

Newpin Social Benefit Bond Amendments

Supporting Information

Background

From the outset of the Newpin Social Benefit Bond, it was the intent of all parties that the restoration of a child to the care of their family would be deemed to be 'successful' if the child stayed at home for a 12 month period.

Restoration reversals within the 12 month period were not anticipated to be significant factor, and none occurred during the first year of the SBB. However, over the 2014-15 year four families have had their restorations reversed (that is, the children involved were returned to out of home care), and this has led to an examination of how they will be treated for the purposes of determining outcome payments by the NSW Government to UnitingCare and interest payments to the Newpin SBB Trust (and thence coupon payments to investors).

A strict interpretation of the current terms of the contracts would see these reversals ignored for the purposes of determining the Restoration Rate and thus the interest rate payable by UnitingCare would be artificially overstated relative to original expectations.

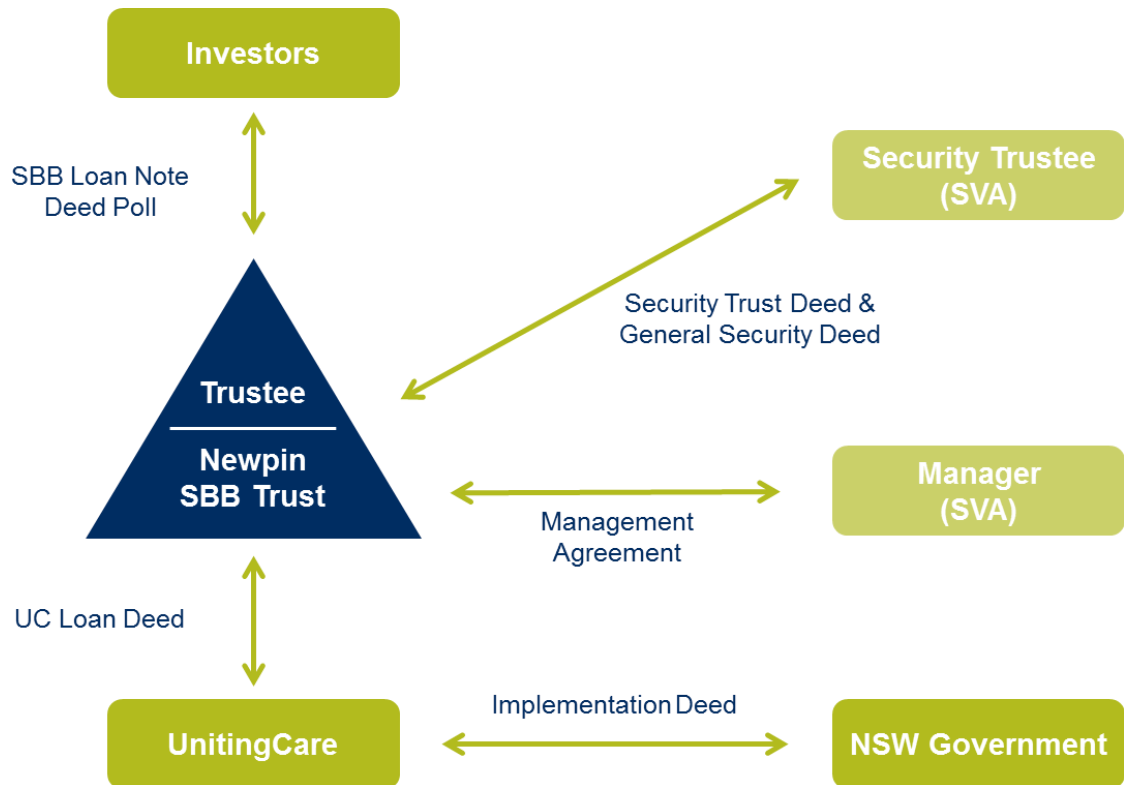
SVA, UnitingCare and the NSW Government agree that this situation should be rectified, in line with the original intent.

To mitigate uncertainty about the potential impact of explicitly allowing for reversals on investor returns, UnitingCare has agreed that a cap should be placed on the number of reversals counted in the determination of the Restoration Rate. This cap is proposed to be 10% of the cumulative number of restorations.

SVA is seeking the approval of investors to the proposed amendments to the Newpin SBB transaction documents set out below.

Proposed Amendments to Transaction Documents

The Newpin SBB legal structure is set out below for your reference.



It is proposed that the following amendments be made to the transaction documents:

1. Amend the Implementation Deed to include a formal definition of Reversals (children who return to out of home care within 12 months of being restored to the care of their family).
2. Amend the UC Loan Deed to add definitions of Restorations, Reversals and Unsuccessful Referrals that formally replicate the definitions of those terms in the Implementation Deed.
3. Amend the UC Loan Deed definition of the Restoration Rate to specifically deduct Reversals up to a maximum of 10% of Restorations.

The effect of these changes would be that (subject to the cap referred to above) any Reversal would reduce the coupons payable to investors under the SBB Loan Note Deed Poll.

Uncertified Newpin Results as at 31 May 2015

As at the end of May, Newpin has worked with 157 Cohort 1 children, of which 108 have had an 'outcome' (either being successfully restored or exiting the program without restoration). 56% of these have been successfully restored to the care of their families; for mothers' centres, 57% have been successfully restored.

In addition, Newpin has supported 29 children in 'at risk' cohorts (ie they were not already in OOHC on entry to Newpin) to remain with their families for a 12 month period.

Please note that these results have not been reviewed by the Independent Certifier and should be treated as indicative only.

Cumulative Outcomes as at 31 May 2015	Mothers' Centres	Fathers' Centres	Total Newpin
Cohort 1: families with at least 1 child under 6 who has been placed in OOHC			
Number of children restored	48	20	68
Number of restorations subsequently reversed	7	0	7
Number of children exiting Newpin without a restoration ('Unsuccessful Referrals')	24	16	40
Total number of children who have had an 'outcome'	72	36	108
Number of children in Newpin awaiting restoration	27	22	49
Other cohorts: families with children at risk of entering OOHC			
Children supported to stay with their family for 12 months	22	7	29

Impact of Amendments

Based on the uncertified cumulative results of the Newpin program as at 31 May 2015 (as set out above):

- Using the current definitions and assuming results are unchanged at the end of June 2015, the Restoration Rate would be 66.7%, and the interest rate applicable to the first 2.25 years of the SBB would be **13.5% pa.**
- Using the proposed amended definitions and assuming results are unchanged at the end of June 2015, the Restoration Rate would be 60.0%, and the interest rate would be **7.5% pa.**

Definitions

Current UC Loan Deed definition:

“**Restoration Rate**” means on any date, the proportion of children in out-of-home care attending a Mothers’ Centre who are restored to the care of their families, for the period commencing on 30 June 2013 and ending on the most recent Restoration Rate Testing Date¹, as calculated in accordance with the Implementation Deed and certified as accurate by the Independent Certifier

Amended UC Loan Deed definition:

“**Restoration Rate**” means on any date, the rate calculated according to the following formula and rounded to 2 decimal places:

$$\text{Restoration Rate} = (A-B)/(A+C)$$

Where:

- A is the number of Restorations at Mothers’ Centres occurring during the period commencing on 30 June 2013 and ending on the most recent Restoration Rate Testing Date
- B is the number of Reversals at Mothers’ Centres occurring during the period commencing on 30 June 2013 and ending on the most recent Restoration Rate Testing Date, subject to a maximum calculated as 10% x A
- C is the number of Unsuccessful Referrals at Mothers’ Centres occurring during the period commencing on 30 June 2013 and ending on the most recent Restoration Rate Testing Date

Existing Implementation Deed definitions (unchanged):

“**Restoration**” in relation to a Child or Young Person, means the exit of the Child or Young Person from OOHC. The date of that exit shall be the date of exit as recorded in the Department’s² client management system which entry shall be made as soon as practicable after the Child or Young Person leaves OOHC. If the Department’s client management system does not record a date of exit from OOHC for a Child or Young Person in circumstances where the Organisation³ believes the Child or Young Person has exited OOHC or if the Organisation disputes the date of exit so entered, the Organisation may seek confirmation from the Department as to whether or not the exit has occurred and the date of such exit in accordance with the applicable procedure for seeking confirmation of Restorations set out in the Operations Manual.

“**Unsuccessful Referral**” means a Child or Young Person in a Cohort 1 Family whose family is referred to the Organisation and receives some Services⁴ in respect of that Child or Young Person from the Organisation under this Agreement but which ceases to receive those Services without a Restoration of the Child or Young Person for any reason other than those identified in the Operations Manual as excluding the Child or Young Person from Cohort 1.

New Implementation Deed definition:

“**Reversal**” means the return of a Child or Young Person to OOHC who has been Restored whilst receiving Services from the Organisation as a Cohort 1 Child or Young Person within 12 months after the date of Restoration. The date of Reversal shall be the date of re-entry into OOHC as recorded in the Department’s client management system which shall be made as soon as practicable after the Child or Young Person re-enters OOHC.

¹ 30 June each year

² NSW Department of Families and Community Services

³ UnitingCare

⁴ The Newpin program

Interest Payment calculation

No changes are proposed to the formulae used to calculate Interest Payments. For reference, details of those formulae are included below.

Interest Payments are:

- paid annually in arrears on 30 September;
- variable based on the Restoration Rate;
- paid on a cumulative basis, with adjustment for prior year under/overpayments (prior year overpayments are not required to be returned); and
- subject to a minimum Interest Rate of 5% over the first three Interest Payments dates.

The Interest Rate used to determine each Interest Payment will be calculated as follows:

$$\text{Interest Rate} = 3\% + [0.9 \times (\text{Restoration Rate} - 55\%)]$$

subject to the following:

- if the Restoration Rate is below 55%, the Interest Rate is nil (except in the first three years);
- a minimum of 5% is applied over the first three interest payments; and
- a maximum of 15%.

For this purpose, the Restoration Rate used is that determined on the Restoration Rate Testing Date immediately prior to the Interest Payment Date. The Interest Rate percentage is calculated to one decimal place.

Interest Payments will be calculated as follows:

$$\text{Interest Payment} = (\text{Principal} \times \text{Interest Rate} \times n/365) - \text{Previous Payments}$$

subject to a minimum of zero.

For this purpose, “n” is the total number of days between 30 June 2103 and the Interest Payment Date.

Interest Payments are made on a cumulative basis, so that under or overpayments in previous years are “caught up” as restoration results are confirmed. This means that in the event of prior year underpayments, the Interest Payment in any one year could exceed 15% of the Principal. In the event of prior year overpayments, the Trustee is not required to return overpayments (i.e. the minimum Interest Payment is nil).