
INVESTMENT PROPOSAL

Homeless Families Social Impact Investment

AN INITIATIVE OF CLANN CREDO



HOMELESSNESS INTERVENTIONS LIMITED

In October 2013, following a Cabinet decision, the Minister for Public Expenditure and Reform, Mr Brendan Howlin, TD, announced “a pilot phase for a new model of financing social interventions in Ireland called Social Impact Investment”, in his budget statement.

Homelessness Interventions Limited has been established for the purpose of financing the Project to source sustainable accommodation and support for 136 families who have been homeless for periods of up to 8 years.

Clann Credo, the social investment fund, has been appointed to manage the Project, whilst Focus Ireland, Ireland’s largest housing and homeless charity is responsible for delivering the intervention with the families.

Upon evidence that the tangible target outcomes of the Project have been achieved, Dublin City Council will pay Homelessness Interventions Limited for families successfully moved from homeless emergency accommodation. DCC only pay when the outcomes have been satisfactorily delivered.

Cashflows, including loan financing from investors, will be used solely for services including case workers, support staff, property advisors and administration. No funds will be used to pay rent/domestic property costs on behalf of families.

This investment proposal seeks to raise non recourse loan finance of €500,000 for Homelessness Interventions Limited, to finance the working capital of the Project.



Key Terms

Aggregate loans	<p>€500,000. This is the sum indicated by the financial model as required to fund the peak working capital needs of the Project.</p> <p>Working capital is the aggregation of Homelessness Interventions Limited ("HIL") implementation and development costs, monthly operating expenses incurred by Focus Ireland and Clann Credo and phased payments received from Dublin City Council ("DCC").</p>
Cohort Group or Families	<p>The 136 Families identified by DCC as long term homeless in Private Emergency Accommodation (PEA). The definition of family includes at least one parent and one child. The families are registered on the Dublin Region Homeless Executive's (DRHE) Pathway Accommodation and Support System (PASS), a national shared client support system for homeless services.</p>
Early Termination Payments	<p>In the event of the Project being terminated, investors will be repaid any residual sums held by the SPV once all payments from DCC have been received and Clann Credo and Focus Ireland allowable costs have been paid. Early termination payments will be made pro rata according to the proportion which each investor's loan bears to the aggregate of all investor loans.</p>
Fees & Expenses	<p>No fees are payable by investors.</p> <p>Management fees will be payable by HIL to Clann Credo for the management of the Social Impact Investment ("SII"). These fees include administration and management costs and are reflected in the model.</p>
Intervention Provider	<p>Focus Ireland, a not-for-profit organisation with specialist knowledge of the homeless sector. Focus Ireland will appoint a Case Manager to each family in the Cohort Group</p>
Investor Reporting	<p>A half-yearly progress report will be provided to Investors on such date and in such form to be determined by HIL.</p>
Investors	<p>Foundations, charities and private (high net worth) individuals may apply to invest;</p>
Manager	<p>Clann Credo is the manager of HIL, and will be responsible for the co-ordination and collaboration between parties to achieve the outcomes</p>
Minimum loan size	<p>€50,000</p>
Loan Agreement	<p>The loan to be made available by an investor to HIL pursuant to a Loan Agreement which, subject to the terms of the Loan Agreement, may be repaid to an investor from the net proceeds of the Project cashflows from DCC, as set out in the Service Level Agreement between DCC and HIL.</p>

Homelessness Interventions Limited or the Special Purpose Vehicle ("SPV")

A company established for the purpose of the management and delivery of the SII Project. HIL will fund the resourcing of the Project, and subject to achieving the objectives, receive payments from DCC.

HIL repayment to Investors

It must be noted that HIL shall be under no obligation to make payments of principal or interest in connection with the Loan. Subject to the terms of the Loan Agreement, the expectation is that:-

- (a) a results rate target of 75% (or less) would result in no payment of any interest to an investor;
- (b) at a results rate target of 85%, an interest rate of 5% will be paid to investors; and
- (c) subject to phasing, the maximum interest rate is capped at 8%, which will be reached when an estimated 91% of the Cohort Group are out of homelessness for 6 months.

See Section 4. Financials & Project Metrics

Social Impact Investment Objective or the Objective(s)

HIL's objective is to achieve a financial return for its investors, along with a positive outcome in the form of the 136 homeless families moving from PEA into alternative, sustainable accommodation. Such accommodation may be private rented tenancies, Local Authority or Housing Association properties or a return to family homes.

Outcome Payments

HIL will be paid in two phases by DCC:

- The First Phase Payment being 5% of the target reimbursement rate once families have been successfully moved from PEA;
- The Second Phase Payment will be 95% of the funds due, and will be payable when the family has remained out of homelessness for 6 consecutive months.

See Section 4. Financials & Project Metrics.

Outcome Verification

Trinity College Centre for Nonprofit Management (TCCNM) has been appointed by HIL to independently report the outcomes being achieved. This report will create an obligation for DCC to pay the Outcome Payments due to HIL. TCCNM will confirm (i) when members of the Cohort Group are no longer on the PASS register, this being the appropriate metric to confirm that the families are no longer homeless; and (ii) when members of the Cohort Group are 6 months out of homelessness.

Parties to the Social Impact Investment

Dublin City Council
Clann Credo
Focus Ireland

See Section 3. How will the SII Work.

Key Terms

Private Emergency Accommodation (PEA)

This is accommodation, leased by DCC from private sector landlords. 16 properties are being used to accommodate the Cohort Group. Whilst other homeless individuals are also accommodated in these properties, they are not part of this SII.

PEA is substantially more expensive for the State to lease than other accommodation, due to the nature and needs of the accommodation and the attendant overheads. DCC has identified that significant budget savings are achievable if they could move away from, or at least reduce, PEA accommodation provision. This SII enables the Cohort Group families to be supported to find long term accommodation suitable to their needs.

Repayment of Loans

Subject to there being sufficient net proceeds from the Project cash flows from DCC and subject also to the terms of the Loan Agreement, the investors will be repaid.

Risks

See Section 9. Risks & Mitigants.

Service Level Agreements ("SLA"):

- (i) Agreement between DCC and HIL setting out the objective of the SII, and the basis on which payments will be made by DCC to HIL;
- (ii) Agreement between HIL and Clann Credo setting out the Project management and oversight responsibilities;
- (iii) Agreement between HIL and Focus Ireland setting out the form of intervention and service to be delivered in order to achieve the objectives.

Social Investment Impact ("SII") or the "Project"

The aim of the Project is to achieve sustainable accommodation for 136 homeless families currently living in PEA.

Settled

Means where a Cohort Group member has been out of homelessness emergency accommodation for a continuous 6 month period.

Transferability

The loans will not be transferrable or assignable ahead of schedule by the investors and the investors cannot demand repayment of any sum in respect of the loans at any time.

Advisors

Arthur Cox, Dillon Eustace, RSM Farrell Grant Sparks.

Investor Dates

Application Date Close

9th January 2015

Investor Repayment Date

On or after 31st December 2015, and not until such time as the net financial proceeds and outcomes are calculated following completion of the Project.

1. What is Social Impact Investing?

- SII unlocks more capital from the private sector at a time of constrained public finances;
- Promotes evidence based early intervention to achieve improved social outcomes;
- An innovative means of financing the delivery of key social services, in a cost-efficient and measurable manner.

Social Impact Investments (SIIs), also known as Social Impact Bonds, are an emerging global model for funding interventions aimed at tackling social problems. The UK was first to pilot the model, and later the USA introduced Pay for Success Bonds, whilst Australia developed Social Benefit Bonds. The initiative is being introduced to a range of other countries including Germany, the Netherlands and Portugal.

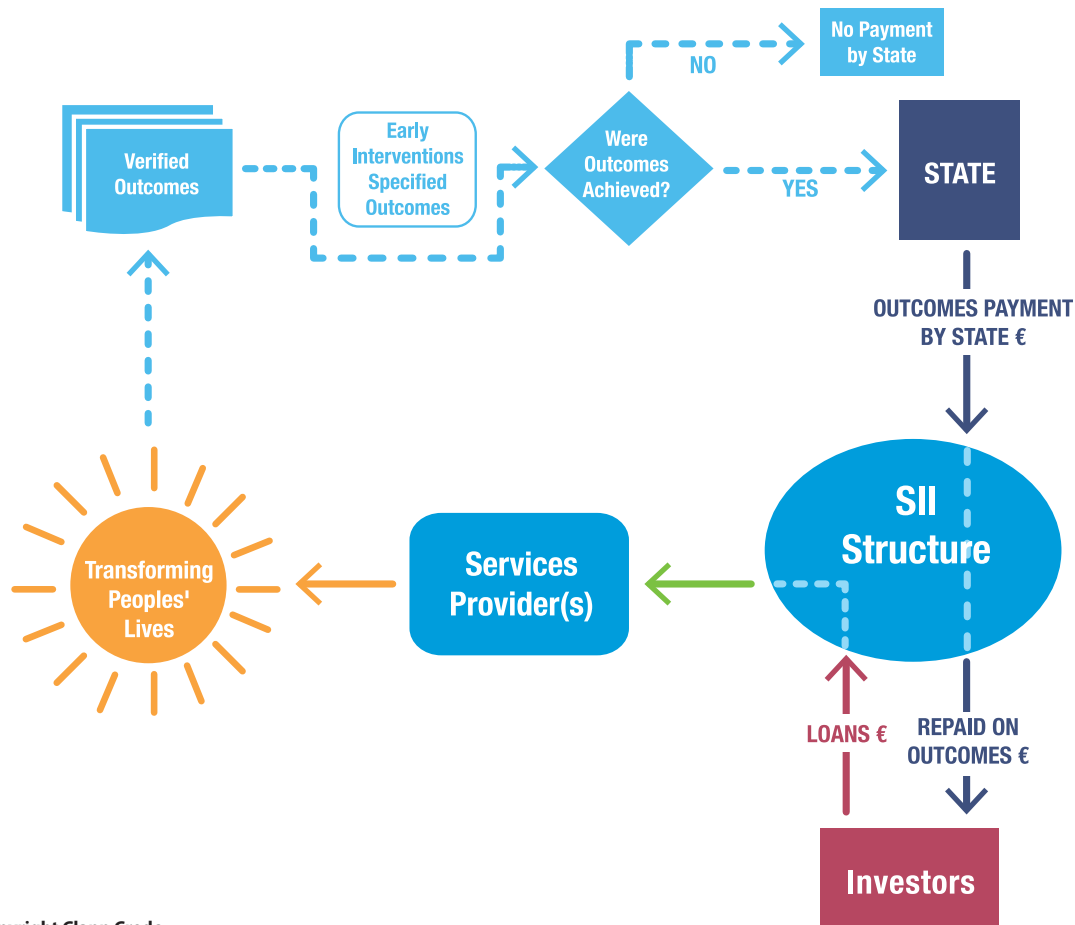
SIIs are innovative multi-stakeholder collaboration projects that address persistent social issues through high impact, cost effective, strategic interventions. The structure currently involves socially minded private investors providing up-front risk finance for projects which yield both a social and financial return for the State. In return, the investor receives repayment with interest, generated when cost savings are achieved by the State. The risk associated with funding the interventions and the achievement of the social outcomes

is transferred from the State to private investors, through lending to a Special Purpose Vehicle Company (SPV). The SPV contracts with experienced service providers from the voluntary sector to deliver the interventions. The SII structure means that investor repayment is achieved through the delivery of a number of specific, measurable, targets for the Project.

At its core a SII has a value for each of the parties involved. Governments can give support to preventative services, previously proven on a smaller scale or in other jurisdictions, without putting cash at risk; non-profit organisations, with proven models, can access the funding to scale up their interventions; and investors have an investment opportunity that links enhanced social outcomes and financial returns.

As Social Impact Investing is a relatively new approach, structural and execution risks exist. However, whilst the layering of private sector investment onto an intervention model is new, the actual intervention being used by the service provider has typically been proven as effective and the investor is enabling a pilot project to scale it up or evaluate it in a different environment.

The diagram below shows a typical process in action:



2. HIL: Overview & Objectives

There are many people in Ireland today who, whilst not experiencing rough sleeping, are experiencing homelessness. They include people in emergency hostels and Private Emergency Accommodation ("PEA"). Statutory agencies have identified the need to eliminate the use of PEA by taking a 'housing with support' approach to resolving homelessness. The Cohort Group for this Project:

- Comprise 136 family households, accommodated in PEA in the Dublin region i.e. across the 4 Dublin local authority areas.
- Includes over 250 children.
- The households were uniquely identifiable and in PEA for periods up to 8 years.

Focus Ireland will assist families to source appropriate accommodation, and also provide intensive support to help the families settle into their new accommodation and integrate into the local community. Whilst some households will require only minimal support, others will need help for some time post settlement and this will be provided by Focus Ireland.

16 properties are involved in housing these family households in PEA and the related cost to DCC in 2013 was approximately €3.2 million per annum, a cost substantially above the market rate for rental properties due to the specific nature of the PEA arrangements which in addition to rental payments, include managing tenancy contracts, inspections, operation and collection of the client charge for lodgings and providing client support services to households in PEA. A movement to market rate accommodation by the families will provide substantial savings for DCC.

Whilst it was the original intention of DCC to terminate the leases on the 16 properties and thus effect substantial savings, the ongoing crisis in homelessness in Dublin indicates that it may not be immediately possible for DCC to completely vacate these PEA arrangements, although the SII will serve to free up accommodation for other families in need. At November 2014, the number of homeless families, excluding those already settled under this SII, is 309, and this figure is growing at an estimated 32 per month.

The Project involves a groups of families being allocated to Focus Ireland Case Managers who will undertake a holistic needs assessment, and thereafter, help source suitable accommodation and other supports as may be necessary to improve the likelihood that the family's move out of homelessness can be sustained. The purpose of the holistic assessment recognises that many of the families have additional and often complex needs, and Focus Ireland will source support for such needs.

Social Disadvantages of private emergency accommodation:

Research identifies that people who experience homelessness in their childhood, have a significantly higher risk of homelessness as adults. The quality of life for these parents and their children would be significantly improved if they could sustain themselves in appropriate long-term accommodation because while in PEA:

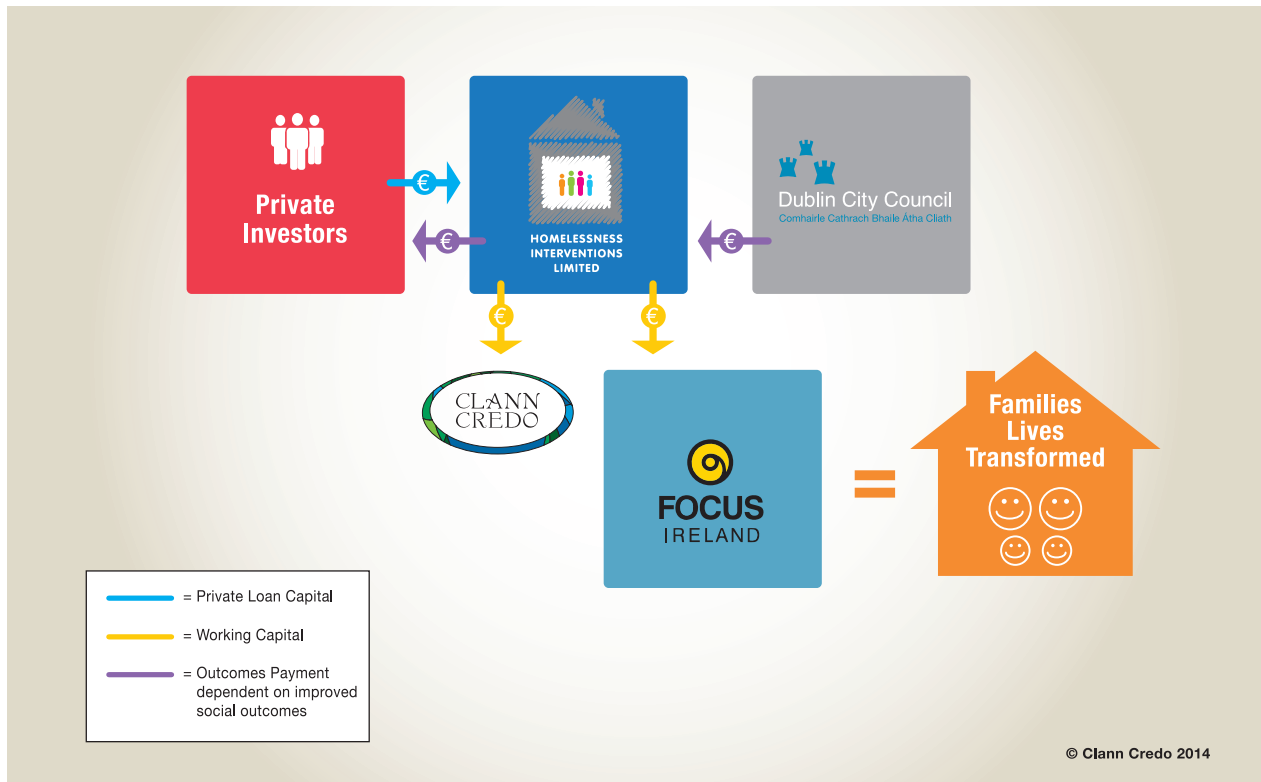
- Families struggle to maintain important links with their wider support network;
- Proper access to health and social services is problematical;
- Children's education and personal development are disrupted.

Social Advantages of success by HIL:

- The life chances of over 250 children will be improved through a more secure home-life;
- Better educational attainment is achievable, as children stay in education for longer;
- Reduced level of anti-social and criminal behaviour, and less homelessness in later life;
- Families can live more independent lives;
- Improved levels of mental and physical health;
- Increased likelihood of re-entry into the labour force for adults.

3. How will HIL SII operate?

The Project involves Dublin City Council, acting on behalf of the State, Focus Ireland as the delivery provider, and Clann Credo as Manager, responsible for the delivery of the project.



A framework for communication is in place between the stakeholders which facilitates a strong and functional collaboration. Senior staff members within each organisation have been identified to manage the Project.

Monthly meetings between Clann Credo and Focus Ireland will review progress and discuss remedial actions where required. The flexibility inherent in the delivery mechanism for the interventions ensures that swift action can be taken to revise the strategy and address alternative inputs when necessary.

Quarterly Steering Group meetings will review progress, status of outcomes, and payment scheduling.

Dublin City Council (DCC)

The commissioner of the Project, who will pay for successful outcomes of the Project.

The Dublin Region Homeless Executive (DRHE) is provided by Dublin City Council as the lead statutory local authority in the response to homelessness in Dublin and adopts a shared service approach across South Dublin County Council, Fingal County Council and Dún Laoghaire-Rathdown County Council.

The Executive is responsible for the planning, coordination and administration of funding in relation to the provision of quality services to people who are homeless in the Dublin area, and for the development of responses to prevent homelessness. It works with a range of voluntary and statutory services to implement the agreed action plan to deliver integrated services to people who are homeless and assisting them to move to long-term housing and independence with supports as required.

FOCUS IRELAND

The Service Provider, who will be contracted by HIL to provide a specially selected team of individuals with expertise in the areas of property, homelessness and family support. Their intensive intervention methodology has proven to be effective in achieving sustainable housing solutions for families who have previously experienced difficulties in finding accommodation.

Founded in 1985, the organisation works with people who are homeless or at risk of losing their homes in Ireland. It believes that everyone has the right to a place they can call home and campaign to address the causes of homelessness.

Focus Ireland has housing and homeless services across Ireland providing a range of services including housing, tenancy sustainment, advice & information, aftercare for young careleavers and a welcoming place to meet and have a low-cost meal.

CLANN CREDO

The Project Manager appointed by DCC, on behalf of DRHE, and contracted by HIL will be responsible for the co-ordination of the stakeholders, fund raising and investor relations.

The Social Investment Fund pioneered the development of Social Finance in Ireland. Since 1996 it has offered a range of loans to community, voluntary and charitable groups as well as social enterprises and community businesses. All of Clann Credo's capital is raised from private sources. It helps build stronger communities by providing social finance for community growth. At the end of 2013, Clann Credo had €22.5 million on loan to 300 community organisations throughout Ireland. Social Finance delivers private capital to communities, many of whom were unable to secure loans from conventional outlets.

Since 2011, when Social Impact Bonds were included in the Programme for Government, Clann Credo has been working with the Government on assessing appropriate initiatives to combat particular areas of social problems through the use of SIs.

TRINITY COLLEGE CENTRE FOR NON-PROFIT MANAGEMENT (TCCNM)

The Outcomes Verifier, responsible for determining whether the outcomes have been achieved at each quarterly measurement date, this being the trigger for the payments from DCC.

Founded in 2001 with an establishment grant from Atlantic Philanthropies, the Centre carries out research and offers programmes of education for students and practicing managers in Ireland and abroad. Its focal areas are the management of non-profit organisations, social enterprises, new forms of organisation or social value creation, processes of social innovation and patterns of social investment.

Early Termination Arrangements:

All parties are committed to the success of the Project, and achieving positive outcomes for the Cohort Group. Contracts are legislated to ensure that the parties continue to fulfil their obligations, but where termination is required, it will be done in a way that will not adversely impact the Cohort Group.

Termination by DCC: The Service Level Agreement between DCC and HIL may be terminated by DCC giving 4 months notice in writing to the HIL. Should it do so, it must refund HIL for all the costs incurred up to the date of termination, together with any unavoidable costs that might be incurred after that date. Outcome payments due for any families at the time of termination must be paid within 60 days.

Termination of the Project by Clann Credo or Focus Ireland: Either (or both) parties may terminate the Service Level Agreement by giving 4 months notice in writing to the SPV and DCC. The parties will be entitled to reimbursement of all costs up to the date of termination, and any outcome payments that have been triggered and confirmed by the Outcome Verifier, must be paid within 60 days.

Termination for Underperformance: The SPV may terminate agreements with Focus Ireland, the Outcomes Verifier and any other party to the Project in the event of underperformance against the original Project plan for outcome achievement. The parties will be entitled to a reimbursement of all costs up to the date of termination.

4. Financials & Project Metrics

In 2013 it was assessed that the costs to the State of PEA accommodation for 136 families is in the region of €3.2m per annum including staff and administration costs. Within the €3.2m, the average property rental costs for this Cohort Group is €21,200 per family per annum. This is more than double the expected €10,002 average cost per family on Rent Supplement Allowance (a range of €798-€870 per month per family). As families are relocated out of PEA, costs to the State should fall to €1.3m, thereby generating a saving to the State of €1.9m per annum. These figures are estimates, and subject to variances given families' needs. They do not reflect any ongoing support costs that may be required subsequent to settlement.

The €1.9m costs of delivering this Project over 36 months are made up of the operational costs of Focus Ireland and Clann Credo and the establishment costs for HIL. The Project effectively funds itself from one year's savings to the State. Not directly measured are the substantial welfare and quality of life benefits to the families and their futures, or the savings to the State from the stability created through sustained accommodation.

Areas benefitted, for families and the State, include health, education, welfare, employment and justice. The costs of any investor returns will add to the costs of the Project, but the gains in terms of benefits to the State of the SII reflect the value of this investor cost, which is €25,000 at a 5% interest payment per annum.

Whilst it is difficult to predict with certainty, the estimated timeline is shown below. This covers the entire intervention process including the initial Holistic Needs Assessment, property sourcing and negotiation of contracts (where necessary), appropriate child care and family support, and eventual achievement of settlement, being 6 months out of homelessness:

Year	Families referred by DCC to Focus Ireland	Families with Holistic Needs Assessment completed (cumulative)	Families in new accommodation (cumulative)	Families deemed Settled (cumulative)	Families in SII not yet Settled
2013*	60	60	50	31	105
2014	76	136	112	83	53
2015	0	0	136	136	0

The costs and expenses of HIL, including Focus Ireland, Clann Credo and loan interest costs have been approved and fixed at the outset by DCC. A 5% per annum can be achieved by Investors when 85% of the families are settled for 6 months. A cap on loan interest payable has been set at 8% per annum, and this level is reached when an estimated 91% families are successfully accommodated. The interest rate range of 5%-8% reflects the social nature of the investment and the risk involved. Please note that loan interest, if any, is dependent on sums received by HIL from DCC. HIL has no liability to investors in excess of these amounts, which are subject to the deduction of costs and expenses in the first instance.

As an SII project, clear, pre-defined targets have been agreed with DCC to firmly establish the objectives to be achieved in order for HIL to be reimbursed. Based on assumptions of costs, such costs being capped by DCC, it is projected that a total sum of €21,411 per family will be paid for the first 68 families settled; for each of the following 36 families the sum will be €13,889; and for the next estimated 7 families it will be €2,667 until such time as income is sufficient to cover 8% per annum loan interest for the investors. Of these payments, 5% of the sum will fall due when the family moves to alternative, more sustainable accommodation and 95% when the family has been out of homeless accommodation 6 consecutive months, a period agreed as a good indicator of sustained tenancy. This phasing is shown in the table below:

Payment Levels:		First 68 Families	Next 36 Families	Next 7 Families
On Tenancy	5%	€1,071	€694	€133
On Disengagement /6 months	95%	€20,340	€13,194	€2,534
Total		€21,411	€13,889	€2,667

Note: The forecasts shown in the model are based on estimated costs to the end of the Project. The total costs are capped by DCC, but may vary over the life of the Project due to (a) reduced expenditure during the Project life; and (b) any amendment to the cohort group population whereby the 136 population figure becomes reduced by virtue of a family no longer meeting the definition criteria. Focus Ireland will work with all 136 families or their members, regardless of definition criteria.

Break even for the Project is set at 75%. Should the number of families accommodated fall below this level, then investor loans will be subject to repayment risk. For illustration, if only 70% of the cohort group are settled, the investor loans are forecast to experience a loss of 25% of principal. The repayment of investor loans and the returns to the investors will be contingent on the final cashflow.

Focus Ireland are managing the Project by taking groups of families at a time, rather than attempting to deal with all 136 simultaneously. As at end October 2014, 74 (55%) families have been settled in new accommodation for at least 6 months and a further 27 (20%) families are out of PEA for less than 6 months. To meet the objective of the SII, and qualify for payments, the families need to be out of PEA at the latest by March 2015 so that they can be a minimum 6 months out of PEA at 31 September 2015.

The work by the stakeholders in the SII began in early 2013, however, as this is a new initiative in Ireland there were a number of structural aspects to be addressed ahead of the investment raising phase. These aspects have now been clarified, benefitting both this SII and future projects in the State. It was of primary concern that assistance for the families was not held back by these structuring aspects. Whilst the homelessness situation in Ireland has deteriorated in the period since early 2013, the work done on this Project has significantly alleviated the number of families in this predicament.

5. Case Studies

Below are two example case studies which are reflective of the families in the Cohort Group, and the impact made through intervention by Focus Ireland. Names have been changed to protect the privacy of the people involved.

FAMILY A

Single Mother, Mary
+ 4 children aged 16, 11, 6 and 3 years.



Mary and her family have a long history of homelessness. They first accessed PEA in 2005, and on a series of occasions to 2012. Private rented accommodation and Local Authority housing were sourced during this period. In 2013, Focus Ireland began working with them.

The older children had already attended a total of 4 schools each but, following an assault incident, were not in school. Mary's youngest child has many health complications, is developmentally delayed and needs to attend Temple St regularly. A Focus Ireland Child Support Worker and a Case Manager worked with the family, ensuring that the children were enrolled in school and in Afterschool Clubs. The eldest child was due to sit the Junior Certificate in 2013, and as a result of the Focus Ireland support, went on to sit the exams and pass them, despite the schooling disruption experienced.

The Focus Ireland Case Manager completed an assessment with Mary and it was agreed that long-term on-site supported housing was the best option for the family. A housing application was made, with a referral to a 3 bed long-term house managed by Focus Ireland. The family moved in November 2013. The Child Support Worker stayed involved to ensure the children settled in school and that there were community supports for after school. Focus Ireland were able to disengage the supports in January 2014. Mary and her family continue to live in their new home and community.

FAMILY B

Single Mother, Ann
+ 1 child, Maeve, 14 years old.



This family became homeless in 2012 when the private rented accommodation they were living in was sold. Focus Ireland began to work with them, allocating both a Case Manager and a Child Support Worker in March 2013.

Maeve had a difficult relationship with her mum, a history of self-harm from the age of 12 and was not attending school. The Focus Ireland intervention involved:

- Parenting work with Ann
- Work with both Ann and Maeve around their relationship
- Support for Ann around her drug addiction
- Support to get Maeve back into school
- Support Maeve to find different ways to express herself instead of self-harming

Both Ann and Maeve engaged very well with the support. Maeve returned to school on a reduced timetable. She sat and passed her Junior Certificate exams in 2014. She also joined a boxing club which allowed her a safer place to express herself and the incidences of self-harm reduced. The relationship between mother and daughter improved.

Ann and Maeve moved to their new local authority house in August 2014. They are settling in well, and Focus Ireland will continue to provide support for at least 6 months.

Pictures used for case studies do not depict the people referred to in the text.

6. Global Social Impact Investment Market Growth

Social Impact Investing is being used to fund services that address issues such as educational needs for disadvantaged children, employment and training needs, foster care and adoption services, young people in care and at the edge of care, homelessness and recidivism rates. The application of Impact Investing is flexible, and presents an innovative tool for funding new approaches to the challenges faced by public services.

Country	Activities in the Market ¹
Australia	Newpin Social Benefit Bond, between Uniting Care and New South Wales Government, is a programme for families with children under 5 years who are either in out-of-home care or are at risk of harm. The programme aims to safely restore children to the care of their families or prevent children entering out of home care.
Canada	In 2014 the Saskatchewan Government launched a SIB to assist single mothers.
Germany	In September 2013, Benckiser Foundation Future launched the first German SIB which brings together a range of organisations and interventions with a track record to work with young people who have disengaged from education and employment, to help them enter training or employment.
Israel	Social Impact Bonds, focussed on employment within identified communities are being developed by Social Finance Israel.
Netherlands	In 2014, the Netherlands launched their first SIB which provides capital to help vulnerable groups in the labour market find employment.
Portugal	The Portuguese government is seeking to set up a UK-style, Big Society Capital investment fund to support social initiatives.
United Kingdom	<p>There are currently 14 Social Impact Bonds (SIBs) on issue or in development:</p> <ul style="list-style-type: none"> • HMP Peterborough (improving recidivism rates for short-term prisoners) • 6 SIBs commissioned by Dept of Work & Pensions aimed at improving employment outcomes for young people; • Manchester City Council SIB aimed at reducing the number of children entering foster care; • Essex Council SIB aimed at reducing the number of young people aged 11-16 years entering care or custody; • Greater London Authority and Dept of Communities SIBs to pay for interventions addressing the needs of 800 entrenched rough sleepers in London; • Consortium of Voluntary Adoption Agencies proposal to launch a SIB to facilitate 300 extra adoptions per year; <p>UK Government support is further evidenced through the launch of a £20m Social Outcomes Fund and the establishment of the Centre for Social Impact Bonds</p>
United States	<ul style="list-style-type: none"> • In the 2012 Federal Budget, President Obama set aside \$100m for pilot programmes for Pay for Success Bonds; • Goldman Sachs launched Rikers Island Correctional Facility SIB in 2012; • SIB currently in development in California, Massachusetts, Minnesota, New York and Ohio.

¹ Source: Kylie Charlton, University of Western Australia. 2013 "Understanding Social Impact Partnerships".

7. Investment Proposal

- The sum to be raised through loans from Investors to HIL is €500,000. The loans will be non-recourse. The loan size has been modelled through identification of monthly delivery costs and the projected income stream from DCC on satisfactory evidence of families being settled, including an allowance for contingency to provide additional services to the Cohort Group as may be necessary;
- The investment monies, and use of cashflows within HIL, will be used solely for services such as case workers, support staff, property advisors and administration. No funds will be used to pay rent, property costs, or allowances for or on behalf of members of the Cohort Group;
- The target timeframe of the loan is to December 2015;
- Subject to the terms of the Loan Agreement and, in particular, the receipt and calculation of the net proceeds from the Project cash flows from DCC at completion of the Project, loan and interest payments will be made after completion of the Project, at which point HIL will be wound up;
- Benefits of Loan Agreement:
 - Transparent investment method;
 - Entitlement to the cash paid by DCC for successful settlement of the families in the Cohort Group (subject to sufficient proceeds being available);
 - No equity risk.

Corresponding Metrics of success for Settlement and Investor Returns:

Success Rate % Families Settled	91%* 124	85% 115	80% 108	75% 102
Interest % p.a.	8%	5%	2.5%	0.0

*Maximum interest rate achieved at 91% . Figures assume population remains at 136.

8. Tax Implications:

- No withholding tax applies on the repayment of principal of a loan.
- 20% withholding tax may apply on the payment of interest by the SPV although an exemption may apply depending on the nature of the beneficial owner of the interest. For example:
 - *Irish resident individuals.* Interest payments subject to withholding tax at 20%.
 - *Irish resident companies.* Interest payments subject to withholding tax at 20% unless the beneficial owner (the lender) is a bank carrying on a bona fide banking business in Ireland, a "Section 110" company, an Irish authorised fund, a pension scheme or a financial trader where certain notification conditions have been met.
 - *Irish resident charities.* Irish resident charities whether in the form of companies or trusts are not eligible for exemption from withholding tax on interest paid by an Irish resident company. However, they should be able to obtain a refund of the tax withheld from the Revenue Commissioners and may be able to obtain a direction from the Revenue Commissioners to the SPV authorising the payment of interest gross.
- *Non-Irish resident companies.* Interest payments are subject to withholding tax at 20% unless treaty relief applies or the interest is paid in the ordinary course of a trade or business carried on by the SPV to a company which is resident for tax purposes in an EU member state (other than Ireland) or a country with which Ireland has a double tax treaty which taxes foreign source interest, provided that the recipient company is not receiving the interest through or in connection with a branch or agency in Ireland.

Investors should seek their own independent tax advice.

9. Risk/Mitigants:

• Social Impact Risk:

- HIL favourably selects easily accommodated families to ensure that the targets are met, and investment return generated for the investors.
- **Mitigation:** DCC selected the families to be included in the Project, with no input from either Focus Ireland or Clann Credo. The families were selected solely because they were in one of the identified 16 PEA properties, funded by DCC.

Focus Ireland allocates Case Workers to the Cohort Group members with no prior awareness of their needs. An assessment only takes place once the Focus Ireland case worker meets the family.

The level of 85%, or 116 families, necessary to be successfully moved from PEA is challenging, so the bar is set beyond a level where 'cherry picking' would be a risk to the social mandate for the Project.

• Failure to Deliver:

- **Capital Risk:** The risk remains that the intervention process being advocated and provided does not deliver the expected results. Where less than 75% of the families are successfully re-accommodated, then the Investors' capital will not be returned in full.
- **Impact Risk:** Where the intervention process fails for families, these families remain in inappropriate PEA accommodation, and as a result of being in this Project group will continue to experience the disadvantages of homelessness and the attendant impact on health, education and wellbeing.
- **Mitigation:** The Project was formally started in February 2013. It has taken longer than anticipated to get to the fund raising stage, as outlined earlier. The intervening period, however, allows investors visibility of the Project at work. Whilst the settlement of families in recent months has slowed from the first 12 months, the time spent by Focus Ireland with the families, better understanding their needs, alongside the initiatives taken by local authorities to generate more housing stock through access to NAMA properties and refurbishment of existing vacant stock indicates that continued settlement of these families is expected to continue as projected.

• Adverse Media Attention:

The media have been focussed on costs of running organisations within the non-profit and charity sectors. There is a risk that Investors making capital returns as a result of homelessness could be negatively perceived, we believe this risk to be mitigated by:

- Growing global awareness and use of Social Impact Investment sector;
- The investor returns available for this Project are within the norm and not excessive, for the risk being borne by the Investors;
- Both Clann Credo and Focus Ireland have strong reputations for integrity, and have taken steps to ensure that costs are quantifiable and are not excessive when measured in terms of the Project's potential savings to the State;
- The costs associated with a limited scale project of 136 families may be seen as high, however, this is due to the pilot nature of the Project. The risk is being taken by private investors, establishing a platform for future social initiatives;
- The problem of homelessness is well documented and innovative solutions, particularly with regard to families, are likely to be welcomed by the media. Social Impact Investments have not generated undue negative publicity for investors in any other jurisdictions.

10. Biographies

HIL is a single member company (CRO No 552049), a wholly owned subsidiary of Clann Credo Limited. Clann Credo has charitable status (CHY 13308, Charity Reg. No.: 20041076) and is a company limited by guarantee without share capital (CRO NO. 253147). The directors of HIL are Gary Brennan and Paul O'Sullivan.

Gary Brennan runs Brennan Consulting, providing services to Financial Services Companies. These include, growth and distribution strategies for Businesses operating in Ireland and consultancy services to Companies seeking to enter the Irish market. Prior to this, Gary spent five years as Head of Group Strategy with Friends First Life Assurance Group. From 1997 to 2005 he worked in a number of senior management positions in the Bank of Ireland Group.

Gary has 20 year experience in the Financial Services Industry in Ireland and abroad, he holds a BA from Trinity College Dublin and a Diploma in Company Direction from the Institute of Directors. He is also a Certified Investment Fund Director, an Institute of Banking & Irish Funds Industry Association (IFIA) qualification.

Gary acts as Independent Non-Executive Director to a number Businesses in Ireland and abroad and is approved by the Central Bank of Ireland (CBI) and the Cayman Islands Monetary Authority (CIMA) to act as a Director of regulated entities.

Paul O'Sullivan is Chief Executive Officer at Clann Credo - the Social Investment Fund.

He is a founder member of the Social Enterprise & Entrepreneurship Task Force. In 2012, he was invited by the European Commission to join its Expert Group on the Social Business Initiative. He is leading the implementation of the Social Impact Investment.

Paul serves as a director of the National Traveller Money Advice & Budgeting Service (MABS) and of the Wheel, an organisation representing the Community and Voluntary Sector.

Claire Carroll is Project Manager for the SII. Claire is an investment professional with over 25 years of financial services experience. This includes 10 years managing institutional investment funds at Lloyd's of London, followed by five years in ICC Venture Capital in Dublin where she lead investments into a range of companies in the service, retail, technology and manufacturing sectors, and held non executive directorships on a number of investee company boards.

Most recently, Claire managed corporate debt restructurings and exits of Irish trading and property exposures for Bank of Scotland, at Certus. She holds an MBA from City University London.

11. Regulation

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The Investment Opportunity is only suitable for investors who understand the potential risk of capital loss and that there may be limited liquidity in the securities for which applications may be sought in connection with the Investment Opportunity (“**Relevant Securities**”), for whom an investment in the Relevant Securities is part of a diversified investment programme and who fully understand and are willing to assume the risks involved in such an investment programme. This Presentation does not constitute a recommendation concerning the Investment Opportunity. The price and value of securities may go down as well as up. When considering what further action you should take you are recommended to immediately consult, if you are resident in Ireland, an organisation or firm authorised or exempted pursuant to the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos.1 to 3) or the Investment Intermediaries Act 1995 (as amended) or another appropriately authorised professional adviser if you are in a territory outside Ireland.

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An investment in the Project is speculative and involves significant risks, including loss of the entire investment. There can be no assurances that the Projects investment objective will be achieved or that its investment program will be successful. Interests in the Project will be illiquid as there will be no secondary market for such interests and none is expected to develop. There will be restrictions on transferring interests in the Project. A prospective investor who has preliminary interest in the Project should understand these risks and have the financial ability and willingness to accept them for an extended period of time before considering making an investment in the Project.

Nothing contained herein should be construed as legal, business or tax advice. Each prospective investor should consult its own attorney, business adviser and tax adviser as to legal, business, tax and related matter concerning the information contained herein.

Accordingly, this should not form the basis of any investment decision.



HOMELESSNESS INTERVENTIONS LIMITED

