



Social Finance Inc. to bring Social Impact Bonds to the U.S.
Boston Office Extends the Pioneering Work of Social Finance, Ltd. (UK)

Boston, MA (February 17, 2011)

Social Finance, Inc. has commenced operations as a newly formed non-profit organization dedicated to mobilizing capital to drive social change. We work to connect the social sector with the capital markets by structuring and managing innovative investment instruments that both generate meaningful social impact and provide a financial return.

Our initial work is centered on the Social Impact Bond (SIB), a public-private partnership pioneered by our UK-based sister organization. SIBs, also called Pay for Success Bonds, are an innovative form of financing social outcomes that align the interests of government agencies, private investors, and nonprofit service organizations around specific social outcomes. SIBs leverage private investment capital to pay for early intervention programs delivered by nonprofit service providers. The government pays financial returns to the investors if, when and only to the extent that improved social outcomes are achieved. If measured outcomes do not improve, then the investors do not recover their investment. But, if the outcomes are achieved, the government returns the investors' principal plus interest equivalent to a specified return.

The first SIB was offered in September 2010, by Social Finance, Ltd. and the British Ministry of Justice, with the goal of reducing prisoner recidivism at Her Majesty's Prison Peterborough. Of the 40,200 adults on short term sentences in the UK, an estimated 60% will go on to re-offend within a year of release, at a significant cost to the taxpayer and society. Investors such as The Rockefeller Foundation and others invested £5 million (more than \$8 million) in the bond to fund intensive counseling, employment, housing, and other support services for recently released prisoners. The program is designed to reintegrate prisoners over the longer term in their communities. If this initiative reduces re-offending by 7.5%, or more, investors will receive payments from the UK government that reflect a share of the long-term savings that result from fewer incarcerations. However, if recidivism rates are not reduced by at least 7.5%, the Ministry would have no financial obligations and the investors would lose their investments.

Tracy Palandjian, CEO of Social Finance Inc., says "Government agencies throughout the U.S. are overburdened and underfunded. SIBs will help federal, state and local governments bridge the funding gap by tapping philanthropic and ultimately private investment capital. By partnering the public sector with highly-effective social

entrepreneurs and impact investors, Social Finance hopes to mobilize new capital to address some of our most difficult social problems.”

Steve Goldberg, Managing Director and General Counsel, says, “Social Impact Bonds provide forward-thinking government leaders with access to the tremendous pool of innovation that social entrepreneurs are creating. Our job is to bring those innovations to the attention of government partners, and to organize investment partnerships that inspire confidence among investors who want both financial and social returns. Social Finance is committed to attracting new sources of reliable, long-term funding for evidence-based interventions offered by highly-effective nonprofits.”

David Hutchison, CEO of Social Finance, Ltd. says “We have seen considerable U.S. interest in Social Finance’s work with Social Impact Bonds. SIBs are a financial innovation of tremendous promise. We are keen to support the development of robust SIBs in the international markets in the interest of building the confidence of investors and the public sector in this new model. We look forward to working closely with our U.S. partner to promote Social Impact Bonds and to better connect the social sector with the capital markets.”

Potential Targets for SIBs

Social Finance UK is developing new Social Impact Bonds with local and national authorities in the areas of children in care, drug rehabilitation and criminal justice. In the U.S., Social Finance is working with government and community leaders to identify the most promising targets for the first SIBs in this country.

About Social Finance, Inc.

Social Finance, Inc. is a Boston-based non-profit organization working to connect the social sector with the capital markets and finance effective non-profit organizations driving social change. Social Finance is independently funded and managed, and leverages the innovative work of its UK-based sister firm, Social Finance, Ltd., which, along with others, pioneered the concept of the social impact bond. By structuring and managing innovative investment instruments that align the interest of private investors, entrepreneurial non-profit service organizations, and governments, we work to improve the lives of individuals, families and communities in need.

For more information please visit www.socialfinanceUS.org or contact Lindsey Rogers lrogers@socialfinanceUS.org; +1 (617) 478 – 4302.