in good faith in seeking to negotiate and reach agreement on how best to fund the cost of any excess damages within the constraints of the Arc SIB and related contractual arrangements. There is a risk that if the Issuer and the State are not able to reach agreement on how to fund the cost of any excess damages beyond the allowance provided for by the Issuer and the constraints of the Arc SIB and related contractual arrangements, Noteholder returns will be reduced.

Counterfactual risk

The Counterfactual Rates of Government service utilisation (specifically, the Awarded Sentences, the number of Homelessness Service Periods and the number of Emergency Department Presentations) will be determined after 30 June 2025 and prior to Calculation Date 2 based on an analysis of rates of utilisation for the target population for the two-years commencing 1 July 2021. There is a risk that the Counterfactual Rates are an underestimate of the 'true' underlying rates that would eventuate in the absence of the Arc Program, and that payments will be lower than they 'should' be. Conversely, they may be overestimated.

As described in Section 6.2 (*Implementation Agreement*), a Counterfactual Review will be undertaken after Calculation Dates 1, 2, 3 or 4 if the Justice Improvement is more than 22% or the Housing Improvement is more than 75% to ensure that all parties are satisfied that the Counterfactual Rates are fair. If the Justice Improvement is less than 6.25% or the Housing Improvement is less than 25% at those dates then a Performance Review would be triggered, which would also incorporate an assessment of the suitability of the Counterfactual Rates. If amended rates or terms cannot be agreed between the Issuer and the State during a review then either party has the right to terminate the Implementation Agreement.

There is also a risk that the data required for the determination of Counterfactual Rates of Government service utilisation is not available or the Counterfactual Rates cannot otherwise be determined in accordance with the processes and timeframes outlined in the Partnership Manual within six months of 30 June 2025.

As described in Section 6.2 (*Implementation Agreement*), a Counterfactual Review will be undertaken after 30 June 2025 if either party is of the reasonable opinion that this is the case. If amended rates or terms cannot be agreed between the Issuer and the State either party has the right to terminate the Implementation Agreement.

Enrolment risk

There is a risk that the Measurement Group is smaller than anticipated as a result of low enrolments.

Enrolment Payments are determined by the number of Enrolled Women. If the total number of Enrolled Women is below 38 in the Plan Big Scenario (or 23 in the Stay Small Scenario) then Enrolment Payments will be less than planned. The Implementation Agreement includes an agreed minimum referrals provision which commits the State to providing a minimum number of female referrals to the Arc Program each year, equal to four times the Planned Enrolments (Women). If this minimum is not met and enrolments are below target then payments are made in respect of 'deemed' enrolments.

Noteholders are not directly exposed to enrolment risk in relation to Enrolled Men as Outcome Payments are based on the percentage reduction in the services utilised by men in the Measurement Group, relative to the counterfactual. However, low enrolments may trigger an Enrolment Review which in turn could result in the early termination of the Arc SIB.

The number of referrals and enrolments will be monitored by the Joint Working Group on an ongoing basis and (if required) reviewed formally as part of an Enrolment Review.

Earnings on Trust Assets

The Trust Manager will invest the Trust Assets in a range of term deposits and similar interest-bearing accounts. The projected Noteholder returns are based on an assumption that the earnings on these investments will generate a return of 3.5% per annum. If interest rates fall or the Trust Manager does not appropriately invest the Trust Assets then Noteholder returns would be adversely impacted. Indicatively, if earnings on Trust Assets is nil, then the projected rate of return in the Target performance scenario set out in Section 7.5 (*Estimated Noteholder returns*) would be around 3% per annum lower in both the Plan Big Scenario and the Stay Small Scenario. Conversely, if interest rates increase then returns would also improve.

Service delivery organisation solvency

The Arc SIB transaction is reliant on Vacro to implement and deliver the Arc Program under the Services Agreement. There is a risk that Vacro could be unable to fulfil their obligations under the Services Agreement due to insolvency, which would trigger the termination of the Implementation Agreement if the Services Agreement has been terminated.

Vacro has operated for over 150 years, and during FY23 generated revenue of \$6.0 million (\$5.0 million during FY22). Vacro had net assets of \$2.7 million at the end of FY23 (and FY22). Additional information on the financial position of Vacro is available on www.vacro.org.au.

Issuer credit risk and limited recourse

The Issuer has no business or other activities other than those required to perform its obligations under the Arc SIB arrangement. Recourse of Noteholders against the Issuer is limited as described in clause 11.5 (*Limited recourse*) of the SIB Deed Poll. The Issuer enters into the transactions for the Arc SIB arrangements in its capacity as trustee of the Arc SIB Trust only, not in its own capacity, and its liability in relation to those transactions is limited to the Trust Assets under the terms of the Trust Deed. In the event that the Trust Assets are insufficient to meet the claims of Noteholders under or in respect of the Notes, there is a risk that a Noteholder will not receive all amounts owing to it and the Noteholder may lose part of its investment in the Notes.

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

Issuer indemnity to the State

Under the Implementation Agreement, the Issuer has provided the State with an indemnity in respect of, amongst other matters, breach of its obligations under the Implementation Agreement and any wilful, negligent or unlawful act or omission of its staff and subcontractors (which includes Vacro and the Housing Providers). The Issuer will seek as far as possible to obtain appropriate protections and an equivalent “back-to-back” indemnity from Vacro and the Housing Providers in the Services Agreement and Housing Agreements respectively. However, to the extent that the State makes a claim under the indemnity relating to Vacro or the Housing Providers, which for whatever reason the Issuer is unable to claim from Vacro or a Housing Provider, the Trust Assets will be reduced and hence impact Noteholders returns. The Issuer has an annual liability cap of \$350,000 on its aggregate liability to the State which would include any liability under the indemnity.

Termination

Section 6.2 (*Implementation Agreement*) sets out the scenarios under which the Implementation Agreement, and hence the Arc SIB arrangements, may be terminated and the Notes redeemed early. Details of how the Termination Payment is calculated in these circumstances are set out in Section 7.6 (*Payments on termination*).

The State can elect to terminate the Implementation Agreement for convenience for any reason, which may include, without limitation, that it views the SIB arrangement as no longer consistent with its policy priorities or that the arrangements lack sufficient economic justification. In such a scenario, the Termination Payment payable by the State to the Issuer incorporates an increase to recorded performance levels (see Table 7 *Outcome Improvement adjustment by reason for termination*). In addition, the State would pay the full Break Costs in such an event.

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

SVA has managed two SIBs that have terminated early. The Newpin Queensland Social Benefit Bond terminated in June 2020 and the Sticking Together Social Impact Bond terminated in December 2020.

Reliability of data provided and calculation of outcomes

The calculation of the Outcome Improvements will rely upon data and information obtained from multiple Victorian Government agencies, including DFFH, Crime Statistics Agency Victoria, and the Department of Health. This data (de-identified and extracted following a secure data linkage process) and information, and the Outcome determinations (including the calculation of the Outcome Payments) will be reviewed for accuracy by the Trust Manager each Calculation Date. An Independent Assessor will also be appointed by the State to assess the reliability of the data and information and Outcome determinations.

Dependence on key personnel

Delivery of the Arc Program is reliant on a number of key personnel employed by Vacro and the organisation’s ability to attract and retain quality staff. The loss of staff members could potentially have an adverse impact on the Arc Program’s performance. Vacro intend to manage this risk by directly involving a number of senior and experienced people in the management of the Arc Program.

Intervening events

There is a risk that events such as natural disasters or pandemics (including Covid-19) that lead to prison closures or restrict travel to regional areas may impact Vacro's ability to deliver the Program and achieve the Target outcomes.

A business continuity plan has been documented by Vacro to ensure that services can be adapted in the event of physical distancing restrictions arising due to Covid-19 or other circumstances.

The Joint Working Group will monitor, assess, and manage the impact of such events with a goal of ensuring that outcomes are not unduly impacted by intervening events. There are also contractual mechanisms to mitigate the impact of such events, including the Performance Review process and termination rights should there be an extended intervening event and the parties are unable to agree on a basis on which the Arc SIB should continue.

Modifications and waivers

The Note Conditions contain provisions for Noteholders to consider matters affecting their interests generally and to agree to modification to the SIB Deed Poll and for variations of the Implementation Agreement and other Arc SIB arrangement documents. These provisions permit defined majorities and, in certain circumstances, actions of the Issuer without Noteholder consent, to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. For further particulars, see Clause 8 (*Variation*) of the SIB Deed Poll.

Change of law

The Note Conditions are based on the relevant law in effect as at the date of the issue of the Notes. No assurance can be given as to the impact of any possible judicial decision, change to law (including by an action of the State) or administrative practice after the date of issue of the Notes. Where a change of tax legislation or law impacts the costs of performing the services or the reasonably expected financial return of the Issuer, this may create termination rights under the Implementation Agreement.

The secondary market generally

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

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and directives, or review or regulation by certain authorities. Each potential Noteholder 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.

10. Legal notices

10.1 Selling and distribution restrictions

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

Under the Purchase Terms, each investor purchasing Notes will agree to comply with any applicable law or directive in any jurisdiction in which it may subscribe for, offer, place, sell or transfer Notes and that it will not, directly or indirectly, offer, sell or transfer Notes or distribute the IM or other offering material in relation to the Notes outside Australia and otherwise within Australia except in accordance with the Purchase Terms, these selling restrictions and under circumstances that will result in compliance by the Issuer with any applicable law or directive of that jurisdiction without the need for any further action from the Issuer or any other person. 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) in relation to the Notes has been, or will be, lodged with ASIC.

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

General

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.

In particular, this IM may not be distributed or released in the United States. The Notes have not been, and will not be, registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States. Securities may not be offered or sold in the United States or to, or for the account or benefit of, any "U.S. person" (as defined in Regulation S under the US Securities Act) absent registration under the US Securities Act or an exemption from registration. The Notes may only be offered, sold, transferred or otherwise disposed of in Australia in "offshore transactions" (as defined in Regulation S under the US Securities Act) in accordance with Regulation S under the US Securities Act.

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 Conflicts

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 Investors should obtain independent advice

Investors should be aware that, in some scenarios, no Performance Coupon will be payable on the Notes and repayment of principal on the Notes may be at risk. The Issuer does not guarantee or give any assurance in respect of the Performance Coupons or repayment of principal on the Notes. 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 the documents incorporated by reference (see Section 10.8 (*Documents incorporated by reference*)), 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 Applicants 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. Applicants 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 the Issuer or any Relevant Party to any person to subscribe for, purchase or otherwise deal in any Notes.



10.5 No authorisation

No person has been authorised to give any information or make any representations not contained in or consistent with this IM in connection with the Issuer, the Arc 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 or liability is accepted, by any Relevant Party (other than the Issuer, on the terms provided under *Important Notices - Responsibility*), as to the accuracy or completeness of this IM or any further information supplied in connection with the Notes.

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

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.

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

Any statement contained in this IM shall be modified or superseded in this IM to the extent that a statement contained in any document subsequently incorporated by reference into this IM modifies or supersedes such statement (including whether expressly or by implication). A Note Issue Supplement or another supplement to this IM may supplement, amend, modify or replace any statement or information incorporated by reference in this IM or a supplement to this IM. Investors should be aware that individual executed Housing Agreements may differ from the template.

Copies of documents which are incorporated by reference in this IM are available for download at <https://www.socialventures.com.au/work/arc-sib> or may be obtained from 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.

11. Applications

11.1 How to apply

Eligible investors (**Applicants** and see further Section 11.3 (*Investor eligibility*)) may apply for Notes by submitting an Application Form that was attached to, or accompanied by, a copy of this IM, and providing the Application Payment.

Applications will only be considered where Applicants have applied pursuant to an Application Form submitted in accordance with Section 11.4 (*Submission of Application Forms*). The Issuer may in its sole discretion accept or reject an application. Applicants will be informed of the success of their application.

The offer period will close as soon as aggregate accepted subscriptions reach \$9,000,000 and so Applicants are encouraged to consider submitting their Application Forms as soon as possible.

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

11.2 Subscription Amounts

The minimum Subscription Amount is \$50,000 in principal amount of the Notes, i.e. 500 Notes comprising 125 Tranche 1 Notes and 375 Tranche 2 Notes. Applicants may apply for additional Notes in multiples of 10 Notes (\$1,000 in principal amount) above that minimum Subscription Amount.

Please note that following the Housing Review:

- if the Plan Big Scenario continues to apply, then then the Applicant will be allotted 3 Tranche 2 Notes for every Tranche 1 Note the Applicant is allotted (for example, an application of 500 Notes would result in 500 allotted Notes, comprising 125 Tranche 1 Notes and 375 Tranche 2 Notes); and
- if the Stay Small Scenario applies, then then the Applicant will be allotted 1.448 Tranche 2 Notes for every Tranche 1 Note the Applicant is allotted (for example, an application of 500 Notes would result in 306 allotted Notes, comprising 125 Tranche 1 Notes and 181 Tranche 2 Notes).

11.3 Investor eligibility

An application for the issue of any Notes will only be accepted from, and Notes will only be issued to, an investor that is (1) a person to whom it is lawful to make an offer of the Notes, (2) a person to whom an offer or invitation for the issue, sale or transfer of the Notes may be made without disclosure under Part 6D.2 or 7.9 of the Corporations Act, (3) not a 'retail client' as defined for the purposes of Chapter 7 of the Corporations Act, (4) an Australian resident who is not acquiring an interest in the Notes through a permanent establishment outside Australia and (5) a person who is not in the United States and is purchasing the Notes in an "offshore transaction" (as defined in Regulation S under the US Securities Act).

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

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

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



By submitting an Application Form, you will be deemed to have represented and warranted that you are an investor that satisfies the eligibility criteria set out in this Section 11.3 and elsewhere in the IM. In particular, you will be deemed to have represented and warranted that (1) you are not in United States and you are not acting for the account or benefit of a "U.S. person" (as defined in Regulation S under the US Securities Act) and (2) you understand that the Notes have not been, and will not be, registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States, and may only be offered, sold, transferred or otherwise disposed of in Australia in "offshore transactions" (as defined in Regulation S under the US Securities Act) in accordance with Regulation S under the US Securities Act.

11.4 Submission of Application Forms

Completed Application Forms should be emailed to sva@oneregistryservices.com.au or mailed to:

Arc SIB Trust
PO Box R1479
Royal Exchange NSW 1225

11.5 Application Payment amount

The Application Payment to be provided in connection with an application for any Notes is an amount equal to the Tranche 1 Subscription Amount for the number of Notes identified by the Applicant in their Application Form (being 25% of the total Subscription Amount).

11.6 Payment options

Application Payments are to be made by direct deposit, as described below.

Bank: ANZ
Account Name: APPS - ARC SIB
BSB: 012110
Account Number: 838496636

Details of the deposit should accompany the Application Form. The Issuer will accept notice of electronic transfer of funds as if deposited and cleared.

Payment by cheque or physical cash will not be accepted.

11.7 Interest earned on Application Payment

All Application Payments for a Tranche of the Notes received before the relevant Notes are issued will be held by the Issuer in an account used for the purpose of depositing Application Payments received. Such Application Payments will not bear any entitlement to interest or other income, but the Registrar or Issuer will be entitled to retain interest or other income earned on monies prior to their payment to the Issuer or refund to the Applicant. After the Notes are issued to successful Applicants, the Application Payments will be payable to the Issuer.

11.8 Refunds

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

11.9 Provision of TFN and/or ABN

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

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

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



11.10 Provision of bank account details

Under the Application Form, Applicants are also requested to provide bank account details. This nominated account will be used for the direct crediting of Coupon Payments, principal redemptions and payments of other amounts. If this information is not provided under the Application Form, Applicants are encouraged to provide it to the Issuer as soon as possible thereafter. If a Noteholder has not notified the Issuer of an appropriate account by the close of business on the record date in respect of that payment, or the credit of any money to a Noteholder's account does not complete for any reason, then the amount is to be held by the Issuer for the Noteholder until the Noteholder or any legal personal representative of the Noteholder nominates a valid account to which payments must be made or otherwise claims the amount, or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys. No interest is payable in respect of any delay in payment.

11.11 Privacy statement

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

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

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

A copy of the Issuer's privacy policy is available from arcsib@socialventures.com.au. The privacy policy states how the Issuer manages personal information and includes information about how a request to access and seek correction of the personal information held by the Issuer can be made. The privacy policy also contains information about how an Applicant can complain about a breach by the Issuer of the Privacy Act and how the Issuer will deal with such a complaint. Requests to access personal information, seek correction to personal information or make a complaint can be made to the Issuer by emailing arcsib@socialventures.com.au or by mail at Level 5, 309 Kent Street Sydney NSW 2000.

12. Glossary

The following terms have these meanings when used in this IM, but subject to the meanings and interpretation as provided in the SIB Deed Poll, the Purchase Deed, the Services Agreement, the Housing Agreements, the Management Deed or the Implementation Agreement (as applicable).

Aboriginal Housing Victoria or AHV Aboriginal Housing Victoria Limited (ABN 38 006 210 546)

Aggregate Issue Amount The total of all Notes to be issued which is expected to be \$9,000,000 in the Plan Big Scenario and \$5,508,000 in the Stay Small Scenario.

Applicant An eligible investor who applies for any Notes, as more fully described in Section 11 (*Applications*).

Application Form The application form attached to this Information Memorandum.

Application Payment The amount to be paid by Applicants in making a valid application for any Notes, as more fully described in Section 11 (*Applications*).

Arc Program or Program The services delivered by Vacro under the Services Agreement.

ASIC Australian Securities and Investments Commission.

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

Beyond Housing Rural Housing Network Limited (ABN 82 965 609 218).

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

Cap on Payments The maximum State payments under the Implementation Agreement, being \$30,000,000 (plus GST) in the Plan Big Scenario and \$18,390,000 (plus GST) in the Stay Small Scenario.

Calculation Date There are 9 Calculation Dates, scheduled as follows:

- Calculation Date 1 is 31 December 2025
- Calculation Date 2 is 30 June 2026
- Calculation Date 3 is 31 December 2026
- Calculation Date 4 is 30 June 2027
- Calculation Date 5 is 31 December 2027

- Calculation Date 6 is 30 June 2028
- Calculation Date 7 is 31 December 2028
- Calculation Date 8 is 30 June 2029
- Calculation Date 9 is 31 December 2029

Corporations Act *Corporations Act 2001* (Cth).

Counterfactual Outcomes The baseline outcomes for each Outcome Measure that reflect the Counterfactual Rates for all Enrolled Men and the number of years since their release.

Counterfactual Rates A fixed number for each metric and each year after leaving prison, based upon the outcomes of a reference group of individuals meeting the Arc eligibility criteria who are released from prison during the two-year period commencing 1 July 2021, and which are specific to population sub-segments so that baseline outcomes appropriately reflect the mix of individuals enrolled in the Program.

Counterfactual Review A review of the Counterfactual Rates that may occur after 30 June 2025 or Calculation Dates 1, 2, 3 or 4 (or at any other time if agreed by the parties).

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

Deemed Enrolments A figure determined as:

- the minimum number of referred women less the actual number of referrals, multiplied by 25%; and subject to
- a minimum of nil, and a maximum of planned enrolments less actual enrolments,

provided that if the number of Enrolled Women is greater than or equal to the planned number then the Deemed Enrolments are nil.

Determination Dates There are 6 determination dates, scheduled as follows:

- Determination Date 1 is 30 June 2025
- Determination Date 2 is 30 June 2026
- Determination Date 3 is 30 June 2027

- Determination Date 4 is 30 June 2028
- Determination Date 5 is 30 June 2029
- Determination Date 6 is 30 June 2030.

Early Redemption Date The date on which a Termination Payment is paid to the Issuer by the State under the terms of the Implementation Agreement or, if the Termination Payment in respect of any Termination Date is nil, a date that is no later than 5 months after the Termination Date (allowing for the determination of the Termination Payment).

Enrolled Men Enrolled individuals who were released from a men's correctional facility.

Enrolled Women Enrolled individuals who were released from a women's correctional facility.

Enrolment Review A review of the reasons and potential remedies for low enrolments that may occur after 31 December 2024, 30 June 2025 or Calculation Dates 1, 2 or 3 depending upon enrolment numbers (or at any other time if agreed by the parties).

Expense Review A review of the cumulative expenses incurred by Vacro and Housing Providers that may occur after 30 June each year from 2025 to 2028.

Financial Close The date upon which Tranche 1 Notes are issued.

GST Goods and Services Tax.

Housing Choices Australia or Housing Choices Housing Choices Australia Limited (ABN 23 385 731 870)

Housing Review A review of the current housing supply and projected housing requirements that will be undertaken from 1 November 2024 and will conclude by no later than 31 December 2024.

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

Management Deed Master Management Deed (SVA Impact Investments) dated 9 January 2017 between SVA Nominees Pty Ltd (ACN 616 235 753) and Social Ventures Australia Limited (ACN 100 487 572), as amended from time to time including pursuant to an Amending Deed dated 6 June 2019.

Measurement Group All eligible individuals that are enrolled in the Arc Program.

Minimum Subscription Amount \$50,000.

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

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

Outcome Improvement The percentage reduction in service utilisation for each Outcome Measure, determined at each Calculation Date.

Outcome Measure Each of the Justice Outcome, Housing Outcome and Health Outcome, as described in Section 4.8 (*Performance measurement*).

Outcome Payments The payments made by the State to Issuer pursuant to the Implementation Agreement and which are dependent on the Outcome Improvements at each Calculation Date.

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

Performance Coupons The variable coupon amounts described under Section 7.1.2 (*Performance Coupons*).

Performance Review A review of the reasons and potential remedies for the underperformance of the Arc Program that may occur after Calculation Dates 2, 3, 4 or 5 (or at any other time if agreed by the parties).

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

Privacy Act *Privacy Act 1988* (Cth).

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

Recorded Outcomes The total number of services that have occurred for each Outcome Measure up to the relevant point.

Register means the register of holders of the Notes established and maintained by the Registrar.

Registrar One Registry Services Pty Ltd (ABN 69 141 757 360) (or such other person as the Issuer may appoint from time to time to maintain the Register).

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

Scale Down Trigger This will occur if the Housing Review concludes that the in-principle commitments from Housing Providers to supply to Arc participants for each annual period commencing on 1 July 2025 and 1 July 2026 is 60 or less properties.

Scheduled Maturity Date 30 June 2030.

Services Agreement The contract between the Issuer and Vacro to deliver the Arc Program.

SIB Social Impact Bond.

Standing Charge A pre-payment of part of the Outcome Payments by the State to the Issuer under the Implementation Agreement. The Standing Charge is payable in four equal instalments of \$3.25 million in the Plan Big Scenario or two instalments of \$3.25 million followed by two instalments of \$734,500 in the Stay Small Scenario.

State The State of Victoria, acting through Department of Families, Fairness and Housing.

Subscription Amount The face value of Notes recorded in the Register.

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

Termination Date Any date on which the Implementation Agreement is terminated prior to the expiry of its term.

Termination Payment The amount payable by the State to the Issuer in the event of the termination of the Implementation Agreement.

Trust The Arc SIB Trust (ABN 39 880 516 089)

Trust Assets All the Issuer's rights, property and undertaking which are the subject of the Trust (1) of whatever kind and wherever situated, and (2) whether present or future. The Trust Assets will include the Issuer's rights under the Implementation Agreement, cash assets of the Trust (which are amounts that are not payable to the Trustee in respect of its costs or the costs of the Trust) and authorised investments of the Trust.

Trust Deed Master Trust Deed (SVA Impact Investments) dated 9 January 2017 between SVA Nominees Pty Ltd, Social Ventures Australia Limited and the Settlor named therein, together with the Notice of Creation of Trust dated 16 August 2022 made by the Issuer.

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

Uniting Housing (Victoria) or Uniting Uniting Housing (Victoria) Limited (ABN 69 134 589 745)

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

US Securities Act United States Securities Act of 1933.

Vacro Vacro (ABN 47 004 426 162)

Women's Property Initiatives or WPI Women's Property Initiatives Ltd (ABN 64 077 478 696)

Application form

Social Ventures Australia Limited (ACN 100 487 572, AFSL 428865) (the **Trust Manager**) has offered to arrange for the issue by SVA Nominees Pty Ltd (ACN 616 235 753) (the **Issuer**) in its capacity as trustee for the Arc SIB Trust (ABN 39 880 516 089) (the **Trust**) of limited recourse Arc Social Impact Bonds (the **Notes**), as described in the Information Memorandum (**IM**) dated 21 June 2023 as updated on 25 March 2024 prepared by the Issuer. This Application Form is an application for the issue of the Notes.

This Application Form is supplemental to, and forms part of, the Arc SIB Purchase Deed dated on or about 15 June 2023 as amended by the amending deed dated 25 March 2024 made by the Issuer and the Trust Manager (the **Purchase Deed**). It must not be distributed unless included in, or accompanied by, the Purchase Deed and/or the IM.

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

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

By submitting this Application Form, you will be deemed to have represented and warranted that you are an investor meeting the eligibility criteria set out in the IM, including in Section 11.3 (*Investor eligibility*) thereof.

Step 1

Total number of Notes to be applied for

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

Enter the total number of Notes you wish to apply for. The application must be for a **minimum of 500 Notes** (\$50,000). Applications for greater than 500 Notes must be in multiples of 10 Notes (\$1,000). The Notes are to be issued in two tranches (as the Tranche 1 Notes and Tranche 2 Notes) to be issued on two different dates, but your application will relate to the overall number of Notes (under both tranches) you wish to apply for. 25% of the Notes issued will be Tranche 1 Notes, and 75% will be Tranche 2 Notes. For each Tranche 1 Note issued to you, you irrevocably agree to subscribe to 3 Tranche 2 Notes.

Enter the amount of the Application Payment. To calculate this amount, **multiply 25% of the total number of Notes applied for by \$100**, being the Price (or Face Value) of each Note. For example,

Step 2

Applicant name(s) and details

if you apply for the minimum number of Notes (500), your Application Payment will be \$12,500 (being the 500 Notes applied for, multiplied by 25% and multiplied by \$100).

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

Enter your **contact name, email and telephone number**. This information may be used to communicate other matters to you subject to the privacy statement set out in Section 11.11 (*Privacy statement*) of the IM.

You may choose to enter details of the account into which payments to you in respect of the

Step 3

Application Payment

Notes are to be made. If this information is not provided under the Application Form, Applicants are encouraged to provide it to the Issuer as soon as possible thereafter. You may also wish to provide an applicable Australian Business Number and/or Australian Tax File Number.

Your Application Payment can be made by direct debit to the following account:

Bank: ANZ
Name: APPS - ARC SIB
BSB: 012110
Account number: 838496636

Step 4

Lodgement of Application Form

Application Payments must be made in accordance with the terms specified in Section 11 (*Applications*) of the IM. Any application made without the full amount of the Application Payment will not be accepted.

Completed Application Forms should be emailed to sva@oneregistryservices.com.au or mailed to:

Arc SIB Trust
PO Box R1479
Royal Exchange NSW 1225

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





Arc Social Impact Bond Application Form

Completed application forms should be emailed to sva@oneregistryservices.com.au or mailed to:

Arc SIB Trust
PO Box R1479
Royal Exchange NSW 1225

STEP 1

Enter the total number of Notes you wish to apply for

I/we apply for:	Price per Note	Application Payment (25% of the number of Notes applied for multiplied by \$100)
Notes	<input type="text" value="\$100"/>	\$.00

Payments are to be made by Electronic Funds Transfer (EFT). Please complete your bank account details on the following page and provide a clear reference for EFT funds below.

Electronic Funds Transfer (EFT)

EFT Reference No.

STEP 2 Applicant name(s) and details

Individual / joint applications – refer to naming standards for correct form of registrable title(s)

Title or company name Given name(s) Surname

ABN (if applicable) Tax File Number

Joint applicant 2

ABN (if applicable) Tax File Number

CORRESPONDENCE DETAILS

For all correspondence relating to the notes, including Annual Reports.

Unit Street number Street name or PO Box

City/Suburb/Town State Postcode

Email

Other email(s)

Turn over to complete the application form

CONTACT DETAILS

Contact name

()

Phone number

Mobile number

ACCOUNT DETAILS FOR PAYMENTS

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

Bank Name/Institution

BSB

Account number

Account Name

ELIGIBLE INVESTOR CATEGORY

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

The Purchase Deed is available for download at socialventures.com.au/work/arcsib

Application amount exceeds \$500,000

For business use in a large business

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

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

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

Australian Financial Services Licensee

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

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

APRA regulated body

Registered financial corporation

Listed entity or related body corporate

Exempt public authority

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

Related body corporate of wholesale investor

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

ACCEPTANCE OF THE OFFER

By submitting this Application Form with your Application Payment you:

- declare that this application is completed and lodged according to the Purchase Deed and the declarations/statements in the Purchase Deed;
- confirm that you have read the privacy disclosure as detailed in section 11.11 (**Privacy statement**) of the Information Memorandum which contains important privacy-related information, and acknowledge and agree that your personal information may be collected, held, used and disclosed in accordance with that privacy disclosure;
- represent and warrant that you have read the Purchase Deed and that you acknowledge the matters, make the undertakings, warranties and representations, and agree to the terms and conditions contained in the Purchase Deed (including in this Application Form);
- declare that all details and statements made are complete and accurate;
- declare that each Applicant, if a natural person, is at least 18 years old;
- declare that you are not in the United States or a U.S. Person (for the purposes of US tax regulation or securities laws), nor acting for the account or benefit of any such person;
- represent and warrant that the law of any other place does not prohibit you from being given the Information Memorandum and any supplement or replacement thereof or making an application on this Application Form;
- provide authorisation to be registered as the holder of Notes issued to you and agree to be bound by the Purchase Deed and the Note Conditions;
- apply for the number of Notes set out or determined in accordance with this Application Form and agree to subscribe for and be issued such number of Notes, a lesser number or none;
- acknowledge that the information contained in the Information Memorandum (or any supplement or replacement thereof) is not investment advice or a recommendation that Notes are suitable for you, given your investment objectives, financial situation or particular needs, and that you have relied on your own independent investigation, enquiries and appraisals;
- acknowledge that your application to acquire Notes is irrevocable and may not be varied or withdrawn except as allowed by law; and
- acknowledge that an application may be rejected without giving any reason, including where this Application Form is not properly completed.

Signature of Applicant 1

Name of Applicant 1

Date

Signature of Applicant 2

Name of Applicant 2

Date

Completed application forms should be emailed to sva@oneregistryservices.com.au or mailed to:

Arc SIB Trust
PO Box R1479
Royal Exchange NSW 1225

Application form

Correct Forms of Registrable Titles

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

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

Directory

Issuer

SVA Nominees Pty Ltd
ATF Arc SIB Trust

ABN 42 959 619 931
Level 5, 309 Kent Street
Sydney NSW 2000
02 8004 6700

Manager

Social Ventures Australia Limited

ABN 94 100 487 572
AFSL 428 865
Level 5, 309 Kent Street
Sydney NSW 2000
02 8004 6700
arcsib@socialventures.com.au
www.socialventures.com.au

Legal Advisers to the Issuer

Herbert Smith Freehills

ANZ Tower
161 Castlereagh Street
Sydney NSW 2000
02 9225 5000

ⁱ AIHW, 'The Health of Australia's prisoners 2018, Australian Institute of Health and Welfare, Canberra, 2019.

ⁱⁱ Productivity Commission, 'Report on Government Services 2022', 2022

ⁱⁱⁱ Payne J, Macgregor S & McDonald H 2015. Homelessness and housing stress among police detainees: Results from the DUMA program. Trends & issues in crime and criminal justice no. 492. Canberra: Australian Institute of Criminology. <https://www.aic.gov.au/publications/tandi/tandi492>

^{iv} Baldry E, McDonnell D, Mapleston P, Peeters M. Ex-Prisoners, Homelessness and the State in Australia. Australian & New Zealand Journal of Criminology. 2006;39:20–33.

^v Schetzer, L (2013) Beyond the Prison Gates: The experiences of people recently released from prison into homelessness and housing crisis, Public Interest Advocacy Centre, Sydney

^{vi} Sentencing Advisory Council of Victoria <https://www.sentencingcouncil.vic.gov.au/sentencing-statistics/victorias-imprisonment-rates>

^{vii} Hart, A., Gelb, K., & Martinovic, M. (in press). Towards a Practice Framework for Throughcare Reintegration Programs. International Journal of Offender Therapy and Comparative Criminology.

^{viii} Sullivan JA. The concept of practice frameworks in correctional psychology: A critical appraisal. Aggression and Violent Behavior. 2021;101716.

^{ix} <https://www.socialventures.com.au/assets/SVA-Aspire-SIB-Annual-Report-2023.pdf>

^x https://www.urban.org/sites/default/files/publication/104501/breaking-the-homelessness-jail-cycle-with-housing-first_1.pdf

^{xi} <https://socialfinance.org/insight/worlds-first-social-impact-bond-shows-positive-results/>

^{xii} <https://www.sacredheartmission.org/wp-content/uploads/2021/12/j2si-phase-2-final-year-outcomes-quantitative-report.pdf>

^{xiii} <https://www.bocsar.nsw.gov.au/Publications/CJB/2020-Social-impact-investment-and-recidivism-CJB234.pdf>

^{xiv} <https://www.crcnsw.org.au/wp-content/uploads/2021/11/CRC-AOD-Evaluation-final-report-1Dec21.pdf>

^{xv} <https://s3.wp.wsu.edu/uploads/sites/436/2014/11/Criminal-Justice-and-Behavior-2014-Lutze-471-91.pdf>

^{xvi} Vacro ReConnect FY22 Report

Photographs:

Cover, p4, p7, p10, p14, p22, p25, p30, p37, p45, p48, p51, p62, p67, p75: Stock photography.

P13, p17, p19, p57, p68: Supplied, Housing Choices Australia.

P18, p43: Supplied, Women's Property Initiatives.

P46, p53, p64: Supplied, Beyond Housing.

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