

SECOND AMENDED AND RESTATED PAY FOR SUCCESS CONTRACT

AMONG

THE COMMONWEALTH OF MASSACHUSETTS,

ROCA, INC.

AND

YOUTH SERVICES INC.

DATED

November 1, 2016

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Exhibit B --	Interdepartmental Service Agreement between the Department of Youth Services and the Executive Office for Administration and Finance, dated as of December 24, 2013.	
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- Exhibit D -- Interdepartmental Service Agreement between the Essex County Sherriff's Department and the Executive Office for Administration and Finance, dated as of May 29, 2014.
- Exhibit E -- Interdepartmental Service Agreement between the Hampden County Sherriff's Department and the Executive Office for Administration and Finance, dated as of May 19, 2014.
- Exhibit F -- Interdepartmental Service Agreement between the Middlesex Sherriff's Office and the Executive Office for Administration and Finance, dated as of May 21, 2014.
- Exhibit G -- Interdepartmental Service Agreement between the Suffolk County Sherriff's Department and the Executive Office for Administration and Finance, dated as of May 29, 2014.
- Exhibit H -- Interdepartmental Service Agreement between the Massachusetts Parole Board and the Executive Office for Administration and Finance, dated as of August 25, 2014.

- Appendix A - Definitions
- Appendix B -- Roca Intervention Model
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SECOND AMENDED AND RESTATED PAY FOR SUCCESS CONTRACT

ARTICLE 1 INTRODUCTION

Section 1.01 Description of the Second Amended and Restated Pay for Success Contract. This Second Amended and Restated Pay for Success Contract (the “**Contract**”) dated as of November 1, 2016 amends and restates in its entirety that certain Amended and Restated Pay for Success Contract (the “**First Amended PFS Contract**”) dated December 16, 2014 which in turn amended and restated in its entirety that certain Pay for Success Contract dated January 7, 2014 (the “**Original PFS Contract**”) among THE COMMONWEALTH OF MASSACHUSETTS (the “**Commonwealth**”), ROCA, INC., a Massachusetts non-profit corporation (“**Roca**”), and YOUTH SERVICES INC., a Massachusetts non-profit corporation (“**YSI**”). The Commonwealth, Roca, and YSI are referred to collectively herein as the “**Parties**.” Capitalized terms used herein and not otherwise defined shall have the meaning set forth in Appendix A.

WHEREAS, Governor Patrick signed Chapter 143 of the Acts of 2012, which created a new Section 35VV of Chapter 10 of the Massachusetts General Laws (the “**Enabling Act**”) to authorize the Commonwealth to enter into pay for success contracts, subject to particular findings being made, and further, to authorize the Secretary (the “**Secretary**”) of the Executive Office for Administration and Finance (“**EOAF**”) to provide that the Commonwealth’s payments under such pay for success contracts shall constitute a general obligation of the Commonwealth for which the full faith and credit of the Commonwealth are pledged for the benefit of providers of contracted government services; and

WHEREAS, the Enabling Act also creates a “**Social Innovation Financing Trust Fund**” to be held on the books of the Commonwealth, to be administered by the Secretary of EOAF, and to be used to make payments under pay for success contracts; and

WHEREAS, EOAF is responsible for fiscal and administrative policies that serve to ensure the financial stability, efficiency and effectiveness of state government and assist the Governor in developing and implementing cost-effective public policy initiatives to benefit the residents of the Commonwealth; and

WHEREAS, the Department of Youth Services within the Executive Office of Health and Human Services (“**Department of Youth Services**” or “**DYS**”) is the juvenile justice agency of the Commonwealth charged with the mission of protecting the public and preventing crime by promoting positive change in the lives of youth committed to its custody, and to partner with communities, families, government and provider agencies; and

WHEREAS, DYS accomplishes this mission through interventions that build knowledge, develop skills and change the behavior of the youth in its care; and

WHEREAS, while the Commonwealth has made significant progress in reducing the number of young offenders entering DYS custody, it still has a significant challenge in providing support for youth who leave the juvenile justice system each year as they “age out” of supportive public interventions and supervision, and as a consequence, a significant percentage of such youth are arrested and ultimately convicted for new offenses within five years of leaving the DYS juvenile justice system; and

WHEREAS, the Commonwealth’s Office of the Commissioner of Probation (“OCP”) faces a similar challenge with its juvenile and young adult risk-needs caseload, as the gains made as a result of probation supervision are often lost after completion of the probation supervision period, since the supports and services critical to keeping young offenders on a positive path are not sustained after completion of this supervision period, resulting in a subsequent return to offending behavior, arrest and incarceration for a significant portion of this population; and

WHEREAS, the Commonwealth’s Department of Correction (“DOC”), the Massachusetts Parole Board (“MPB”), the Essex County Sheriff’s Department (“ECSD”), the Hampden County Sheriff’s Department (“HCSD”), the Middlesex Sheriff’s Office (“MSO”), and the Suffolk County Sheriff’s Department (“SCSD”) face a similar challenge with their young adult, high-risk caseloads, resulting in a subsequent return to offending behavior, arrest and incarceration for a significant portion of this population; and

WHEREAS, the Commonwealth’s Department of Criminal Justice Information Services within the Executive Office of Public Safety and Security is the public safety agency within the Commonwealth charged with maintaining databases tracking individuals’ criminal history and sentences, including, but not limited to the Criminal Offender Record Information (“CORI”) database; and

WHEREAS, the Commonwealth’s Executive Office of Labor and Workforce Development and its Department of Unemployment Assistance is the agency within the Commonwealth charged with administering the Unemployment Insurance (“UI”) program and thus, maintaining databases tracking individuals’ employment status and earnings; and

WHEREAS, Roca is an innovative and experienced social service provider that proposes to expand the reach of its services to “deep end” young men leaving, and in certain cases, under DYS or OCP supervision in specific communities, utilizing its performance based management system of services and interventions which has a proven success record; and

WHEREAS, YSI is a nonprofit corporation that was created in part to manage this Contract and to serve as the finance and information intermediary among the Funding Partners, the Commonwealth and Roca, all as set forth in this Contract; and

WHEREAS, pay for success contracts create incentives for improved performance and reduced costs, allow for more rapid learning about which programs work and which do not, and accelerate the adoption of new, more effective solutions; and

WHEREAS, pay for success contracts provide a mechanism to bring a sufficient level of financial support from the private and non-profit sectors to innovative social programs, allowing them to create the operational set of services needed to create long-term, preventative social service programs, resulting in better social outcomes for the targeted population, and savings to the government through a reduction in the amount of remediation expenses tied to the targeted population; and

WHEREAS, payments by the Commonwealth pursuant to a pay for success contract will only be made based on achieving specific, measurable goals; and

WHEREAS, initial support for Roca's operational costs will come from funds provided by Roca and by Funding Partners in the form of loans, grants or other transfers or pledges of monies made to YSI certain of the proposed terms of which are summarized in Appendix H; and

WHEREAS, to the extent Roca is successful in reducing incarceration and increasing workforce readiness and employment within the targeted population, Roca's funding contributions and the Funding Partners' loans will be repaid or replenished on the terms set forth herein and in YSI's agreements with the Funding Partners; and

WHEREAS, the Commonwealth, Roca and YSI entered into that certain Pilot Pay for Success Contract, dated as of December 26, 2013 (the "**Pilot Contract**") pursuant to which Roca began providing services related to the Roca Intervention Model (as defined below); and

WHEREAS, there occurred certain shortfalls in the number of referrals contemplated by the Original PFS Contract as amended by the First Amended PFS Contract; and

WHEREAS, the Parties now wish to extend the period during which referrals will be made to Roca through Quarter 21, during which extended referral period (Quarter 16 to Quarter 21) Roca will target enrolling 255 young men (projected to equal 107 net new enrollments compared to initial enrollment projections in the First Amended PFS Contract); and whereas the Laura and John Arnold Foundation has agreed to make a grant to Roca to fund services for these additional enrollments as well as the additional evaluation and project management costs associated with the extension;

NOW, THEREFORE, the Parties hereby amend and restate the First Amended PFS Contract in its entirety to read as set forth herein with the goals of reducing incarceration for young men leaving, and in certain cases, participating in, the Commonwealth's juvenile and adult corrections system and of making improvements in labor market success for such young men in a cost-effective manner for the Commonwealth.

ARTICLE 2

TERM

Section 2.01 Term of this Contract. The **Service Commencement Date** shall be defined as October 1, 2013. Except as otherwise provided herein and all Exhibits and Appendices attached or to be attached hereto, this Contract and the rights and obligations of the Parties

hereunder are effective as of January 24, 2014 (the “**Effective Date**”) and shall remain in effect until the earlier of: (i) the date on which the last payments due from the Commonwealth are paid in accordance with this Contract and YSI disseminates those payments as detailed in the Loan Documents and the Grant Agreements, currently anticipated to be no later than Quarter 26 (the “**Expected Termination Date**”), or (ii) the date on which this Contract is terminated by the parties under the provisions herein, if earlier, or the date to which it is extended pursuant to the terms of this Contract. The Original PFS Contract superseded and replaced the Pilot Contract, and in turn was superseded and replaced by the First Amended PFS Contract. All (x) Roca Youth (as defined below) deemed to be enrolled, (y) young men on the Roca List deemed to be included on the Roca List, and (z) young men on the Control List deemed to be included on the Control List by either the Original PFS Contract or the First Amended PFS Contract shall be included by this Contract as a Roca Youth, on the Roca List or in the Control Group, as appropriate.

ARTICLE 3

JUVENILE JUSTICE SERVICES; PERFORMANCE TARGETS

Section 3.01 Description of Roca’s Intervention Model. Roca’s mission is to help disengaged, disenfranchised young people move out of violence and poverty, using its cognitive-behavioral intervention model (the “**Roca Intervention Model**”), which is designed to create behavior change in very high-risk young people. The Roca Intervention Model begins with no less than two years of intensive programming (referred to as “**TR1/2 Programming**”) with approximately two additional years of follow up for retention and sustainability (referred to as “**TR3 Programming**”). Based on a framework for change used in medical and mental health fields, the Roca Intervention Model has four core components: 1) relentless, on-going and aggressive outreach and follow-up designed to meet young people where they are and build trust; 2) transformational relationships, based on an intensive case management model; 3) stage-based programming designed to increase young people’s ability to move toward economic independence through life skills, educational and pre-vocational, and employment programming; and 4) work in a partnership model with engaged institutional partners in the criminal justice, health, education, and other fields to increase systemic capacity for intervention with very high risk young people and provision of needed supports. A more detailed description of the Roca Intervention Model is attached hereto as Appendix B.

Section 3.02 Description of Roca’s Services. Roca will continue to implement the Roca Intervention Model, which implementation began on the Service Commencement Date, for the youth referred to Roca as part of the Roca List (as defined below) in accordance with Section 3.03 and the Evaluation Plan (attached hereto, as amended, as Appendix C) and enrolled by Roca in its programs. The Roca Intervention Model and related services to be provided as set forth in this Contract and that were provided pursuant to the Pilot Contract are referred to herein as the “**Roca Services**.”

(a) Project Facilities. All programming services will be provided in the community and/or through Roca’s three existing program sites located at 101 Park Street in Chelsea, Massachusetts (this includes the satellite facilities in Lynn and Cambridge), 33 School Street in Springfield, Massachusetts and 845 Albany Street in Boston, Massachusetts. Roca reserves the right to lease additional space and/or purchase equipment as needed to provide the Roca Services.

(b) Service Areas. Services will be provided out of the facilities described in Paragraph (a) above to serve Roca's Boston, Chelsea and Springfield service areas, and will serve young men from multiple municipalities. The "**Roca Boston Service Area**" includes all of the city of Boston with the exception of Charlestown and East Boston; the "**Roca Chelsea Service Area**" includes Cambridge, Charlestown, East Boston, Everett, Lynn, Malden, Medford, Revere, Somerville, Winthrop and other locations that may be agreed to by the Parties; and the "**Roca Springfield Service Area**" includes Chicopee, Holyoke, Ludlow, Springfield, West Springfield, Westfield and other locations that may be agreed to by the Parties (together, the "**Service Areas**"). It is acknowledged that in order for YSI to grant its agreement to any expansion of the Service Areas to any communities not specifically named in this Section 3.02(b), YSI requires the consent of the Senior Lender.

(c) Project Staffing. Roca will ensure appropriate levels of staffing to perform the Roca Services. Roca will, at a minimum, maintain the following staffing patterns during the term of this Contract:

(i) All appropriate and necessary administrative and management staffing, including, at a minimum, a Pay for Success Administrator (or equivalent) and one supervisor for every eight youth workers;

(ii) One staff member working out of the Springfield Service Area and one staff member working out of the Chelsea and/or Boston Service Areas who is qualified to and provides basic outreach and group support to young men who are referred while incarcerated;

(iii) One youth worker for every 20–30 Roca Youth engaged in TR1/2 Programming;

(iv) One youth worker for every 55–65 Roca Youth engaged in TR3 Programming; and

(v) One educator and/or pre-vocational instructor for every 40–60 Roca Youth engaged in TR1/2 Programming and one educator or pre-vocational instructor for every 90–110 Roca Youth engaged in TR3 Programming.

Based on findings from its performance based management system, Roca reserves the right to change these staffing ratios during the term of this Contract, provided that Roca will first provide the Oversight Committee with the opportunity to review any such changes in accordance with Section 5.02 hereof.

(d) Minimum Levels of Service Delivery. All Roca Youth will be assigned to a youth worker. Youth workers will use their best efforts to establish personal, face-to-face contact with their assigned Roca Youth a minimum of two times per week to prepare their assigned Roca Youth to progress through Roca's participant programming timeline.

The Roca Services will be customized to the needs of each Roca Youth pursuant to this Contract since each Roca Youth may deviate from the standard time it takes to complete any programming component. However, at a minimum, each Roca Youth enrolled with Roca

pursuant to this Contract will have access to the following services as part of the Roca Intervention Model, and each as described more fully in Appendix B:

- (i) Engagement programming (during the first four to six months of enrollment);
- (ii) Life skills programming with the goal of completing several groups and life skills curricula;
- (iii) Educational and pre-vocational programming with the goal of completing at least two industry recognized certifications;
- (iv) Basic transitional employment; and
- (v) Workforce readiness training with the goal of completing all workforce readiness criteria.

Section 3.03 Referral Population

(a) Target Population. As set forth under the heading “Study Population” in the Evaluation Plan, the target population is young men between the ages of 17 and 24, who:

- (i) Are leaving DYS care or;
- (ii) Have a status of “active” on probation and are at high risk of re-offending; or
- (iii) Are leaving the custody of DOC, ECSD, HCSD, MSO, or SCSD and are at high risk of re-offending; or
- (iv) Are currently or formerly under the custody of MPB and are at high risk of re-offending; and

who live in either the Roca Boston Service Area, Roca Chelsea Service Area or the Roca Springfield Service Area, and who meet study eligibility criteria, as further described in the Evaluation Plan (the “**Target Population**”).

(b) Identification of Eligible Referrals from Target Population. Beginning on the Effective Date and in accordance with the referral procedures described in the Evaluation Plan, DYS, OCP, DOC, ECSD, HCSD, MSO, SCSD, and MPB will each create a list of the young men within the Target Population who meet the criteria set forth under the heading “Pre-Randomization Data Collection and Transmittal” in the Evaluation Plan (the “**Initial List**”). The Initial List created by DYS will only include those young men who sign a consent form agreeing to participate in the project. The Independent Evaluator will then remove individuals listed on the Initial List who are ineligible for Referral based on the exclusion criteria set forth under the heading “Study Eligibility and Exclusion Criteria” in the Evaluation Plan, which exclusion criteria are described generally in sub-paragraph 3.03(c) below. The remaining individuals on the Initial List will be eligible for Referral and will be put on the “**Master List**”. The

Independent Evaluator will then randomize people on the Master List into the “**Roca List**,” if selected for Roca Services, and the “**Control List**,” if not selected for Roca Services. Reference is made to the attached Evaluation Plan for more detailed information regarding the identification of potential participants and assignment to the Roca List.

(c) Criteria Resulting in Exclusion from Master List: To the extent possible, and as described in the Evaluation Plan, potential participants from the Initial List who fall into the following categories will not be included on the Master List:

(i) Any young men who were previously randomized through this program;

(ii) Any young men who were previously enrolled in the Roca Intervention Model at some point between July 1, 2011 and the month prior to randomization;

(iii) Any young men who have been convicted of or adjudicated delinquent as the result of sexually violent offenses as defined by M.G.L. chapter 6, section 178C;

(iv) Any young men with an open felony charge. For avoidance of doubt, individuals who are adjudicated with a Continuation without a Finding, have a suspended sentence or a “Guilty – File” on their record will not be considered as having an open charge and will be eligible to be included on the Master List;

(v) Any young men who do not appear to have a correctly identified Probation Central File (“**PCF**”) number, defined as a PCF number which can be located in the CORI database and appears to be associated with the correct youth based on available biographical information such as date of birth or name; and

(vi) Any young men who are duplicates of another record being randomized.

The Evaluation Plan shall specify the data elements that will be used to identify such individuals.

(d) **Non-Conforming Referrals.**

The Parties acknowledge that certain of the young men included on the Roca List may not meet the criteria for eligible Referrals set forth in Section 3.03(c) or in this Section 3.03(d) and detailed in the Evaluation Plan (“**Non-Conforming Referrals**” with the balance being “**Conforming Referrals**”). Roca will be responsible for keeping a list of all Non-Conforming Referrals it receives and is unable to serve. The number of Non-Conforming Referrals will be discussed in the monthly Operating Committee meetings. Any Non-Conforming Referral that has not been converted to a Conforming Referral as of the date that is the first to occur of (i) the date that is 180 days after Roca first identifies such Non-Conforming Referral as such and (ii) (A) for purposes of Section 9.01(a)(iii)(D), the last day of any Quarter based on which a Shortfall

Payment is calculated pursuant to Section 9.01(a)(iii)(D), or (B) for purposes of Section 9.01(a)(iv), the last day of any two -Quarter period during which the number of Conforming Referrals has fallen below the Conforming Referrals Floor in each of the two Quarters or the last day of Quarter 21 as described in Section 9.01(a)(iv), shall be deemed conclusively to be a Non-Conforming Referral for purposes of payments made pursuant to Section 4.03, 9.01(a)(iii)(D) or Section 9.01(a)(iv) (as applicable) notwithstanding that such Non-Conforming referral may thereafter be converted to a Conforming Referral.

Within 90 days after receiving the Roca List, whenever practicable, Roca shall identify any Non-Conforming Referrals; provided, however, that Roca shall, within 90 days from a person's release from incarceration whenever practicable, identify any Non-Conforming Referrals included on the Roca List from DOC, ECSD, HCSD, MSO, or SCSD. Non-Conforming Referrals consist of individuals included on the Roca List who fail to be eligible to receive Roca Services due to one or more of the following criteria:

- (i) After a thorough search, no record of a person of that name can be found as living in the area identified in the Commonwealth's Roca List;
- (ii) The person has moved out of the geographic area covered by the Roca Services;
- (iii) The person was referred by OCP, DYS, or MPB and is incarcerated at the time the Referral is provided to Roca;
- (iv) The person was referred by OCP, DOC, ECSD, HCSD, MSO, SCSD or MPB, has a high school diploma or equivalency and is employed (as defined by consistent engagement in a full or part time job) and/or actively engaged in a full time formal education program;
- (v) The person was referred by DYS, has a high school diploma or equivalency, is employed, and has maintained that employment for a minimum of six months; or
- (vi) The person is otherwise disqualified as described in 3.03(c) above or in the Evaluation Plan.

If, at any time within 180 days after a person is identified as a Non-Conforming Referral, Roca receives additional information or otherwise is able to determine that the person qualifies as a Conforming Referral, Roca shall notify the Operating Committee and Independent Evaluator and such person shall be deemed a Conforming Referral as of the date that the person was originally referred for purposes of the Evaluation Plan for all purposes hereof except (A) for purposes of Section 9.01(a)(iii)(D) and (B) for purposes of Section 9.01(a)(iv) in each case to the extent provided to the contrary above in this Section 3.03(d). In no circumstance, however, shall a person be identified as a Conforming Referral later than the time at which referrals made in Quarter 21 are finalized with the issuance of the Roca Report in Quarter 23 for purposes of calculating Section 9.01(a)(iii) and in Quarter 24 for purposes of Section 9.01(a)(iv), expected to occur fifteen business days after the beginning of the respective Quarter. Roca shall, however, be paid under Section 4.01(d) for any person once identified as a Non-Conforming Referral and

later identified as a Conforming Referral as of the date of Enrollment. In all other cases, Non-Conforming Referrals shall not be enrolled in the Roca Services but shall remain on the Roca List for purposes of the evaluation to ensure that the Roca List and the Control List continue to reflect the randomized distribution as described in Section 3.03(b) hereof and the Evaluation Plan. Notwithstanding the foregoing, Roca shall have the discretion not to designate a person meeting one or more of the criteria described in this section or in the Evaluation Plan as a Non-Conforming Referral and to enroll the person in the Roca Services.

Roca will track the number of Non-Conforming Referrals on a quarterly basis. If this number prevents Roca from achieving its outcomes it will present this information to the Oversight Committee. The Oversight Committee will then work with the Independent Evaluator to create a plan for lowering the number of Non-Conforming Referrals.

(e) Enrollment. Pursuant to the Evaluation Plan, it is anticipated that Roca will enroll up to an aggregate of approximately 1036 young men consisting of young men randomized to the Roca List and young men self-recruited by Roca (“**Roca Recruits**”) during the period beginning on the Service Commencement Date and ending on the last day of Quarter 21 (the “**Referral Period**”) in accordance with the table below. It is anticipated that this will include enrolling approximately 246 young men in the Roca Chelsea Service Area, 440 young men in the Roca Boston Service Area, and 350 young men in the Roca Springfield Service Area during the term of the Pilot Contract and this Contract.

(i) Roca will use diligent efforts to fill all available slots in any given month from the Roca List. If young men remain on the Roca List for any of the Service Areas after all of Roca’s available slots for that Service Area are filled in a month, such young men will remain on the Roca List, and Roca will use diligent efforts to enroll them in the following month.

(ii) The anticipated number of young men to be included in the Roca List (shown in the table in Section 3.03(e)(iv)) is based on an expectation that 48% of the Referrals expected from Commonwealth agencies for randomization to the Roca List (“**Expected Referrals**”) will be Conforming Referrals and that Roca will enroll 88% of the Conforming Referrals. The anticipated enrollment rate among the Expected Referrals (the “**Take-up Rate**”) is therefore estimated to be 42% (0.48×0.88) of Expected Referrals. As described below, prior to each Quarter, the Independent Evaluator will calculate the actual number of desired Referrals for the Roca List by dividing the number of available slots for Roca Assigned Youth by the Take-up Rate, rounded up to the nearest whole number (i.e., if 100 slots are available in a Month at a particular site, $100/.42=237$ young people will be the number of referrals that the Independent Evaluator will attempt to include on the Roca List for such month for that site.) The overall “**Target Enrollment**” for the Quarter shall equal the number of Expected Enrollments from Referrals and the number of Roca Recruits anticipated for that Quarter.

(iii) In Quarters when insufficient Referrals are available and/or provided to meet the applicable Target Enrollment, Roca will self-recruit Roca Recruits to fill remaining slots. The number of Roca Recruits that Roca expects

to self-recruit each Quarter is reflected in the table below. If, in any given Quarter, more Enrollments from Referrals occur than expected, Roca will reduce the number of Roca Recruits it self-recruits in that Quarter or the Quarter immediately following the Quarter in which Enrollments from Referrals are higher than expected.

(iv) The table below sets out the estimated number of Expected Referrals to be made each Quarter; the Target Enrollment for each Quarter; and the expected number of Roca Recruits. In Quarter 1 through Quarter 11, actual numbers are included where possible rather than projections. As described below, the Operating Committee will adjust the estimated number of Expected Referrals and Roca Recruits for each Quarter based on the number of available slots for Roca Assigned Youth, Roca's attrition rates, the number of Conforming Referrals to date or expected in future quarters, and other factors. For avoidance of doubt, the Commonwealth's obligations under Section 9.01(a)(iii)-(iv) shall be measured by the lower of the estimated numbers of Expected Referrals in the table below or the adjusted numbers as determined by the Operating Committee for a given Quarter.

		Chelsea						Boston					
Qtr	Qtr End	Target Enroll.	Expected Referrals	Expected Conforming Referrals	Expected Enrollment from Referrals	Expected Self-Recruits	Actual Enrollment	Target Enrollment	Expected Referrals	Expected Conforming Referrals	Expected Enrollment from Referrals	Expected Self-Recruits	Actual Enrollment
1	13-Dec	N/A	N/A	N/A	0	0	0	N/A	N/A	N/A	0	0	0
2	14-Mar	N/A	N/A	N/A	20	11	31	N/A	N/A	N/A	16	10	26
3	14-Jun	N/A	N/A	N/A	1	6	7	N/A	N/A	N/A	20	3	23
4	14-Sep	N/A	N/A	N/A	7	16	23	N/A	N/A	N/A	33	11	44
5	14-Dec	N/A	N/A	N/A	6	6	12	N/A	N/A	N/A	22	5	27
6	15-Mar	N/A	N/A	N/A	5	12	17	N/A	N/A	N/A	16	3	19
7	15-Jun	N/A	N/A	N/A	5	7	12	N/A	N/A	N/A	17	5	22
8	15-Sep	N/A	N/A	N/A	11	4	15	N/A	N/A	N/A	9	8	17
9	15-Dec	N/A	N/A	N/A	4	6	10	N/A	N/A	N/A	12	4	16
10	16-Mar	N/A	N/A	N/A	3	0	3	N/A	N/A	N/A	9	1	10
11	16-Jun	N/A	N/A	N/A	6	6	12	N/A	N/A	N/A	4	9	13
12	16-Sep	8	14	7	6	2		35	28	14	12	23	
13	16-Dec	10	9	5	4	6		26	19	9	8	18	
14	17-Mar	13	14	7	6	7		21	28	14	12	9	
15	17-Jun	13	9	5	4	9		21	19	9	8	13	
16	17-	13	14	7	6	7		16	28	14	12	4	

	Sep												
17	17-Dec	11	9	5	4	7		18	19	9	8	10	
18	18-Mar	8	14	7	6	2		15	28	14	12	3	
19	18-Jun	9	9	5	4	5		23	19	9	8	15	
20	18-Sep	8	14	7	6	2		24	28	14	12	12	
21	18-Dec	11	9	5	4	7		24	19	9	8	16	
Subtotals		104	118	57	118	128	142	223	237	114	258	182	217
TOTAL EXP.		246						440					
		Springfield						Total					
Qtr	Qtr End	Targ et Enrol l.	Expect . Refer.	Expect. Confor m. Referra ls	Expect. Enroll. from Referr al	Expec t. Self Recru it	Actua l Enrol l.	Targ et Enrol l.	Expe ct Refer .	Expect Confor m Referra l	Expect Enroll. from Referr al	Expect Self Recruit s	Actu al Enro ll.
1	13-Dec	N/A	N/A	N/A	0	0	0	N/A	0	0	0	0	0
2	14-Mar	N/A	N/A	N/A	16	15	31	N/A	136	58	52	36	88
3	14-Jun	N/A	N/A	N/A	6	4	10	N/A	75	32	27	13	40
4	14-Sep	N/A	N/A	N/A	21	22	43	N/A	119	70	61	49	110
5	14-Dec	N/A	N/A	N/A	9	17	26	N/A	96	48	37	28	65
6	15-Mar	N/A	N/A	N/A	8	10	18	N/A	79	35	29	25	54
7	15-Jun	N/A	N/A	N/A	9	9	18	N/A	74	37	31	21	52
8	15-Sep	N/A	N/A	N/A	2	2	4	N/A	56	25	22	14	36
9	15-Dec	N/A	N/A	N/A	9	0	9	N/A	87	31	25	10	35
10	16-Mar	N/A	N/A	N/A	3	0	3	N/A	54	20	15	1	16
11	16-Jun	N/A	N/A	N/A	5	6	11	N/A	71	30	15	21	36
12	16-Sep	25	20	10	8	17		68	53	30	26	42	
13	16-Dec	26	13	6	6	20		62	42	20	18	44	
14	17-Mar	19	18	9	8	11		53	61	29	26	27	
15	17-Jun	19	12	6	5	14		53	41	20	17	36	
16	17-Sep	9	18	9	8	1		38	61	29	26	12	
17	17-Dec	13	12	6	5	8		42	41	20	17	25	
18	18-Mar	11	18	9	8	3		34	61	29	26	8	
19	18-Jun	15	12	6	5	10		47	41	20	17	30	
20	18-Sep	18	18	9	8	10		50	61	29	26	24	
21	18-Dec	22	12	6	5	17		57	41	20	17	40	
Subtotals		177	156	75	154	196	173	504	1349	632	530	506	532
TOTAL EXP.		350						1036					

Notes:

1. For Quarters 1 through 11, Numbers are actual, not expected. For Q12, actual enrollments along with expected future enrollments.
2. Between Quarter 1 and Quarter 12,, Roca received 397 conforming referrals. There are currently still 21 young people referred in Quarter 12 or earlier still being assessed for eligibility and/or incarcerated and awaiting release. The Parties expect a minimum of 30% of these or 6 additional young people will be found to be conforming. (These 6 have been included in the calculations above.)
3. There are an additional 5 still being assessed who were referred in Q13.
4. Calculations assume 48% conforming referrals, 42% take up rate, 50/50 split for evaluation treatment/control
5. Quarter 1-11, 314 enrolled from state referrals, 218 enrolled from self-recruits, bringing total projections to 530 enrollments from referrals, 506 from self-recruits
6. This would likely result in 1261 referrals to the treatment group and 656 referrals to the control group.
7. Funding from the Laura and John Arnold Foundation will pay for 117 young people enrolled (final 2.25 quarters)

The table above assumes a 42% Take-up Rate. By the 15th Business Day after the end of each Quarter, commencing with Quarter 5, Roca will submit to the Independent Evaluator its best estimate of the available slots for Roca Assigned Youth for the following Quarter based on program attrition and staffing, separately for the Boston, Chelsea, and Springfield Service Areas. This information will be used by the Operating Committee to adjust the number of Expected Referrals and the number of expected Roca Recruits needed in the following Quarter, and to adjust the randomization ratio as between the Roca List and the Control List. If, over time, Roca believes that it can fill all available slots with fewer Referrals and/or fewer Roca Recruits for the project overall or the Commonwealth believes that it can increase the total number of Expected Referrals for the project and thus the total expected Enrollment from Referrals, Roca or the Commonwealth, respectively, will present this request to the Operating Committee. The Operating Committee will meet and discuss modifying the table in Section 3.02(e)(iv) with the advice of the Independent Evaluator as to how to best maximize the accuracy of the “**RCT**” and/or “**Backstop Methodology**”. The Operating Committee shall prioritize increasing the number of people assigned to the Control List over reducing the number of Roca Recruits and shall between Quarters 13 and 21 seek to attain an average ratio between those assigned to the Roca List and the Control List of 1:1. Based on a request by Roca or the Commonwealth, the total number of Expected Referrals or the total number of expected Roca Recruits needed to fill all available slots for the project overall may also be decreased. The number of Expected Referrals or the number of expected Roca Recruits may then be increased at a later date, with the approval of the Operating Committee and Independent Evaluator, so long as the total number of expected Roca Recruits never exceeds 288 (the “**Roca Recruit Cap**”) between Quarters 12 and 21 plus one additional Roca Recruit for each “**Conforming Referral Shortfall**” (as defined in Section 9.01(a)) and the total number of enrollments for the project is not anticipated to exceed 1036. To the extent there is a Conforming Referral Shortfall in Quarter 21, Roca may enroll Roca Recruits through Quarter 23. Any changes outside of this scope must be reviewed and approved by the Oversight Committee. Further, any change to the table in this Section 3.03(e)(iv) that has the effect of reducing (x) the total “**Conforming Referrals Floor**” (as defined in Section 9.01(a)) or (y) the total “**Conforming Referrals Threshold**” (as defined in Section 9.01(a)) requires approval of the Lender Committee. Any changes to the number of Expected Referrals or the number of expected Roca Recruits will be immediately conveyed by the Operating Committee and/or the Oversight Committee to the Independent Evaluator.

Roca will seek to serve all young men included on the Roca List who meet the criteria specified in Section 3.03 and in the Evaluation Plan.

(f) Roca's Access to Individuals on the Roca List Who are Under DYS, DOC, ECSD, HCSD, MSO, or SCSD Jurisdiction. To the extent possible, DYS, DOC, ECSD, HCSD, MSO, and SCSD will work to provide Roca with access to all youth under their supervision included on the Roca List prior to their discharge or release date, as applicable, as set forth in the Evaluation Plan.

Section 3.04 Performance Measurement. As set out in the Evaluation Plan, the Commonwealth will make payments to YSI based on an evaluation of Roca's effect on the incarceration (i.e., recidivism), job readiness, and employment rates of the Roca Youth. Reference is made to the attached Evaluation Plan for a detailed description of the evaluation criteria and performance measurement criteria. For the avoidance of doubt, should there be a difference between Section 3.03 or Section 3.04 and the Evaluation Plan, the Evaluation Plan shall govern. Notwithstanding the foregoing, this Contract governs the following: referrals from MPB, DOC, ECSD, HCSD, MSO or SCSD; the age of Roca Youth; and the definition of high-risk that has been adopted for use in Quarters 4, 5 and 6.

Section 3.05 Evaluation Roles.

(a) YSI has entered into a contract with the Urban Institute (the "**Independent Evaluator**") to be responsible for creating the Master List, the Roca List and the Control List, all in accordance with Section 3.03(b) and Section 3.03(c) of this Contract and with the Evaluation Plan, verifying the number of young people served by Roca, making the calculations described in Sections 4.03(d), (f) and (g) of this Contract, applying the evaluation criteria, performance measurement criteria and evaluation methodology set forth in the Evaluation Plan to Roca's efforts, and performing such other functions as are set forth in the Evaluation Plan. The contract between YSI and the Urban Institute provides that Dr. Akiva Liberman shall supervise all of the Urban Institute's efforts. YSI shall not replace the Urban Institute nor consent to the replacement of Dr. Liberman without the written approval of the other Parties, which approval will not be unreasonably withheld. It is acknowledged that in order for YSI to replace the Urban Institute or any successor as the Independent Evaluator or to consent to the replacement of Dr. Liberman, YSI requires the consent of the Senior Lender.

(b) YSI has entered into a contract with Third Sector Capital Partners, Inc. ("**Third Sector**") to provide services and serve as the project manager under this Contract (the "**Project Manager**"). The Project Manager will be responsible for managing this Contract, including ensuring the flow of information between the Parties, and other responsibilities set forth herein and in the Project Manager's contract. Pursuant to the contract between YSI and Third Sector, Third Sector shall provide that John Grossman will carry out the duties of the Project Manager. YSI shall not replace Third Sector nor consent to the replacement of John Grossman without the written approval of the other Parties, which approval will not be unreasonably withheld. It is acknowledged that in order for YSI to replace Third Sector or any successor as the Project Manager or to consent to the replacement of John Grossman, YSI

requires the consent of the Senior Lender. The Project Manager will be compensated by YSI for all services provided since the signing of the Pilot Contract.

(c) The Commonwealth has entered into a contract with Public Consulting Group (“PCG”), to serve as the “**Independent Validator**,” and to be responsible for reviewing and confirming the findings of the Independent Evaluator made through the Expected Termination Date on behalf of the Commonwealth and reviewing and confirming the Commonwealth's calculations of Job Readiness Success Payments, as further described in Section 4.03(e) of this Contract. YSI agrees to compensate the Independent Validator for its services, to the extent such compensation is not covered by the grant from the United States Department of Labor to the Commonwealth. The Commonwealth shall not replace PCG as the Independent Validator without the written consent of the other Parties, which approval will not be unreasonably withheld. It is acknowledged that in order for YSI to consent to the replacement of PCG or any successor as the Independent Validator, YSI requires the consent of the Senior Lender.

(d) Compensation for the Project Manager, Independent Validator and Independent Evaluator from YSI shall not exceed the amounts set forth in Appendix D hereto without the approval of the Oversight Committee and the approval of the Lender Committee.

(e) Roca may enter into a contract with a third-party evaluator pursuant to which the third-party evaluator will review the outcomes under this Contract on behalf of Roca to evaluate the efficacy of the Roca Intervention Model for Roca. The third-party evaluator provided assistance to the Independent Evaluator and the Parties during Quarters 2 through 5, compensation for which shall not exceed the amounts set forth in Appendix D hereto without the approval of the Oversight Committee and the approval of the Lender Committee. Roca shall otherwise compensate the third-party evaluator without any cost to the other Parties.

(f) YSI has entered into a contract with Third Sector (the “**Fiscal Services Provider**”) to process and oversee payments to YSI and to Roca. YSI may not replace the Fiscal Services Provider without the written consent of the other Parties, which approval will not be unreasonably withheld.

Section 3.06 Provision of Information. Each of the Parties hereby agrees to provide such information as is required pursuant to this Contract, including the Evaluation Plan, to each other, the Independent Evaluator, the Independent Validator, the Fiscal Services Provider, Roca’s third-party evaluator, and the HKS SIB Lab, as defined below, as is necessary for each party to carry out its respective evaluation and other responsibilities in accordance with this Contract and the Evaluation Plan and in accordance with Section 6.08(b), Section 7.09(b) and the Interdepartmental Service Agreements between EOAF and DYS, EOAF and OCP, EOAF and DOC, EOAF and ECSD, EOAF and HCSD, EOAF and MSO, EOAF and SCSD, and EOAF and MSO. Each of the Parties acknowledges that they will be bound by publicity provisions to be agreed to by the Parties and each of the Lenders and the Grantors, and included as Appendix I hereto and incorporated by reference into this Contract.

ARTICLE 4

FUNDING OF JUVENILE JUSTICE SERVICES

Section 4.01 YSI Operating Account; Funding Plan.

(a) YSI shall maintain a deposit account (the “**YSI Operating Account**”) and all monies received by YSI from the Funding Partners pursuant to the Loan Documents or Grant Agreements, including any interest earned on such monies, shall be deposited into the YSI Operating Account and may only be transferred from the YSI Operating Account to (i) pay the project related fees and expenses set forth in Appendix D hereto under the heading “Project Fees”; (ii) make payments to Roca and YSI as set forth in this Contract, including the repayment of investments by Roca and YSI as deferred fees; (iii) make payments required under the Loan Documents and (iv) at Quarter 25, disseminate any funds remaining in the YSI Operating Account in a manner that is consistent with the Grant Agreements, and as described under the heading “Wind-Up” in Appendix D hereto. It is acknowledged that the YSI Operating Account will be pledged to the Lenders and is the Controlled Account defined and referred to in Appendix H. Prior to the date of the first payment that is due to be transferred into the YSI Operating Account from the Secretary pursuant to this Contract, YSI shall with the consent of the Senior Lender, give notice to the Commonwealth of the account number and wire transfer instructions to be used for all transfers of amounts payable into the YSI Operating Account pursuant to this Contract. After such notice is given, no change in such account number or wire transfer instructions shall be made without the consent of the Senior Lender.

(b) The anticipated funding schedule for this Contract describing payments to be received from the Funding Partners in any form in support of this Contract is set forth in the Funding Plan included as Appendix D to this Contract under the heading “Funding Schedule” (the “**Funding Schedule**”), as the same may be amended or modified from time to time by replacement of the Funding Schedule by YSI with the consent of the Lender Committee; provided, however, that the consent of the Commonwealth and Roca shall also be required for any amendment or modification to the Funding Schedule that requires the consent of any Funding Partner under the Loan Documents or Grant Agreements, and the consent of Roca shall be required for any other amendment or modification of the Funding Schedule that could have the effect of changing the amount or timing of the payment of Roca’s services fees or Success Payment under this Contract, such consent not to be unreasonably withheld. The Funding Plan sets forth the anticipated sources and uses of funds in accordance with this Contract, and it may be amended from time to time by replacement of the information included in Appendix D with an updated Funding Plan, as agreed to in writing by the parties to this Contract, and with respect to any material changes, with the consent of the Funding Partners as set out in the Loan Documents and Grant Agreements. The Parties agree that the Funding Plan is based on a “base case” level of Commonwealth Success Payments and that actual Commonwealth Success Payments and project costs may be greater or lesser as required by the terms of this Contract depending on the recidivism and employment outcomes achieved by Roca (provided that in no event will any Funding Party have obligations that are different from those set forth in the Loan Documents or Grant Agreements to which such Funding Party is a party without the express prior written consent of such Funding Party.).

(c) The terms under which YSI has entered into definitive agreements for funding, and certain proposed amendments to such agreements, are described in Appendix H to this Contract, the Funding Overview, as the same may be amended or modified from time to time by replacement of the Funding Overview by YSI with the consent of the Lender Committee; provided, however, that the consent of the Commonwealth and Roca shall also be required for any amendment or modification to the Funding Overview that requires the consent of any Funding Partner under the Loan Documents or Grant Agreements such consent not to be unreasonably withheld (provided that in no event will any Funding Party have obligations that are different from those set forth in the Loan Documents or Grant Agreements to which such Funding Part is a party without the express prior written consent of such Funding Party).

(d) The Parties acknowledge that Roca has received a commitment for an additional grant of \$1,666,689 from the Laura and John Arnold Foundation which will be used to (i) pay \$1,510,689 for Roca's costs related to delivering Roca Services to the last 117 Roca Youth or Roca Recruits enrolled between Quarters 16 and 21 (the "**Project Extension Youth**"); (ii) pay \$74,827 to the Independent Evaluator to compensate it for (x) overseeing six additional quarters of referrals and (y) performing a final evaluation 20 Quarters after the last of the Roca Assigned Youth is referred to Roca; and (iii) pay \$80,000 to the Project Manager to compensate it for the additional duties related to this grant. While the Project Extension Youth will be paid for outside the terms of Appendix D, they shall for other purposes be treated as a Roca Assigned Youth or Roca Recruits consistently with those definitions. Roca agrees that its agreement with the Laura and John Arnold Foundation dated on or about November 1, 2016 providing for the grant described in this paragraph will not be modified in any material way without the approval of YSI and the Lender Committee at any time prior to the termination of this Contract under Section 2.01.

(e) Roca and the Commonwealth acknowledge that YSI cannot act in contravention to the Loan Documents or Grant Agreements and that YSI's ability to provide consent or agreement under this Contract may be restricted by the Loan Documents or Grant Agreements.

Section 4.02 Commonwealth Success Payments Determination and Representations.

(a) As provided in Section 35VV(c) of the Enabling Act, the Secretary hereby determines that the payments that Commonwealth is obligated to pay under this Contract are a general obligation of the Commonwealth for which its full faith and credit are pledged for the benefit of YSI and Roca as the providers of the services required under this Contract and their successors and permitted assigns. Other than the obligation to make payments under Sections 4.03 and 9.03 of this Contract, no other covenants, representations, or obligations of the Commonwealth under this Contract are backed by its full faith and credit. Neither shall any Loan Document or Grant Agreement entered into by YSI with Funding Partners be construed to constitute general obligations of the Commonwealth for which its full faith and credit are pledged. The maximum amount of Commonwealth Success Payments that can be made pursuant to this Contract with the benefit of such pledge is \$28,000,000, subject to the provisions of this Contract governing whether or not such payments shall be made. All payments shall be rounded to the nearest dollar.

(b) The Commonwealth hereby represents that this Contract meets the requirements for a pay for success contract under the Enabling Act in that:

(i) All of the Commonwealth Success Payments under this Contract are contingent on the achievement of specific outcomes related to reductions in incarceration and improved job readiness and employment outcomes for the Roca Youth as further defined and provided in this Contract (collectively, the “**Performance Measures**”);

(ii) This Contract provides for the Independent Evaluator to confirm that the Incarceration and Employment Performance Measures have been met. The Contract provides for the Independent Validator to confirm that the Job Readiness Performance Measures have been met;

(iii) This Contract provides for the Independent Evaluator and the Commonwealth to calculate the amount of Commonwealth Success Payments that would be earned by Roca during each year of this Contract if the Performance Measures are met, as confirmed by the Independent Validator;

(iv) This Contract provides for a sinking fund requirement under which the Secretary will request an appropriation for each fiscal year that the Contract is in effect in an amount equal to the expected payments that the Commonwealth will ultimately be obligated to pay in the future based upon the service provided during such fiscal year if the Performance Measures are achieved; and

(v) The Secretary hereby determines that this Contract will result in significant performance improvements and budgetary savings for the Commonwealth if the Performance Measures are achieved.

(c) The Secretary requested an appropriation for Fiscal Year 2014 and shall request an appropriation for each fiscal year thereafter that this Contract is in effect, in an amount equal to the expected amount of Success Payments that the Commonwealth will ultimately be obligated to pay in the future based upon the service provided during such fiscal year if the Performance Measures are achieved, in accordance with this Contract. Such amounts upon appropriation shall be deposited to the Social Innovation Financing Trust Fund held by the Secretary.

Section 4.03 Success Payments Calculation and Payment.

(a) As detailed in the Evaluation Plan, the Parties intend to implement a randomized control trial (“**RCT**”) to measure the individual outcomes for purposes of calculating Success Payments. The RCT approach will succeed only if the RCT has sufficient accuracy to determine Bed-Days Avoided among Roca Assigned Youth as determined by the Independent Evaluator. The RCT shall be deemed to have sufficient accuracy if as of the first business day of Quarter 16, 18, 20, or 22, based on the number of Conforming Referrals, the rate of Enrollment to Roca and the Referrals to the Control List made to date, the Independent Evaluator determines that when Referrals made in Quarter 21 are complete, (i) there will be at least 765 Enrollments from Referrals, (ii) there will be at least 500 people on the Control List, and (iii) the difference

between the fraction of Roca Assigned Youth and Control Youth that enroll in Roca will be greater than or equal to .30.

(b) If the RCT will not have sufficient accuracy on the Expected Termination Date, as outlined in the Evaluation Plan, then it will be necessary to incorporate a secondary, quasi-experimental approach or a modified RCT, in whole or in part (the “**Backstop Methodology**”) as set out in the Evaluation Plan.

(c) For avoidance of doubt, the RCT and Backstop Methodology are intended to provide a contractual mechanism for payment. Neither shall be used by the Commonwealth, nor are they intended for use by any other person or entity, to characterize the impact of the Roca Model in any other context.

(d) **“Total Department of Labor PFS Payment.”** YSI shall be entitled to receive outcome-based payments in an amount not to exceed \$10,770,000 to be paid by the Commonwealth from the proceeds of a United States Department of Labor grant. The two-year service period to be financed by the United States Department of Labor grant began on October 1, 2013 and will serve up to 535 young people. **“Total Department of Labor PFS Payment”** shall be calculated by the Independent Evaluator as the lesser of (i) \$10,770,000 and (ii) the sum of **Department of Labor PFS Payment Due to Gains in Employment** and the **Department of Labor PFS Payment Due to Bed-Days Avoided** (each as defined below). For avoidance of doubt, the availability of funding under the United States Department of Labor grant shall not affect the Commonwealth's obligation to make up to \$28,000,000 in Commonwealth Success Payments as described in Section 4.02(a) or the maximum Success Payments available under this Contract.

(i) Consistent with the Evaluation Plan, in Quarter 14, the “Department of Labor PFS Payment Due to Gains in Employment” shall be calculated by the Independent Evaluator using the following procedure.

- (A) **“Department of Labor Employment Measurement Period”** shall mean the period beginning with the first Quarter after the month in which a Roca Assigned Youth or Control Youth is assigned to the Roca List or Control List, as applicable, and ending on the last day of Quarter 11.
- (B) For each Roca Assigned Youth or Control Youth, **“Department of Labor Employment Eligible Quarter”** shall mean any Quarter beginning with the first Quarter of the Department of Labor Employment Measurement Period and ending with Quarter 11.
- (C) The Independent Evaluator shall calculate the total number of Department of Labor Employment Eligible Quarters in which a young person had earnings from employment (either subsidized or non-subsidized) greater than or equal to \$1,000 (each an **“Actual Department of Labor**

Employment Quarter”) for each Roca Assigned Youth and each Control Youth;

- (D) The Independent Evaluator shall calculate the “**Total Department of Labor Employment Gain**,” which shall be equal to the Instrumental Variable Estimate of employment gain per Roca Youth adjusted to account for missing Social Security Numbers, calculated as set forth in the Evaluation Plan, and multiplied by the total number of Department of Labor Employment Eligible Quarters for the Roca Youth enrolled through Quarter 9, provided that for the purposes of this calculation the number of such Roca Youth shall not exceed 535;
- (E) The Department of Labor PFS Payment Due to Gains in Employment shall be equal to the Total Department of Labor Employment Gain multiplied by \$750;
- (F) The total amount of such Department of Labor PFS Payment Due to Gains in Employment shall not exceed \$1,600,000.
- (G) Within 45 calendar days after the beginning of Quarter 17, and subject to the verification procedures under Section 4.03(i)(vi), the Department of Labor PFS Payment Due to Gains in Employment, if any, shall be transferred by the Secretary by wire transfer into the YSI Operating Account.

(ii) Consistent with the Evaluation Plan, in Quarter 14, the “**Department of Labor PFS Payment Due to Bed-Days Avoided**” shall be calculated by the Independent Evaluator using the following procedure.

- (A) “**Department of Labor Incarceration Measurement Period**” shall mean the period beginning on the first day after a Roca Assigned Youth or Control Youth is assigned to the Roca List or Control List, as applicable, and ending on the last day of Quarter 12.
- (B) “**Actual Department of Labor Sentenced Bed-Days**” shall reflect the sum of estimated minimum non-concurrent days of incarceration that have been sentenced during the Department of Labor Incarceration Measurement Period; provided, however, that the number of days for a single offense and the cumulative time sentenced for new offenses over the Department of Labor Incarceration Measurement Period shall not exceed 10 years for any individual. Only those sentences that result from arraignments occurring

during the Department of Labor Incarceration Measurement Period shall be included in the calculation of Actual Department of Labor Sentenced Bed-Days. In calculating the Actual Department of Labor Sentenced Bed-Days for each individual the Independent Evaluator shall, as set forth in the Evaluation Plan, include imputed sentences for any arraignments that have occurred but not yet been fully adjudicated, provided, however, that the number of days for a single offense and the cumulative time sentenced for new offenses over the Department of Labor Incarceration Measurement Period shall not exceed 10 years for any individual. As set forth in the Evaluation Plan, imputed sentences for arraignments that have occurred but not yet been fully adjudicated shall be equal to the median value number of days of incarceration for an offense category multiplied by the probability that that an arraignment type leads to an incarceration based on historical data.

- (C) The Independent Evaluator shall calculate “**Department of Labor Actual Bed-Days Avoided Per Person Served,**” which shall be equal to the Instrumental Variable Estimate of bed days avoided per Roca Youth, calculated as set forth in the Evaluation Plan.
- (D) The Independent Evaluator shall estimate “**Department of Labor Total Bed-Days Avoided Per Person Served**” by adjusting upward Department of Labor Actual Bed-Days Avoided Per Person Served based on the historic ratio of five-year bed-days to shorter-term bed-days.
- (E) The adjustment based on the historic ratio of five-year bed-days to shorter-term bed-days will be made in a manner specified in the Evaluation Plan; provided, however that the calculation of the projection with respect to Roca Assigned Youth will be the same as the calculation of the projection with respect to Control Youth.
- (F) The Department of Labor PFS Payment Due to Bed-Days Avoided shall be equal to the greater of (a) \$0 and (b) an application of the payment formula shown in the second column of the table below, multiplied by the number of Roca Youth enrolled through Quarter 9; provided that for purposes of this calculation the number of such Roca Youth shall not exceed 535. For the purposes of this calculation the Department of Labor Total Bed Days Avoided Per Person Served shall be rounded to the nearest hundredth of a bed day.

Department of Labor Total Bed Days Avoided Per Person Served	Payment Formula
>=0 and <29	no payment
>=29 and <88	$\$785 + ((\text{Department of Labor Total Bed Days Avoided Per Person Served} - 29) \times 55)$
>=88 and <244	$\$4,016 + ((\text{Department of Labor Total Bed Days Avoided Per Person Served} - 88) \times 145)$
>=244 and <359	$\$26,639 + ((\text{Department of Labor Total Bed Days Avoided Per Person Served} - 244) \times 16)$
>=359	\$28,540

- (G) Within 45 calendar days after the beginning of Quarter 17, and subject to the verification procedures under Section 4.03(i)(vi), the Department of Labor PFS Payment Due to Bed-Days Avoided, if any, shall be transferred by the Secretary by wire transfer into the YSI Operating Account.

(e) Job Readiness.

(i) Calculation. In Quarter 5, and every two Quarters thereafter through Wind-Up, PFS Payments Earned to Date Due to Gains in Job Readiness for the period ending one Quarter previously (for example, the calculation in Quarter 5 shall cover gains in job readiness through Quarter 4) shall be calculated by the Commonwealth using the following procedure:

- (A) For each Roca Youth or Roca Recruit, the Commonwealth shall calculate the number of Quarters to date in which such individual received a minimum of 9 contacts with a youth worker during the Quarter (if enrolled for a full quarter), pro-rated and rounded up to the next whole number for any portion of a Quarter in which the youth was enrolled (each an “**Actual Job Readiness Quarter**”) (for instance, a youth enrolled for half of a Quarter must have received an average of 5 contacts (9×0.5 , rounded up to the next whole number) during the Quarter to accumulate an additional Actual Job Readiness Quarter);
- (B) Actual Job Readiness Quarters, if any, shall be tallied for each Roca Youth or Roca Recruit for all Quarters reflecting Actual Job Readiness Quarters taking place within ten Quarters beginning the Quarter that includes the first day when such person is enrolled in Roca (the “**Job Readiness Measurement Period**”);
- (C) The Commonwealth shall calculate the “**Total Job Readiness Quarters,**” which shall be equal to the sum of

Actual Job Readiness Quarters for all Roca Youth and Roca Recruits.

- (D) The Commonwealth shall calculate “**PFS Payments Earned to Date Due to Gains in Job Readiness**” as follows: Total Job Readiness Quarters x \$1000;
- (E) In Quarter 25 to the extent that any Roca Youth or Roca Recruit remain within the Job Readiness Measurement Period, the Independent Validator shall estimate Total Job Readiness Quarters by adjusting upward the Actual Job Readiness Quarters based on the historic ratio of the ten-quarter job readiness quarter observations to shorter observation windows. The adjustment will be made in a manner that is consistent with the adjustment made to bed days as specified in the Evaluation Plan.
- (F) For avoidance of doubt, the calculation of PFS Payments Earned to Date Due to Gains in Job Readiness shall cover all Quarters starting from Quarter 1 and the Commonwealth shall make all payments applying to calculations made in Quarters 5 through 12 no later than the end of Quarter 13.
- (G) The total amount of such PFS Payments Earned to Date Due to Gains in Job Readiness shall not exceed \$6,091,000;
- (H) “**PFS Payments Owed to YSI Due to Gains in Job Readiness**” shall be calculated by the Commonwealth as the greater of (i) \$0 and (ii) PFS Payments Earned to Date Due to Gains in Job Readiness, minus the sum of all PFS Payments Earned to Date Due to Gains in Job Readiness already remitted to YSI by the Commonwealth pursuant to this Contract.

(ii) Payment.

- (A) Within 45 calendar days after the beginning of Quarter 7, and subject to the verification procedures under Section 4.03(i)(vi), and every two Quarters thereafter through Wind-Up, the PFS Payments Owed to YSI Due to Gains in Job Readiness for such Quarter shall be transferred by the Secretary by wire transfer without further appropriation from funds available in the Social Innovation Financing Trust Fund into the Job Readiness Payments Account. Should there be insufficient funds in the Social Innovation Financing Trust, the Secretary shall as soon as practicable request an appropriation in order to make the PFS

Payments Owed to YSI Due to Gains in Job Readiness and shall make the required payment by wire transfer into the Job Readiness Payments Account promptly upon such appropriation (provided that the unavailability of funds in the Social Innovation Financing Trust Fund shall not excuse any breach by the Commonwealth of its obligation to make timely payments as required by this Contract.)

- (B) Amounts payable in accordance with this Section 4.03(e) are sometimes referred to herein as “**Job Readiness Success Payments**”.

(f) Employment.

(i) Calculation of Payments. Outcome data on employment will become more complete over time. Each Quarter’s outcome data and the corresponding payments due from the Commonwealth hereunder will be calculated using the most up-to-date data available in accordance with this Contract, beginning from the Service Commencement Date, and including all Control Youth, Roca Assigned Youth and Roca Youth, as applicable, observed during such period. Consistent with the Evaluation Plan, in Quarter 17, and every two Quarters thereafter until Wind-Up occurs, the Independent Evaluator shall calculate the PFS Payments Earned to Date Due to Gains in Employment for the period ending two Quarters previously (for example, the calculation in Quarter 17 shall cover gains in employment through at least Quarter 14) using the following procedures and definitions:

- (A) “**Employment Measurement Period**” means the 20 Quarter period beginning with the first Quarter after the month in which any Roca Assigned Youth or Control Youth in the project is assigned to the Roca List or Control List, as applicable;
- (B) For each Roca Assigned Youth or Control Youth, “**Eligible Quarter**” shall mean any Quarter beginning with the first Quarter of the Employment Measurement Period and ending with the earlier of (x) the last Quarter of the Employment Measurement Period and (y) the Quarter ending two Quarters prior to the date on which calculations are made under this section;
- (C) The Independent Evaluator shall calculate the number of Eligible Quarters in which a young person had earnings from employment (either subsidized or non-subsidized) greater than or equal to \$1,000 (each an “**Actual Employment Quarter**”) for each Roca Assigned Youth and each Control Youth;

- (D) The Independent Evaluator shall calculate the "**Total Employment Gain**" which shall be equal to the Instrumental Variable Estimate of employment gain per Roca Youth, adjusted to account for missing Social Security Numbers, calculated as set forth in the Evaluation Plan, multiplied by the total number of Eligible Quarters for Roca Youth;
- (E) The Independent Evaluator shall calculate the "**PFS Payments Earned to Date Due to Gains in Employment**", which shall be equal to the Total Employment Gain multiplied by \$750;
- (F) In the event of an All Lender Early Termination or a Commonwealth Early Termination in Quarter 13, if the Parties and the Funders agree not to proceed with evaluation of the Project, there shall be no "**PFS Payments Earned to Date Due to Gains in Employment**".
- (G) "**PFS Payments Owed to YSI Due to Gains in Employment**" shall be calculated by the Independent Evaluator as the greater of (x) \$0 and (y) PFS Payments Earned to Date Due to Gains in Employment multiplied by 0.8, minus the sum of all PFS Payments Earned to Date Due to Gains in Employment already remitted to YSI by the Commonwealth pursuant to this Contract, including the Department of Labor PFS Payment Due to Gains in Employment;
- (H) In Quarter 25 to the extent that the Employment Measurement Period for any Roca Assigned Youth or Control Youth has not ended, the Independent Evaluator shall estimate Total Employment Gain, by adjusting upward the Actual Employment Quarters based on the historic ratio of five-year employment quarters to shorter-term employment quarters. The adjustment based on the historic ratio of five-year employment quarters to shorter-term employment quarters will be made in a manner specified in that is consistent with the adjustment made to bed days as specified in the Evaluation Plan; provided, however that the calculation of the projection with respect to Roca Assigned Youth will be the same as the calculation of the projection with respect to Control Youth.
- (I) "**PFS Payments Owed to YSI Due to Gains in Employment at Wind-Up**" shall be calculated by the Independent Evaluator as the greater of (i) \$0 and (ii) the

sum of all PFS Payments Earned to Date Due to Gains in Employment minus the sum of all PFS Payments Earned to Date Due to Gains in Employment already remitted to YSI by the Commonwealth pursuant to this Contract, including the Department of Labor PFS Payment Due to Gains in Employment;

- (J) PFS Payments Earned to Date Due to Gains in Employment, including the Department of Labor PFS Payment Due to Gains in Employment, shall not exceed \$1,600,000;

(ii) Payment. Within 45 calendar days after the beginning of Quarters 17, 19, 21 and 23, and subject to the verification procedures under Section 4.03(i)(vi), the "**PFS Payment Owed to YSI to Date Due to Gains in Employment**" for such Quarter shall be transferred by the Secretary by wire transfer without further appropriation from funds available in the Social Innovation Financing Trust Fund into the YSI Operating Account. Should there be insufficient funds in the Social Innovation Financing Trust, the Secretary shall as soon as practicable request an appropriation in order to make the PFS Payment Earned to Date Due to Gains in Employment; and

(iii) Within 45 calendar days after the beginning of Quarter 25, and subject to the verification procedures under Section 4.03(i)(vi), PFS Payments Owed to YSI Due to Gains in Employment at Wind-Up shall be transferred by the Secretary by wire transfer without further appropriation from funds available in the Social Innovation Financing Trust Fund into the YSI Operating Account. Should there be insufficient funds in the Social Innovation Financing Trust Fund, the Secretary shall as soon as practicable request an appropriation in order to make the PFS Payments Owed to YSI Due to Gains in Employment at Wind-Up and shall make the required payment by wire transfer into the YSI Operating Account promptly upon such appropriation (provided that the unavailability of funds in the Social Innovation Financing Trust Fund shall not excuse any breach by the Commonwealth of its obligation to make timely payments as required by this Contract within 45 calendar days after the beginning of an applicable Quarter).

- (g) Incarceration.

(i) Calculation of Payments. Outcome data on incarceration will become more complete over time. Each Quarter's outcome data and the corresponding payments due from the Commonwealth hereunder will be calculated using the most up-to-date data available in accordance with this Contract, beginning from the Service Commencement Date, and including all Control Youth, Roca Assigned Youth and Roca Youth, as applicable, observed during such period. Consistent with the Evaluation Plan, in Quarters 17, and every two Quarters thereafter until Wind-Up occurs, the Independent Evaluator

shall calculate the “**PFS Payments Earned to Date Due to Bed-Days Avoided**” for the period ending one Quarter previously (for example, the calculation in Quarter 17 shall cover bed days avoided through at least Quarter 15) using the following procedures and definitions.

- (A) “**Incarceration Measurement Period**” means the 20 Quarter period beginning the first day after any Roca Assigned Youth or Control Youth is assigned to the Roca List or Control List, as applicable.
- (B) “**Actual Sentenced Bed-Days**” means the sum of estimated minimum non-concurrent days of incarceration that have been sentenced for new offenses during the Incarceration Measurement Period; provided, however, that the number of days for a single offense and the cumulative time sentenced for new offenses over the Incarceration Measurement Period shall not exceed 10 years for any individual. Only those sentences that result from arraignments occurring during the Incarceration Measurement Period shall be included in the calculation of Actual Sentenced Bed-Days.
- (C) In Quarter 25, if there are any arraignments that occurred during the Incarceration Measurement Period that have not been fully adjudicated, the Independent Evaluator shall, as set forth in the Evaluation Plan, include imputed sentences for those arraignments in the calculation of Actual Sentenced Bed Days; provided, however, that the number of days for a single offense and cumulative time sentenced for new offenses over the Incarceration Measurement Period shall not exceed 10 years for any individual.
- (D) The Independent Evaluator shall calculate “**Actual Bed-Days Avoided Per Person Served,**” which shall be equal to the Instrumental Variable estimate of bed days avoided per Roca Youth, calculated as set forth in the Evaluation Plan.
- (E) In Quarter 25 to the extent that the Incarceration Measurement Period for any Roca Assigned Youth or Control Youth has not ended, the Independent Evaluator shall estimate “**Total Bed-Days Avoided Per Person Served,**” by adjusting upward the Actual Bed-Days Avoided Per Person Served based on the historic ratio of five-year bed-days to shorter-term bed days. The adjustment based on the historic ratio of five-year bed-days to shorter-term bed-days will be made in a manner

specified in the Evaluation Plan; provided, however that the calculation of the projection with respect to Roca Assigned Youth will be the same as the calculation of the projection with respect to Control Youth.

- (F) **“PFS Payments Earned to Date Due to Bed-Days Avoided”** means the greater of (a) \$0 and (b) an application of the payment formula shown in the second column of the table below, multiplied by the total number of Roca Youth. For the purposes of this calculation the Bed Days Avoided Per Person Served shall be rounded to the nearest hundredth of a bed day.

Bed Days Avoided Per Person Served*	Payment Formula
≥ 0 and < 29	no payment
≥ 29 and < 88	$\$785 + ((\text{Bed Days Avoided Per Person Served} - 29) \times 55)$
≥ 88 and < 244	$\$4,016 + ((\text{Bed Days Avoided Per Person Served} - 88) \times 145)$
≥ 244 and < 359	$\$26,639 + ((\text{Bed Days Avoided Per Person Served} - 244) \times 16)$
≥ 359	\$28,540

*For Quarters other than Quarter 23, "Bed Days Avoided Per Person Served" in the table refers to "Actual Bed Days Avoided Per Person Served." For Quarter 23, "Bed Days Avoided Per Person Served" refers to "Total Bed Days Avoided Per Person Served."

- (G) **“PFS Payments Owed to YSI Due to Bed-Days Avoided”** shall be calculated by the Independent Evaluator as the greater of (x) \$0 and (y) the sum of all PFS Payments Earned to Date Due to Bed-Days Avoided multiplied by 0.8, minus all PFS Payments Earned to Date Due to Bed-Days Avoided already remitted to YSI by the Commonwealth including the Department of Labor PFS
- (H) **“PFS Payments Owed to YSI to Date Due to Bed-Days Avoided at Wind-Up”** shall be calculated by the Independent Evaluator as the greater of (x) \$0 and (y) the sum of all PFS Payments Earned to Date Due to Bed-Days Avoided minus all PFS Payments Earned to Date Due to Bed-Days Avoided already remitted to YSI by the Commonwealth pursuant to this Contract, including the Department of Labor PFS Payment Due to Bed-Days Avoided.

- (I) PFS Payments Earned to Date Due to Bed Days Avoided, including the Department of Labor PFS Payment Due to Bed Days Avoided shall not exceed Total PFS Payments Earned to Date.

- (ii) Payment.

- (A) Within 45 calendar days after the beginning of Quarters 17, 19, 21 and 23, and subject to the verification procedures under Section 4.03(i)(vi), the PFS Payments Earned to Date Due to Bed-Days Avoided for such Quarter shall be transferred by the Secretary by wire transfer without further appropriation from funds available in the Social Innovation Financing Trust Fund into the YSI Operating Account. Should there be insufficient funds in the Social Innovation Financing Trust Fund, the Secretary shall as soon as practicable request an appropriation in order to make the PFS Payment Earned to Date Due to Bed-Days Avoided and shall make the required payment by wire transfer into the YSI Operating Account promptly upon such appropriation (provided that the unavailability of funds in the Social Innovation Financing Trust Fund shall not excuse any breach by the Commonwealth of its obligation to make timely payments as required by this Contract within 45 calendar days after the beginning of an applicable Quarter).
- (B) Within 45 calendar days after the beginning of Quarter 25, and subject to the verification procedures under Section 4.03(i)(vi), PFS Payments Owed to YSI Due to Bed-Days Avoided at Wind-Up shall be transferred by the Secretary by wire transfer without further appropriation from funds available in the Social Innovation Financing Trust Fund into the YSI Operating Account. Should there be insufficient funds in the Social Innovation Financing Trust Fund, the Secretary shall as soon as practicable request an appropriation in order to make the PFS Payments Owed to YSI Due to Bed-Days Avoided at Wind-Up and shall make the required payment by wire transfer into the YSI Operating Account promptly upon such appropriation (provided that the unavailability of funds in the Social Innovation Financing Trust Fund shall not excuse any breach by the Commonwealth of its obligation to make timely payments as required by this Contract within 45 calendar days after the beginning of an applicable Quarter).

(h) **“Total PFS Payments Earned to Date”** shall be the lesser of (i) \$28,000,000 and (ii) the sum of all PFS Payments Earned to Date Due to Gains in Job Readiness, PFS Payments Earned to Date Due to Gains in Employment, and PFS Payments Earned to Date Due to Bed-Days Avoided less the Department of Labor PFS Payment Due to Gains in Employment and the Department of Labor PFS Payment Due to Bed Days Avoided remitted to YSI by the Commonwealth pursuant to this Contract.

(i) The role of the Independent Validator is to audit and confirm the findings of the Commonwealth for Job Readiness Success Payments and the Independent Evaluator for all other determinations of performance and payment described in this Contract through the Expected Termination Date to ensure that:

(i) the evaluation is adhering to the agreed-upon methodology set forth in this Contract, including the Evaluation Plan;

(ii) the data is being interpreted correctly by the Independent Evaluator or Commonwealth, in accordance with this Contract, including the Evaluation Plan;

(iii) discrepancies, outlier, and missing values in the data are being handled appropriately, in accordance with this Contract, including the Evaluation Plan; and

(iv) the outcomes are statistically unbiased.

(v) Beginning in Quarter 8, and repeated every two Quarters thereafter, the Independent Validator shall be responsible for validating and confirming the calculations by the Commonwealth of PFS Payments Earned to Date Due to Gains in Job Readiness. The Independent Validator shall also be responsible, immediately after calculations are made by the Independent Evaluator, for validating and confirming the calculations by the Independent Evaluator of the "Department of Labor PFS Payment Due to Gains in Employment," the "Department of Labor PFS Payment Due to Bed-Days Avoided," "PFS Payments Earned to Date Due to Gains in Employment" and "PFS Payments Earned to Date Due to Bed Days Avoided."

(vi) The Commonwealth will make no Success Payments until the calculations of the Independent Evaluator or the Commonwealth, as the case may be, are confirmed by the Independent Validator. Such validation shall be provided within 45 days of receipt of the calculations for which validation is sought. In the event that the Independent Validator disagrees with the amount of any Success Payments calculated by the Independent Evaluator or the Commonwealth, then the Independent Validator and the Independent Evaluator or the Commonwealth, as the case may be, will meet to discuss the disagreement and, if they are unable to resolve the disagreement through such discussion, to narrow the scope of the disagreement. Thereafter, the Parties shall with the consent of the Lender Committee jointly select an independent third party expert

who shall review the calculations of both the Independent Validator and the Independent Evaluator or the Commonwealth for the purposes of determining which calculation is correct. The determination of such expert shall be final. The Parties shall share equally in the cost of retaining such expert and shall cause such expert to make and to give notice to the Parties of its determination within 30 days after the submission of the dispute to the expert. The Commonwealth shall cause the Independent Validator to perform its functions as described in this Contract in such a manner as to enable the Commonwealth to discharge its duties under this Contract in a timely fashion (subject to any delays caused by disagreements between the Independent Validator and the Independent Evaluator with respect to calculations required by this Contract).

Section 4.04 Job Readiness Payments Account.

(a) A separate deposit account (the “**Job Readiness Payments Account**”) shall be established by YSI, and monies shall be deposited in such account by YSI, and shall be held in trust by YSI, to be applied solely in accordance with this Contract, including the Funding Plan, for payment to Roca, subject to the provisions of paragraph (d) and (e) below.

(b) YSI shall deposit all PFS Payments Owed to YSI Due to Gains in Job Readiness into the Job Readiness Payments Account.

(c) Once monies are deposited into the Job Readiness Payments Account such amounts shall only be used to reimburse Roca for costs of providing services to Roca Youth and Roca Recruits, subject to the provisions of paragraph (d) and (e) below.

(d) Other than as set forth in paragraph (e) below, if this Contract is terminated prior to the Expected Termination Date in accordance with its terms, monies, if any, in the Job Readiness Payments Account on such early termination date, will be held in trust to pay for Roca Services for Roca Youth and Roca Recruits enrolled as of the date of such early termination. If such early termination occurs prior to Quarter 21, Roca shall take immediate steps to reduce its costs to compensate for the termination of Referrals pursuant to this Contract. Any remaining funds in the Job Readiness Payments Account remaining after payments for youth enrolled at the time of early termination shall be paid to Roca in reimbursement of any such costs not capable of reduction. Any funds still remaining shall be paid out in accordance with the Wind-Up schedule included in Schedule 1 of Appendix H.

(e) If this Contract is terminated prior to the Expected Termination Date due to a default by Roca under this Contract, monies, if any, in the Job Readiness Payments Account on such early termination date, shall be transferred to the YSI Operating Account and paid out in accordance with Appendix H except such funds shall not be paid to Roca.

Section 4.05 Payment to Roca.

(a) Roca will provide a written report to the Operating Committee within 15 Business Days after the end of each Quarter in the form attached hereto as Appendix E, which report will certify the number of TR1/2 Programming and TR3 Programming Slots Filled in that Quarter. Project Extension Youth shall be included in the report but tracked separately. The form

and contents of this report may be changed by the Operating Committee (including Roca), and implemented by Roca. Within 10 Business Days following such certification, YSI will transfer funds to Roca in an amount calculated as follows:

(i) With respect to Quarters 1–24, for each Slot Filled in the TR1/2 Programming filled during the prior Quarter, Roca will receive a fee of \$2,473, and for each Slot Filled in the TR3 Programming filled during the prior Quarter, Roca will receive a fee of \$1,175. YSI will be responsible for calculating the aggregate amount due to Roca each Quarter (referred to herein as the “**Roca Service Payment Amount**”), based on the Roca Report submitted by Roca.

(ii) With respect to Quarter 25, for each Slot Filled in the TR1/2 Programming projected to be filled in Quarter 25 and each Quarter thereafter, Roca will receive a fee of \$2,473, and for each Slot Filled in the TR3 Programming projected to be filled in Quarter 25 and each Quarter thereafter, Roca will receive a fee of \$1175. Projections will be based upon the rate of attrition during Quarters 1–24.

(iii) For avoidance of doubt, these payments shall not include payments for services to Project Extension Youth.

(b) Should there be a dispute between YSI and Roca as to the Slots Filled or amount owed under this Section, YSI shall pay the amount it acknowledges owing Roca immediately and hold the balance in trust for Roca. YSI and Roca shall first attempt to resolve any dispute through mediation at the Massachusetts Office of Public Collaboration. YSI and Roca shall equally share the cost of the mediation. If the mediation is unsuccessful, the Commonwealth shall designate a third-party to serve as an expert to resolve the dispute. The determination of such expert shall be final. Roca and YSI shall share equally in the cost of retaining such expert.

(c) Payments to Roca by YSI shall not exceed \$19.979 million in Roca Service Payment Amount, including payments made with the proceeds of the Job Readiness Success Payments, but excluding any payments made in respect of the Roca Investment (up to \$3,493,000 to be paid pursuant to the Funding Plan included in Appendix D) or Success Fees (to be paid pursuant to Schedule 1 of Appendix H) or payments made to provide services to the Project Extension Youth.

Section 4.06 Payment of YSI Administrative Costs.

(a) Subject to the Controlled Account Agreement, amounts in the YSI Operating Account will be applied by YSI to pay administrative costs within 30 days of the time they are invoiced or are due pursuant to this Contract including, but not limited to, fees paid to the financial advisor (Third Sector Capital Partners, Inc.) for assisting with this Contract and identifying and enlisting the Funding Partners, to the Project Manager, Independent Evaluator, Fiscal Services Provider, and Independent Validator (to the extent payments to the Independent Validator are not made by the Commonwealth as a result of the Commonwealth receiving funding from the United States Department of Labor) for services provided under this Contract

and interest expenses and repayments of principal relating to any loans used to fund Roca Services, all as set forth in the Funding Plan attached as Appendix D to this Contract and Appendix H to this Contract, and as otherwise permitted under Section 4.01.

(b) On a Quarterly basis, beginning one Quarter after the signing of this Contract, YSI will provide a statement to the Operating Committee, reconciling its actual expenditures to the anticipated expenditures set forth in the Funding Plan attached as Appendix D.

Section 4.07 Wind-Up. Upon the Expected Termination Date of this Contract, any remaining amounts in the YSI Operating Account will be applied in a manner consistent with Appendix H hereto.

ARTICLE 5

OVERSIGHT AND REPORTING

Section 5.01 Operating Committee Meetings. The Parties intend to have regular meetings of a committee of the Parties (the “**Operating Committee**”) to highlight any concerns, discuss trends and monitor progress of the Roca Youth under this Contract. Roca will prepare and submit a quarterly report (the “**Roca Report**”) in the form attached hereto as Appendix E and in accordance with Section 9.06 to the Operating Committee for the Operating Committee’s review and discussion.

(a) The Operating Committee shall hold a regular meeting (an “**Operational Meeting**”) at least once a month during the term of this Contract. Each Operational Meeting shall be attended by the Project Manager, and representatives from Roca, YSI, and the Commonwealth (acting through DYS and/or EOAF, at its option). Any member of the Operating Committee may request the attendance of the Independent Evaluator at an Operational Meeting, and with reasonable notice of the request and consistent with the terms of the Agreements between the Independent Evaluator and YSI, the Independent Evaluator shall attend such Operational Meeting. A representative from each of OCP, DOC, ECSD, HCSD, MSO, SCSD, and MPB shall have the right but not the obligation to attend the Operational Meetings. Roca will be represented by its Executive Director for Massachusetts and/or its Pay for Success Administrator, DYS will be represented by the Assistant Commissioner of Operations, and EOAF will be represented by the Secretary, or in each case, their designees. Each party may be represented by additional representatives as such party deems appropriate. Subject to reasonable advance notice to the Parties, each Lender and Grantor may attend and observe a maximum of two Operational Meetings per calendar year; provided that (i) such representative will not have the right to vote on any matter before the Operating Committee; (ii) (x) the Lenders and Grantors shall make commercially reasonable efforts to coordinate their attendance and (y) subject to the consent of Parties (such consent not to be unreasonably withheld), the maximum number of Operational Meetings shall not apply during the continuance of a default under the Loan Documents or Grant Agreements or other circumstance reasonably evidencing that the performance of Roca or any other party warrants greater oversight; and (iii) the Lenders and Grantors shall not attend any part of an Operational Meeting that addresses an identifiable individual Roca Recruit or member of the Roca List or Control List.

following:

(b) The agenda for each Operational Meeting shall include at least the

(i) A description of any significant changes to the Roca Intervention Model or the Roca Services that are being considered or implemented;

(ii) A discussion of the most recent Roca Report, to the extent it has not been discussed at an earlier monthly meeting;

(iii) A discussion of any indictments or incarcerations of Roca Youth;

(iv) A discussion of any Roca Youth that have been released from prison and re-enrolled in the Roca Services;

(v) A discussion of any critical incidents involving Roca Youth over the past month;

(vi) A discussion of the Referral Process and any changes that should be or are being considered or implemented;

(vii) A discussion of the Project Manager's role and any changes that should be or are being considered or implemented; and

(viii) A discussion of any changes to the anticipated funding needs of Roca or YSI in connection with their performance under this Contract.

(c) The agenda for each Operational Meeting will be prepared by the Project Manager and circulated to the attendees at least two Business Days in advance of each meeting.

(d) The Project Manager shall prepare and circulate minutes of all Operational Meetings within three Business Days after the meeting to all participants. Participants shall have two Business Days to comment on the draft minutes after which the minutes will be deemed approved.

(e) Any of the Parties may call for a special meeting of the Operating Committee upon one Business Day's notice to discuss an urgent matter. The notice for the special meeting of the Operating Committee shall include the agenda and reason for the special meeting.

(f) All Operational Meetings may be held in person or by phone or similar communication medium.

(g) The Operational Meeting participants will attempt to resolve all issues by unanimous consent of the Commonwealth, Roca and the Project Manager, on behalf of YSI.

(h) Any issues that cannot be resolved by the Operating Committee members may be forwarded to the Oversight Committee.

Section 5.02 Oversight Committee. During the term of this Contract, the Parties will maintain an oversight committee of the Parties (the “**Oversight Committee**”), which will meet quarterly during the term of this Contract. Such meetings will include representatives from Roca, the Project Manager, the Commonwealth (acting through DYS and/or EOAF, at its option), and the Independent Evaluator (consistent with the terms of the Agreements between the Independent Evaluator and YSI). A representative from each of OCP, DOC, ECSD, HCSD, MSO, SCSD, and MPB shall have the right but not the obligation to attend the Oversight Committee meetings. Roca will be represented by the Founder and CEO and/or Pay for Success Administrator, DYS will be represented by the Commissioner and EOAF will be represented by the Secretary or in each case, their designees. Each party may be represented by additional representatives as such party deems appropriate. Each Lender and Grantor is entitled to have one representative attend meetings of the Oversight Committee; provided that (i) such representative will not have the right to vote on any matter before the Oversight Committee; and (ii) the Lenders and Grantors shall not attend any part of an Oversight Committee meeting that addresses an identifiable individual Roca Recruit or member of the Roca List or Control List.

(a) Any of the Parties may call for a special Oversight Committee meeting upon two Business Days’ notice to discuss an urgent matter. The notice for the special Oversight Committee meeting shall include the agenda and reason for the special meeting.

(b) All Oversight Committee meetings may be held in person or by phone or similar communication medium.

(c) The Project Manager shall prepare and circulate minutes of all Oversight Committee Meetings within three Business Days after the meeting to all participants. Participants shall have two Business Days to comment on the draft minutes after which the minutes will be deemed approved.

(d) The Oversight Committee will attempt to resolve all issues by unanimous consent of the Commonwealth, Roca and YSI. Any issues that the Oversight Committee cannot resolve by unanimous consent may be submitted by agreement of the Parties for resolution by the Massachusetts Office of Public Collaboration, provided that no such resolution shall affect payments due hereunder without the consent of the Lender Committee. The Parties shall share equally in the cost of retaining such expert.

ARTICLE 6

REPRESENTATIONS, WARRANTIES AND COVENANTS OF ROCA

Section 6.01 Organization, Good Standing and Qualification. Roca represents and warrants that it is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the Commonwealth and has all requisite corporate power and authority to own, operate and lease its properties and assets, to carry on its business as currently conducted, to provide the Roca Services, and to enter into and perform its obligations under this Contract and to consummate the transactions contemplated hereby.

Section 6.02 Authorization; Enforceability. Roca has all requisite corporate power and authority to enter into, execute and to deliver this Contract and to perform its obligations hereunder. The execution and delivery of this Contract, the performance of the obligations hereunder, and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Roca and no other corporate proceedings or actions on the part of Roca are necessary to authorize the execution and delivery of this Contract and the consummation of the transactions contemplated hereby. This Contract has been duly and validly executed and delivered by Roca and constitutes a valid and binding obligation of Roca, enforceable in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights generally, or (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

Section 6.03 Non-Contravention. The execution and delivery of this Contract by Roca does not, and the performance by Roca of its obligations hereunder and the consummation of the transactions contemplated hereby shall not: (a) conflict with, result in any violation of, constitute (with or without notice or lapse of time or both) a default under, result in or give to any person or another party a right of termination, cancellation or acceleration of any obligation or result in a loss of a benefit or an increase in a cost or liability under: (i) any provision of the certificate of incorporation, bylaws or other applicable organizational documents of Roca; (ii) any contract, lease, agreement or instrument by which Roca is bound or to which Roca's assets or properties are subject; or (iii) any law or governmental order applicable to or binding on Roca or any of Roca's assets and properties (except in each of (i), (ii) or (iii), where such conflict, violation, default, termination, cancellation, acceleration or loss would not reasonably be expected to have a material adverse effect on Roca or its ability to perform the Roca Services).

Section 6.04 Governmental Consents. No consent, approval, authorization, license, governmental order or permit of, or declaration, filing or registration with, or notification to, any governmental authority is required to be made or obtained, and no consent or approval of any other person is required by Roca in connection with the execution, delivery and performance of this Contract or the consummation of the transactions contemplated hereby.

Section 6.05 Compliance with Laws; Litigation.

(a) To the knowledge of Roca, Roca is in material compliance with all applicable laws, including, without limitation, laws that are applicable to its properties and assets, the conduct of its operations and the performance of its services.

(b) There is no action of any nature pending or, to the knowledge of Roca, threatened against, relating to or affecting Roca or any of its properties or assets, or that challenges or seeks to prevent, enjoin or delay the transactions contemplated in this Contract, nor, to the knowledge of Roca, is there any reasonable basis therefor or any facts, threats, claims or allegations that would reasonably be expected to result in any such action.

Section 6.06 Financial Statements.

(a) Roca shall provide YSI and the Commonwealth with true, correct and complete copies of: (i) the audited balance sheets and related audited statements of operations and cash flows of Roca for the fiscal years ended December 31, 2010, December 31, 2011 and December 31, 2012 and the opinion of Roca's independent auditor thereon (collectively, the "**Financial Statements**"). The Financial Statements were prepared from the books and records of Roca and in accordance with generally accepted accounting principles in the United States, consistently applied during the periods involved and consistent with each other, except as otherwise noted therein. The Financial Statements fairly present in all material respects the financial position, results of operations and cash flows of Roca of the respective dates thereof and for the respective periods covered thereby.

(b) Roca has in place systems and processes that are customary for a non-profit corporation and that are designed to: (i) provide reasonable assurances regarding the reliability of the Financial Statements and (ii) in a timely manner accumulate and communicate to Roca's principal executive officer and principal financial officer the type of information that is required to be disclosed in the Financial Statements.

(c) Neither Roca, nor, to the knowledge of Roca, any of its affiliates, employees, auditors, accountants or representatives has received or otherwise obtained knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the adequacy of such systems and processes or the accuracy or integrity of the Financial Statements. To the knowledge of Roca, no employee has provided or threatened to provide information to any governmental authority regarding the commission of any crime or the violation of any law applicable to Roca or any part of its operations.

Section 6.07 Disclosure. None of the representations or warranties of Roca contained herein, and none of the other information or documents furnished or to be furnished to the Commonwealth or YSI or any of their representatives by Roca on or prior to the Effective Date, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements or facts contained herein and therein not misleading in light of the circumstances under which they were made.

Section 6.08 Covenants. Roca hereby covenants from and after the Effective Date as follows:

(a) Access to Information. Roca shall and shall cause its officers, employees, auditors and agents to: (i) afford the officers, employees and authorized agents and representatives of the Commonwealth, YSI, the Independent Evaluator and the Independent Validator reasonable access, during normal business hours and upon a minimum of five Business Days' notice, to its books and records directly related to this Contract; and (ii) make available to such persons, the management, employees, officers, directors, accountants and auditors of Roca, as the Commonwealth or YSI may from time-to-time reasonably request, with a minimum of five Business Days' notice, provided that if Roca is not performing in accordance with this Contract, and such concerns have been raised by the Operating Committee, then Roca will have to provide the access described in (i) and (ii) above on one Business Day's notice.

(b) Confidentiality and Non-Disclosure. In connection with that certain Interdepartmental Service Agreement by and between OCP and EOAF, dated December 23, 2013 and amended as of July 11, 2014 (the “**OCP ISA**”) attached hereto as Exhibit A, that certain Interdepartmental Service Agreement by and between DYS and EOAF, dated December 24, 2013 (the “**DYS ISA**”) attached hereto as Exhibit B, that certain Interdepartmental Service Agreement by and between EOAF and DOC, dated May 30, 2014 and amended as of August 18, 2014 (the “**DOC ISA**”), attached hereto as Exhibit C, that certain Interdepartmental Service Agreement by and between EOAF and ECSD, dated May 29, 2014 (the “**ECSD ISA**”), attached hereto as Exhibit D, that certain Interdepartmental Service Agreement by and between EOAF and HCSD, dated May 19, 2014 (the “**HCSD ISA**”), attached hereto as Exhibit E, that certain Interdepartmental Service Agreement by and between EOAF and MSO, dated May 21, 2014 (the “**MSO ISA**”), attached hereto as Exhibit F, that certain Interdepartmental Service Agreement by and between EOAF and SCSD, dated May 29, 2014 (the “**SCSD ISA**”), attached hereto as Exhibit G, and that certain Interdepartmental Service Agreement by and between EOAF and MPB, dated August 25, 2014 (the “**MPB ISA**”), attached hereto as Exhibit H, Roca, as a Representative of EOAF, hereby agrees to be bound by the confidentiality and non-disclosure terms and conditions of the OCP ISA, DYS ISA, DOC ISA, ECSD ISA, HCSD ISA, MSO ISA, SCSD ISA, and MPB ISA and in accordance therewith, shall adhere to the requirements and protocols relating to data protection, use and disclosure set out therein.

ARTICLE 7

REPRESENTATIONS, WARRANTIES AND COVENANTS OF YSI

Section 7.01 Organization, Good Standing and Qualification. YSI represents and warrants that it is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the Commonwealth and has all requisite corporate power and authority to own, operate and lease its properties and assets, to carry on its business as currently conducted, to provide services in accordance with this Contract, and to enter into and perform its obligations under this Contract and to consummate the transactions contemplated hereby.

Section 7.02 Authorization; Enforceability. YSI has all requisite corporate power and authority to enter into, execute and to deliver this Contract and to perform its obligations hereunder. The execution and delivery of this Contract, the performance of the obligations hereunder, and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of YSI, and no other corporate proceedings or actions on the part of YSI are necessary to authorize the execution and delivery of this Contract by YSI and the consummation of the transactions contemplated hereby. This Contract has been duly and validly executed and delivered by YSI and constitutes the valid and binding obligation of YSI, enforceable in accordance with its terms, except as enforcement may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights generally, or (ii) laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

Section 7.03 Non-Contravention. The execution and delivery of this Contract by YSI does not, and the performance by YSI of its obligations hereunder and the consummation of the

transactions contemplated hereby shall not: (a) conflict with, result in any violation of, constitute (with or without notice or lapse of time or both) a default under, result in or give to any person or another party a right of termination, cancellation or acceleration of any obligation or result in a loss of a benefit or an increase in a cost or liability under: (i) any provision of the certificate of incorporation, bylaws or other applicable organizational documents of YSI; (ii) any contract, lease, agreement or instrument by which YSI is bound or to which YSI's assets or properties are subject or (iii) any law or governmental order applicable to or binding on YSI or any of YSI's assets and properties (except in each of (i), (ii) or (iii), where such conflict, violation, default, termination, cancellation, acceleration or loss would not reasonably be expected to have a material adverse effect on YSI or its ability to perform services under this Contract).

Section 7.04 Governmental Consents. No consent, approval, authorization, license, governmental order or permit of, or declaration, filing or registration with, or notification to, any governmental authority is required to be made or obtained, and no consent or approval of any other person is required by YSI in connection with the execution, delivery and performance of this Contract or the consummation of the transactions contemplated hereby.

Section 7.05 Compliance with Laws; Litigation.

(a) To the knowledge of YSI, YSI is in material compliance with all applicable laws, including, without limitation, laws that are applicable to its properties and assets, the conduct of its operations and the performance of its services.

(b) There is no action of any nature pending or, to the knowledge of YSI, threatened, relating to or affecting YSI or any of its properties or assets, or that challenges or seeks to prevent, enjoin or delay the transactions contemplated in this Contract, nor, to the knowledge of YSI, is there any reasonable basis therefor or any facts, threats, claims or allegations that would reasonably be expected to result in any such action.

(c) To the knowledge of YSI, none of its current officers or directors has been convicted of, or pleaded guilty or entered a plea of no contest to, any felony.

Section 7.06 Financial Statements.

(a) Prior to accepting any funds, YSI will have in place systems and processes that are customary for a non-profit, which may include entering into an agreement with a third party to provide such services to YSI, and that are designed to: (i) provide reasonable assurances regarding the reliability of its financial statements and (ii) in a timely manner accumulate and communicate to YSI's principal executive officer and principal financial officer the type of information that is required to be disclosed in its financial statements.

(b) Neither YSI, nor, to the knowledge of YSI, any of its affiliates, employees, auditors, accountants or representatives has received or otherwise obtained knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the adequacy of such systems and processes or the accuracy or integrity of its financial and accounting systems. To the knowledge of YSI, no employee has provided or threatened to provide information to any governmental authority regarding the commission of any crime or the violation of any law applicable to YSI or any part of its operations.

Section 7.07 Disclosure. None of the representations or warranties of YSI contained herein, and none of the other information or documents furnished or to be furnished to the Commonwealth or Roca or any of their representatives by YSI on or prior to the Effective Date, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements or facts contained herein and therein not misleading in light of the circumstances under which they were made.

Section 7.08 Use of Proceeds. YSI will use the amounts deposited in the YSI Operating Account in the manner specified in Article 4 and Appendix H of this Contract.

Section 7.09 Covenants. YSI hereby covenants from and after the Effective Date, as follows:

(a) Access to Information. YSI shall and shall cause its officers, employees, auditors and agents to: (i) afford the officers, employees and authorized agents and representatives of the Commonwealth, Roca, the Independent Evaluator and the Independent Validator reasonable access, during normal business hours and upon a minimum of five Business Days' notice, to its books and records directly related to this Contract and (ii) make available to such persons, the management, employees, officers, directors, accountants and auditors of YSI as the Commonwealth may from time-to-time reasonably request, during normal business hours and upon a minimum of five Business Days' notice; provided that if YSI is not performing in accordance with this Contract, and such concerns have been raised by the Operating Committee, then YSI will have to provide the access described in (i) and (ii) above on one Business Day's notice.

(b) Confidentiality and Non-Disclosure. In accordance with the OCP ISA, the DYS ISA, the DOC ISA, the ESCD ISA, the HCSD ISA, the MSO ISA, the SCSD ISA, and the MPB ISA, and as a Representative of EOAF, YSI hereby agrees to be bound by the confidentiality and non-disclosure terms and conditions of the OCP ISA, the DYS ISA, , the DOC ISA, the ESCD ISA, the HCSD ISA, the MSO ISA, the SCSD ISA, and the MPB ISA, and in accordance therewith, shall adhere to the requirements and protocols relating to the protection, use and disclosure of the OCP Data, the DYS Data, the DOC Data, ECSD Data, the HCSD Data, the MSO Data, the SCSD Data, and the MPB Data, including, without limitation, requiring that the Project Manager and Independent Evaluator agree to be bound by and comply with the confidentiality and non-disclosure terms and conditions of the OCP ISA, the DYS ISA, the DOC ISA, the ESCD ISA, the HCSD ISA, the MSO ISA, the SCSD ISA, and the MPB ISA, as a condition of such Project Manager's and Independent Evaluator's continued service.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES OF THE COMMONWEALTH

Section 8.01 Powers as to Contract and Pledge. The Commonwealth is duly authorized under the Enabling Act and all applicable laws to enter into this Contract and to pledge its full faith and credit in the manner and to the extent provided in this Contract. As provided in the Enabling Act and as set forth in Section 4.02 of this Contract, the obligation of the Commonwealth to make Commonwealth Success Payments in accordance with this Contract is a general obligation of the Commonwealth for which its full faith and credit is

and shall be pledged. The amounts pledged by the Commonwealth in accordance with this Contract are and will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto prior to, or of equal rank with, the pledge created by this Contract. The Commonwealth shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the amounts under this Contract and all the rights of YSI/Roca and their successors and permitted assigns under this Contract against all claims and demands of all persons whomsoever.

Section 8.02 Covenants as to Social Innovation Financing Trust Fund.

(a) The Commonwealth covenants and agrees that it will request appropriations in accordance with this Contract, including the Funding Plan, for deposit to the Social Innovation Financing Trust Fund.

(b) The Commonwealth covenants and agrees that amounts deposited to the Social Innovation Financing Trust Fund shall not be diverted from the purposes identified in this Contract or any other contract entered into pursuant to the Enabling Act, nor shall the trusts created hereby be broken, and the pledge and dedication in trust of these funds shall continue unimpaired and unabrogated. All contracts entered into pursuant to the Enabling Act and the Commonwealth's maximum possible obligation are set out in Appendix J attached to this contract. The Commonwealth shall update Appendix J from time to time to reflect any changes to contracts entered into pursuant to the Enabling Act, including changes to maximum obligations under each contract, by giving notice of any such changes and updates to YSI, Roca and the Lenders reasonably promptly after any such change becomes effective. In no circumstances shall the total maximum possible obligation of the contracts described in Appendix J exceed \$50 million, as described in the Enabling Act.

ARTICLE 9
PERFORMANCE THRESHOLDS AND REMEDIES

Section 9.01 Commonwealth Performance.

(a) Number of and Quality of Referrals. As set forth in Section 3.03 and in the Evaluation Plan, the Commonwealth, through DYS, OCP, DOC, ECSO, HCSO, MSO, SCSD, and MPB, will provide the information set forth in Section 3.03(b) to the Independent Evaluator. From the Initial List provided to the Independent Evaluator by the Commonwealth, the Independent Evaluator will use the methodology set forth in Section 3.03 and the Evaluation Plan to create the Master List of individuals from the Target Population that are eligible for Referral. From the Master List, the Independent Evaluator will create the Roca List and the Control List. From the Roca List, Roca will identify any Non-Conforming Referrals as described in Section 3.03 and the Evaluation Plan.

(i) If at any time after the beginning of Quarter 13, the total number of Conforming Referrals for a prior Quarter, as reported by Roca in the Roca Report, falls below the number of Expected Conforming Referrals specified in Section 3.03(e) for that Quarter, the Operating Committee and the Independent Evaluator will conduct an in-depth analysis to understand the reason for such shortfall in

Conforming Referral, and together they will create and implement a remediation plan, if needed, within 30 days of determining that such a shortfall exists and inform the Oversight Committee of any such shortfall and any proposed remediation plan. YSI shall provide the Lenders with notice of any such deficit in Conforming Referrals.

(ii) All Roca Recruits will be counted in Roca's Quarterly enrollment numbers, and Roca will be paid its Quarterly payments and YSI will be paid Job Readiness Success Payments, if any, for the Roca Recruits. However, the Roca Recruits will not be included in the RCT evaluation of the employment and incarceration program outcomes. Rather, the employment and incarceration results that Roca achieves with the young men on the Roca List who are included in the RCT will be used as the basis for the payment rates for the Roca Recruits, and the PFS Payments Earned to Date Due to Gains in Employment and PFS Payments Earned to Date Due to Bed-Days Avoided shall be adjusted upwards as if all of the Roca Recruits were included on the Roca List and enrolled by Roca.

(iii) Conforming Referral Shortfalls

For avoidance of doubt, the Commonwealth's obligations under Section 9.01(a)(iii)-(iv) shall be measured by the lower of the estimated numbers of Conforming Referrals in the tables in (A) and (B) below or the adjusted numbers as determined by the Operating Committee for a given Quarter as stated in Section 3.03(e)(iv). Any change to the table in Section 3.03(e)(iv) that has the effect of reducing (x) the total "**Conforming Referrals Floor**" (as defined in Section 9.01(a)) or (y) the total "**Conforming Referrals Threshold**" (as defined in Section 9.01(a)) requires approval of the Lender Committee.

- (A) There shall be a Conforming Referrals Threshold that brings the total number of Conforming Referrals made by the Commonwealth to 632 by the end of Quarter 21, unless amended by Section 3.03(e), as shown in the chart in subsection (B) immediately following this subsection.
- (B) There shall be a Conforming Referrals Floor that brings the total number of Conforming Referrals made by the Commonwealth to 525 by the end of Quarter 21 as set out in the table below unless amended by Section 3.03(e).

Quarter	Qtr End	Cumulative Conforming Referrals Required to Meet Conforming Referrals Floor	Cumulative Conforming Referrals Required to Meet Conforming Referrals Threshold
12	16-Sep	403	416
13	16-Dec	414	436

14	17-Mar	431	465
15	17-Jun	442	485
16	17-Sep	459	514
17	17-Dec	470	534
18	18-Mar	487	563
19	18-Jun	498	583
20	18-Sep	514	612
21	18-Dec	525	632
		525	632

Any changes to the chart in Section 3.03(e)(iv) may result in a change to the total or quarterly Conforming Referrals Threshold or the total or quarterly Conforming Referrals Floor. Any such changes shall be approved by the Operating Committee or the Oversight Committee and, in certain circumstances, the Lender Committee as set out in Section 3.03(e)(iv).

- (C) In Quarters 17, 19, 21 and 23, the Oversight Committee shall establish the size, if greater than zero, of any “**Conforming Referral Shortfall**” at the end of the second preceding Quarter (for example, in Quarter 17, this will be Quarter 15). A Conforming Referral Shortfall shall be the extent to which the Conforming Referrals made through the end of a Quarter and reported to the Independent Evaluator by Roca are below the Conforming Referrals Threshold.
- (D) If the Roca Report presented to the Oversight Committee under (C) above in Quarter 17, 19, 21 or 23 (covering Quarter 15, 17, 19 and 21 respectively) shows a Conforming Referrals Shortfall, the Commonwealth shall make a “**Shortfall Payment**” as described below.
- (E) In Quarters 17, 19, 21, 23, and 25, the Independent Evaluator shall calculate any Shortfall Payments that are due. In Quarter 17, the Shortfall Payments per individual shall be: \$2500 paid to the Job Readiness Payments Account plus \$4500 paid to the YSI Operating Account. In Quarter 19, the Shortfall Payments per individual shall be: \$2500 to the Job Readiness Payments Account plus \$10,000 paid to the YSI Operating Account. In Quarter 21, the Shortfall Payments per individual shall be: \$2500 to the Job Readiness Payments Account plus \$14,750 paid to the YSI Operating Account. In Quarter 23, the Shortfall Payments per individual shall be: \$2500 to the Job Readiness Payments Account plus \$19,500 paid to the YSI

Operating Account. And in Quarter 25, the Shortfall Payments per individual shall be: \$19,500 paid to the YSI Operating Account. In Quarters 17, 19, 21 and 23 (and not in Quarter 25), any Shortfall Payment that is payable to the YSI Operating Account shall be multiplied by .8 prior to payment. The Shortfall Payment shall then be added to the total Success Payments. For avoidance of doubt, as the total Success Payments shall be calculated separately in Quarters 19, 21, 23 and 25 and then any previous Success Payments, including any Shortfall Payments that were added, shall be subtracted from the total paid by the Commonwealth, the Shortfall Payments per individual shall not exceed \$10,000 paid to the Job Readiness Payments Account and \$19,500 paid to the YSI Operating Account.

- (F) For purposes of otherwise calculating Success Payments, the total number of Roca Recruits in excess of the Roca Recruit Cap shall be reduced by the Conforming Referral Shortfall.
- (G) No payment shall be made for a Conforming Referral Shortfall if the total number of Conforming Referrals falls below the Conforming Referrals Floor and the Parties are pursuing the remedies described in Section 9.01(a)(iv).

(iv) If, beginning with the Roca Report submitted under Section 9.06(a) (i) in Quarter 18, such Report indicates that the number of Conforming Referrals reported through the end the second preceding Quarter (for instance, the Roca Report for Quarter 17, which is submitted in Quarter 18, will contain final numbers through Quarter 15) has fallen below the Conforming Referrals Floor for any two successive Quarters beginning in Quarter 14 (for example, in Quarters 14 and 15 or Quarters 15 and 16) or the Roca Report for Quarter 23, submitted in Quarter 24, indicates that the number of Conforming Referrals is below the Conforming Referrals Floor for referrals made through Quarter 21, then, regardless of the number of Conforming Referrals reported after the second preceding Quarter of the applicable Roca Report, the provisions of Section 9.03 shall automatically become effective and YSI and Roca shall have the remedies set forth in Section 9.03 as of the date on which such Roca Report is provided to the Oversight Committee. YSI shall use commercially reasonable efforts to give notice to the Commonwealth that the provisions of Section 9.03 have automatically become effective pursuant to this paragraph, but the failure to give such notice shall not affect the automatic effectiveness of Section 9.03. Upon the date of such report, no additional participants shall be enrolled in any Roca Services and the Parties shall wind down activities under this Contract, including by proposing the budgets and schedules for payment as set forth in Section 9.03.

(b) Timeliness and Quality Of Data-Sharing. Within 90 days of the end of each Quarter, commencing with Quarter 2 and ending 22 Quarters after the last referral to Roca, the Commonwealth will provide the following information to the Independent Evaluator for such Quarter:

(i) For all individuals in each of the Roca List and the Control List:

(A) Arraignments, Convictions, Sentences, Days of Incarceration per Sentence and cumulative “**Wage Reporting Data**” from the Division of Unemployment Insurance.

(c) Notwithstanding the foregoing, the Commonwealth shall not be required to provide the cumulative Wage Reporting Data from the Division of Unemployment Insurance until December 31, 2016, provided that the Operating Committee may adjust this time frame as set forth in Section 10.02.

(d) Within 30 days of receiving the information, and if permissible under the CORI research agreement with DCJIS and the data sharing agreements with OCP, DYS, DOC, ECSD, HCSD, MSO, SCSD, MPB, and the Executive Office of Labor and Workforce Development, the Independent Evaluator will provide to Roca:

(i) All data described in Section 9.01(b)(i)(A) above for each of the Roca Youth.

(ii) De-identified individual level data, as described above, for youth in the control group.

(iii) The number of individuals originally slated for the Control List that have been served by Roca in any given Quarter and cumulatively, with a description of the expected impact of this service delivery on the Evaluation Plan.

(e) If either the Commonwealth or the Independent Evaluator fails to provide such information in a timely manner, and receives notice of such failure from the parties who are intended to receive the information, the Commonwealth or the Independent Evaluator, as applicable, shall have 30 days from the date of such notice to provide the required information, provided that YSI or Roca may extend this period if the Commonwealth or the Independent Evaluator is proceeding with diligence to eliminate or mitigate the reasons for the failure to deliver data. If at the end of such cure period (and any extension thereof), the Commonwealth or the Independent Evaluator has not cured such breach, the Commonwealth or the Independent Evaluator may present a remediation plan. In the case of a failure by the Commonwealth, if the Parties do not agree to the remediation plan or if no remediation plan is presented, and the failure occurs prior to Quarter 25 and materially affects the ability to accurately make or assess the accuracy of Success Payments, YSI or Roca may then terminate this Contract by written notice to the Commonwealth and shall have the remedies set forth in Section 9.03. Upon such notice, no additional participants shall be enrolled in any Roca Services and the Parties shall wind down activities under this Contract, including by proposing the budgets and schedules for payment as set forth in Section 9.03 below. In the case of the Independent Evaluator, failure to provide

information may be a ground for termination or replacement of the Independent Evaluator under Section 9.05(c).

(f) If the Commonwealth has notified Roca or YSI in writing that either of them is in default under this Contract in a manner that prevents the Commonwealth from complying with its obligations under Section 9.01(e), and the Commonwealth has provided written notice of such default to all Parties with copies to the Lenders and Grantors, both prior to the expiration of the cure period (and any extension thereof) above, and Roca or YSI, as applicable, has not cured such default, then failure to provide information under Section 9.01(e) shall not entitle Roca or YSI to exercise the remedies set forth in Section 9.03.

Section 9.02 Timeliness of Commonwealth Payments.

(a) Beginning in Quarter 7, the Commonwealth shall have 45 days after the beginning of the applicable Quarter to make the payments required of the Commonwealth under Section 4.03 of this Contract based on calculations by the Commonwealth as to the job readiness outcomes and information from the Independent Evaluator as to the employment and incarceration program outcomes in accordance with Section 4.03 of this Contract, subject to the verification procedures under Section 4.03(i)(vi).

(b) If the Commonwealth fails to make any payment required by this Contract, YSI will provide notice to the Commonwealth of such failure (and if YSI fails to give such notice, the Senior Lender or Roca may give such notice to the Commonwealth), and the Commonwealth will have an additional 30 days after the giving of such notice to make such payment. If at the end of such cure period, the Commonwealth has not cured such breach, Roca or YSI shall have the remedies set forth in Section 9.03, no additional participants shall be enrolled in any Roca Services and the Parties shall wind down activities under this Contract, including by proposing the budgets and schedules for payment as set forth in Section 9.03 below.

(c) If the Commonwealth has notified Roca or YSI in writing that either of them is in default under this Contract in a manner that prevents the Commonwealth from complying with its payment obligations under Section 9.02(a) or (b), and the Commonwealth has provided written notice of such default to all Parties with copies to the Lenders and Grantors, both prior to the expiration of the cure period (and any extension thereof) above, and Roca or YSI, as applicable, has not cured such default, then the Commonwealth's failure to make payment under Section 9.02(a) or (b) shall not entitle Roca or YSI to exercise its remedies under Section 9.03 of this Contract.

Section 9.03 Remedies for Insufficient Conforming Referrals, Insufficient Provision of Data or Failure to Make Success Payments.

(a) If the Commonwealth does not meet its obligations under this Contract within applicable time periods as set forth in Sections 9.01(a)(iv), 9.01(e) or 9.02(b) above, then except as described in Section 9.03(a)(ii), YSI and Roca shall have no further obligations pursuant to this Contract and the Commonwealth shall be obligated to make payments by wire transfer to the YSI Operating Account in the amount equal to the sum of:

- (i) any Success Payments verified as owed but not yet paid; and

(ii) The sum of the following, less any balance in the YSI Operating Account and Job Readiness Payment Account:

- (A) Those amounts owed by YSI at the time of the notice of termination (including (x) payments due under the Loan Documents as set out in Appendix H other than Success Fees and (y) the funds to be redistributed at the direction of the Grantors according to the Funding Plan) ;
- (B) The Roca Investment corresponding to the Roca Youth and Roca Recruits then enrolled, as set forth in the Funding Plan; and
- (C) 75% of the reasonable total remaining costs estimated by Roca to provide the Roca Services to Roca Youth and Roca Recruits enrolled as of the date of the notice of termination.

(iii) For avoidance of doubt, should the payments required under Section 9.03(a)(i) and (ii) be required in, for example, Quarter 23 prior to the making of any Success Payments in that Quarter, the Commonwealth would pay the sum of:

- (A) the Success Payments due in Quarter 23 verified as owed but not yet paid and
- (B) the sum of: Senior Lender principal outstanding, Junior Lender principal outstanding, the amount to be redistributed at the direction of the Grantors, interest owed to the Lenders, service payments owed to Roca, evaluator and other project management expenses owed, the total Roca Investment and 75% of the costs for those Roca Youth and Roca Recruits then enrolled less any balance in the YSI Operating Account and Job Readiness Payment Account.

(iv) Within 15 business days of any notice of termination under Sections 9.01(a)(iv), 9.01(e) or 9.02(b), Roca and YSI shall provide the Oversight Committee with the balances and anticipated expenses described above.

(v) Within 15 business days of receipt of Roca's and YSI's statement of balances and anticipated expenses, the Commonwealth shall submit a proposed budget itemizing the amounts in Section 9.03(a)(i)-(ii) above and a proposed schedule for payment to the Oversight Committee and Lender Committee for approval. The amounts due shall be paid pursuant to a schedule reasonably agreed upon by the Parties and the Lender Committee based on the Commonwealth's budget process and the anticipated schedule for the expenditure of costs by Roca and other entities. All such payments shall be completed by the end of Quarter 26.

(b) Failure to Make Payment. If the Commonwealth fails to make any payment required by this Contract, then YSI and/or Roca may proceed to protect their rights hereunder and may seek to compel compliance by the Commonwealth with the terms and provisions hereof by suit or suits in equity or at law, for the specific performance of any covenant, term or condition hereof, or in aid of the execution of any power herein granted, and may exercise any other right or remedy upon such breach as may be granted under any other applicable provisions of law. All Parties shall pay their own attorney's fees and costs, in the event YSI, Roca and/or Lenders, as applicable, bring a legal action in accordance with this section.

Section 9.04 Performance of the Independent Validator. The Commonwealth will be responsible for enforcing the provisions of its contract with the Independent Validator, including ensuring the accuracy and timing of the Independent Validator's reports, analysis, and other obligations under this Contract. Such enforcement rights shall include the termination and replacement of the Independent Validator under its agreement for failure to comply with its obligations hereunder. Any replacement of the Independent Validator is subject to the consent of Roca and YSI, such consent not to be unreasonably withheld. It is acknowledged that in order for YSI to consent to the replacement of PCG or any successor as the Independent Validator, YSI requires the consent of the Senior Lender. In the event the Independent Validator fails to provide validation of calculations under Section 4.03(i)(vi) and the Commonwealth takes no action to enforce this obligation, then the Commonwealth shall be obligated to make Success Payments without such validation.

Section 9.05 YSI and Fiscal Services Provider Performance.

(a) Timeliness of Roca Service Payments.

(i) Monies to be transferred by YSI to Roca, in each case in accordance with Section 4.05 hereof, will be made by YSI within 10 days after YSI receives the certifications from Roca described in Section 4.05.

(ii) If YSI fails to make such a transfer or payment within such 10 day period, Roca will provide notice to YSI and the Commonwealth of such failure, and YSI will have an additional 5 days to make such payment or transfer.

(b) YSI Operating Account – Reporting and Remedies. Within 30 days from the end of each Quarter, YSI will provide a report to the Operating Committee on the account balances, expenditures from, deposits to and all other activity with respect to each of the YSI Operating Account and the Job Readiness Payments Account created by and held pursuant to this Contract by YSI.

(i) If the total amount of payments to Roca or total amount of Project Fees as outlined in Appendix D as of the end of each Quarter vary by more than 5% from the amounts assumed in the Funding Plan attached hereto as Appendix D as the same may be amended by the Oversight Committee from time to time (provided, however that to the extent required by the Loan Documents, the approval or consent of YSI shall require approval or consent by the Lender

Committee), then YSI will provide a detailed report to the Operating Committee setting forth the reasons for such variance, and a plan for addressing such variance.

(ii) If the total amount of payments to Roca or total amount of Project Fees as outlined in Appendix D as of the end of each Quarter vary by more than 20% in any one Quarter, or by more than 10% over two consecutive Quarters, then YSI will provide a detailed report to the Operating Committee and the Oversight Committee, setting forth the reasons for such a variance, and a plan for addressing the variance. The Operating Committee and the Oversight Committee will review, revise, as needed, and approve such plan.

(iii) Failure by YSI to comply in material respects with any such approved plan, or evidence of bad faith or misappropriation of funds will result in the termination and replacement of YSI pursuant to this Contract. YSI will be obligated to repay any such misappropriated funds.

(c) Performance of the Independent Evaluator. YSI will be responsible for enforcing the provisions of its contract with the Independent Evaluator, including ensuring the timing of the Independent Evaluator's reports, analysis, and other obligations under this Contract, including the Evaluation Plan. Such enforcement rights shall include the termination and replacement of the Independent Evaluator under its agreement for failure to comply with its obligations hereunder or thereunder. Any such replacement is subject to the consent of Roca, the Lender Committee and the Commonwealth, such consent not to be unreasonably withheld.

(d) Performance of the Project Manager. YSI will be responsible for enforcing the provisions of its contract with the Project Manager, including ensuring the timeliness and completeness of the Project Manager's duties and obligations hereunder and under the Project Manager's contract. Such enforcement rights shall include the termination and replacement of the Project Manager under its agreement for failure to comply with its obligations hereunder or thereunder. Any such replacement is subject to the consent of Roca, the Lender Committee and the Commonwealth, such consent not to be unreasonably withheld.

(e) Termination of YSI Services. If YSI or the Project Manager fails to perform its obligations hereunder in any material respect, including those set out in the Evaluation Plan and does not cure such failure within thirty days after having received notice of such failure from the Commonwealth, the Commonwealth and Roca may by mutual consent terminate YSI's participation under this Contract, or cause YSI to terminate the Project Manager under this Contract, as applicable; provided, however, that when feasible, the Commonwealth and Roca shall not terminate YSI's or the Project Manager's participation if YSI enacts a corrective action plan approved by the Commonwealth and Roca (such approval not to be unreasonably withheld). The Commonwealth and Roca have the authority to instruct YSI to replace the Project Manager with a party acceptable to the Commonwealth and Roca. Subject to the provisions of the Controlled Account Agreement, amounts in the YSI Operating Account will be used to make payments to a replacement Project Manager, or, at the direction of the Commonwealth and Roca, will be (i) applied to make the payments to other parties as set forth in the Funding Plan, or (ii) transferred to such accounts as the Commonwealth and Roca may

designate. In the event of the termination of YSI's services, the Commonwealth and Roca shall immediately seek a replacement entity to perform the services of the financial intermediary set forth in this Contract. The Parties acknowledge that any replacement of YSI or the Project Manager will cause the funds in the YSI Operating Account and additional funds pursuant to the Loan Documents and/or Grant Agreements to be unavailable unless the Lenders and the Grantors consent to the contrary, each in its sole discretion.

(f) Enforcement of Rights. The Commonwealth and Roca may proceed to protect their rights hereunder and may seek to compel compliance by YSI with the terms and provisions hereof by suit or suits in equity or at law, for the specific performance of any covenant, term or condition hereof, or in aid of the execution of any power herein granted, and may exercise any other right or remedy upon such default as may be granted under any other applicable provisions of law.

Section 9.06 Roca Performance.

(a) Enrollments.

(i) Within 15 Business Days of the end of each Quarter, Roca shall provide in the Roca Report:

- (A) The number and percentage of new Slots Filled from Referrals from the Roca List provided by the Independent Evaluator compared to the Evaluation Plan and/or available slots (whichever is lower);
- (B) The number of new Slots Filled directly by Roca from youth it recruits due to an insufficient amount of Referrals from the Commonwealth as set forth in Section 9.01 hereof compared to the Evaluation Plan and/or available slots (whichever is lower);
- (C) The percentage of total available Slots Filled at the end of any given Quarter;
- (D) The number of intensive service delivery slots (TR1/2 Programming) filled during any given Quarter; and
- (E) The number of retention service delivery slots (TR3 Programming) filled during any given Quarter.

(ii) If on the last day of any Quarter, beginning in Quarter 6, the number of Slots Filled in the previous Quarter falls below 75% of targeted Slots Filled for that Quarter, as set forth in Appendix G hereof, Roca will provide enhanced reporting to the Operating Committee, including, to the extent possible, an explanation of the reason for low numbers of young people being served, possible remedies and actions taken for remediation.

(iii) If on the last day of any Quarter, beginning in Quarter 6, the number of Slots Filled in the previous Quarter falls below 65% of targeted Slots Filled for that Quarter as set forth in Appendix G hereof:

- (A) Roca will provide enhanced reporting to the Operating Committee, including a proposed corrective action plan that will be reviewed, revised and agreed to by the Operating Committee; and
- (B) If Roca implements the corrective action plan, and is not showing demonstrated progress within 30 days of approval of that plan by Operating Committee future enrollment numbers may be reduced. The level of reductions will be determined by Operating Committee as part of review process, and the payments to Roca under Sections 4.03, 4.04 and 4.05 will be adjusted accordingly.

(b) Retention/Attrition.

(i) Within 15 Business Days of the end of each Quarter, Roca shall report, within the Roca Report, the percentage of Roca Youth who have been terminated from the Roca Services during the Quarter and cumulatively as compared to the Roca Historic Attrition Pattern, attached hereto as Appendix G, and the reason for termination (such as incarceration or other causes). Roca shall also include the number of Roca Youth terminated from the Roca Services in an earlier Quarter who have since been reenrolled.

(ii) If such percentage is above 200% of the level set forth in Appendix G in any Quarter, Roca will provide enhanced reporting to the Operating Committee, including explanation of reason for low levels of retention and/or high levels of attrition, possible remedies and actions taken for remediation.

(iii) If such percentage is above 230% of the level set forth in Appendix G in any Quarter or 215% over two Quarters, remedies consist of:

- (A) Roca will provide enhanced reporting to the Operating Committee, including a proposed corrective action plan that will be reviewed, revised and agreed to by the Operating Committee; and
- (B) If Roca implements the corrective action plan, and is not showing demonstrated progress within 30 days of approval by Operating Committee future target enrollment numbers may be reduced. The level of reductions will be determined by Operating Committee as part of review process, and the maximum payments to Roca under Sections 4.03, 4.04 and 4.05 will be adjusted accordingly.

(iv) If on the last day Quarter 13, the cumulative Attrition Rate of Roca Youth exceeds the Historic Attrition Rate by more than would result if the incremental Historic Attrition Rate for each completed Quarter were increased by a factor of 3.5, the Commonwealth, by notice given to the Parties with copies to the Lenders and the Grantors within ten days after the end Quarter 13 (as applicable), may terminate Roca's participation under this Contract (a **"Commonwealth Early Termination Right"**).

(v) If on the last day of any Quarter beginning in Quarter 6, the cumulative Attrition Rate of Roca Youth exceeds the Historic Attrition Rate by more than would result if the incremental Historic Attrition Rate for each completed Quarter were increased by a factor of 1.75, the Parties will review risk levels for Roca Youth and risk levels for Control Youth to determine whether the disparity in the cumulative Attrition Rate of Roca Youth as compared to the applicable cumulative Historic Attrition Rate is attributable to a change in risk assessment tools used by the Commonwealth or a change in the risk profile of Roca Assigned Youth and Control Youth and will provide the results of such review to the Oversight Committee. The Commonwealth, YSI and Roca shall mutually agree upon a modification to the Commonwealth Early Termination Right, which modification shall be made within 30 days after completion of the review of the risk profile data. It is acknowledged that in order for YSI to grant its agreement to any change in the Commonwealth Early Termination Right, YSI requires the consent of its Lenders.

(c) Enforcement of Rights. The Commonwealth and YSI may proceed to protect their rights hereunder and may seek to compel compliance by Roca with the terms and provisions hereof by suit or suits in equity or at law, for the specific performance of any covenant, term or condition hereof, or in aid of the execution of any power herein granted, and may exercise any other right or remedy upon such default as may be granted under any other applicable provisions of law.

(d) Timeliness and Quality of Data-Sharing.

(i) Within 15 Business Days of the end of each Quarter, Roca shall provide the Roca Report as set forth in Section 9.06(d)(iii) below.

(ii) Roca will report all data elements in the Roca Report by geographic Service Area and cumulatively.

(iii) The Roca Report shall, at a minimum, include the following data for the preceding Quarter with a comparison to the Evaluation Plan and/or any subsequently agreed upon revisions to the Evaluation Plan and the historic benchmark, where different than or not included in the Evaluation Plan, a cumulative and/or average rate or total since the Effective Date of this Contract with a comparison to the Evaluation Plan, as it may be revised from time to time by the Operating Committee:

- (A) Number of Referrals – reported Quarterly with prior Quarters being updated as needed for Non-Conforming Referrals;
- (B) Number of Conforming Referrals received from the Commonwealth – reported Quarterly with prior Quarters being updated as needed for Non-Conforming Referrals;
- (C) Number of Non-Conforming Referrals – reported Quarterly with prior Quarters being updated as needed for Non-Conforming Referrals;
- (D) Number of Non-Conforming Referrals not reported in previous Quarters and an explanation for why such Referrals were not reported in previous Quarters, if applicable;
- (E) Number of Roca Youth enrolled in the Roca Services;
- (F) The number of Roca Youth enrolled and new Slots Filled from the Roca List and/or available slots (whichever is lower);
- (G) The number of Roca Recruits enrolled and new Slots Filled from Roca direct-recruitment (if insufficient Referrals are provided by the Commonwealth in accordance with Section 9.01 hereof) compared to the Evaluation Plan and/or available slots (whichever is lower);
- (H) The percentage of total available Slots Filled at the end of any given Quarter;
- (I) The number of intensive service delivery slots (TR1/2 Programming) filled during any given Quarter by Roca Youth;
- (J) The number of retention service delivery slots (TR3 Programming) filled by Roca Youth during any given Quarter;
- (K) Number of Roca Youth engaged in transitional employment earning or projected to earn over \$1000 in a Quarter;
- (L) Number and percentage of Roca Youth who complete Job Readiness Benchmarks;

- (M) Number and percentages of terminations of Roca Youth from the Roca Services, with an explanation for each such termination;
- (N) Number of and percentage of Roca Youth with *new arrests* based on participant report and youth worker confirmation;
- (O) Number and percentage of Roca Youth *incarcerated* based on participant report and youth worker confirmation;
- (P) Number of Roca Youth *engaged in unsubsidized employment* earning or projected to earn \$1000 or more in the Quarter based on participant report on youth worker confirmation;
- (Q) Number and percentage of young people incarcerated from the Roca Youth who return to Roca programming;
- (R) Number of Roca staff assigned to the project as compared with required staffing ratios, by geography;
- (S) Current financial report for Roca, including year-to-date Balance Sheet and Income Statement on quarterly basis and annual audited financial statements; and

ARTICLE 10

AMENDMENT: MISCELLANEOUS

Section 10.01 Limitation of Liability. The Parties acknowledge that the Harvard Kennedy School Social Impact Bond Technical Assistance Lab (“**HKS SIB Lab**”) is providing pro bono technical assistance to the Commonwealth in connection with this project and that the services provided by the HKS SIB Lab involve the expression of professional ideas, judgments and opinions by members of the HKS SIB Lab. The Parties further acknowledge that it is in the Parties’ interest to have such ideas, judgments and opinions expressed frankly, without concern on the part of the HKS SIB Lab that such ideas, judgments and opinions will be deemed representations, warranties or covenants upon which the Parties may claim reliance. The Parties further acknowledges that the innovation initiatives are relatively new, little-used and little-studied tools. Accordingly, the Parties understand and agree that the HKS SIB Lab does not hereby, and will not hereafter, warrant or make any representations concerning the accuracy of ideas, judgments, opinions, projections, analyses or estimates which any member of the HKS SIB Lab provides to the Parties under this Contract (collectively, “Work Product”). The Parties further agree that (i) any decision the Parties may make to rely on any Work Product shall be at their own risk; and (ii) no member of the HKS SIB Lab shall be liable to the Parties for, and the Parties shall not make any claim against any member of the HKS SIB Lab relating to, any claims, liabilities, losses, damages, costs or expenses of any kind which the Parties may at any time sustain or incur in connection with or arising out of any Work Product or the Parties’ reliance thereon or use thereof, other than claims, liabilities, losses, damages, costs and expenses resulting from the gross negligence or intentional misconduct of any member of the HKS SIB

Lab. Without limiting the foregoing, in no event shall any member of the HKS SIB Lab be liable for any indirect, consequential, exemplary or punitive damages whatsoever in connection with claims arising under or relating to this Contract, whether based upon a claim or action of contract, warranty, negligence, strict liability, or any other legal theory or cause of action, even if advised of the possibility of such damages.

Section 10.02 Amendment. This Contract may be amended by the Parties for any reason in writing, including, but, not limited to substitution of one or more of the appendices hereto, or to extend the term of this Contract, and with respect to any amendments that could affect the amount or timing of the employment and/or incarceration Commonwealth Success Payments, with the consent of the Lenders. The Operating Committee may establish procedures for approving changes to operating procedures, timing of reporting, or other obligations to the extent that such changes do not materially affect the rights or obligations of the Parties or Lenders without a formal contract amendment, provided that any such changes must be presented in writing to the Operating Committee and the Operating Committee must maintain written documentation of any approvals.

Section 10.03 Successors and Assigns. Neither YSI nor Roca shall assign their rights, duties and obligations under this Contract without the consent of the other Parties and the Lender Committee. The rights and obligations of YSI and Roca shall inure to and be binding upon their respective successors and assigns.

Section 10.04 Notices. Any request, authorization, direction, notice, consent, waiver or other document provided by this Contract shall be in writing and shall be deemed sufficiently given when mailed by registered or certified mail, postage prepaid, or sent by electronic mail, subject to recognition or delivered during business hours as follows:

To the Commonwealth at:

Department of Youth Services
600 Washington St., 4th Floor
Boston, MA 02111
Attention: Commissioner Peter Forbes

With a copy to:

Executive Office for Administration and Finance
State House Room 373
Boston, MA 02133
Attention: Tayo Edun
Email: Tayo.Edun@state.ma.us

To Roca at:

Roca, Inc.
101 Park Street
Chelsea, MA 02150
Attention: Molly Baldwin
Email: baldwinm@rocainc.com

With a copy to:

Goulston & Storrs PC
400 Atlantic Avenue
Boston, MA 02110
Attention: Peter N. Kochansky
Email: pkochansky@goulstonstorrs.com

To YSI at:

Youth Services Inc.
200 Clarendon Street, 9th Floor
Boston, MA 02116
Attention: John Grossman
Email: jgrossman@thirdsectorcap.org

With a copy to:

Ropes & Gray LLP
Prudential Tower, 800 Boylston Street
Boston, MA 02199
Attention: Winthrop G. Minot
Email: winthrop.minot@ropesgray.com

YSI shall immediately provide copies of any notices it provides or that are provided to it to the Lenders and Grantors, as follows:

To the Senior Lender at:
Goldman Sachs Social Investment Fund, L.P.
c/o Goldman Sachs Bank USA
Urban Investment Group
200 West Street
New York, New York 10282
Attention: Cristina Shapiro
Email: cristina.shapiro@ny.email.gs.com

With a copy to:

Goldman Sachs Bank USA
Urban Investment Group
200 West Street
New York, New York 10282
Attention: Urban Investment Group Portfolio Manager

And with a copy by electronic mail to:

gs-uig-docs@gs.com & gs-uig-portfolio-manager@gs.com

To the Junior Lenders at:

The Kresge Foundation
3125 West Big Beaver Road
Troy, Michigan 48084
Attention: Kimberlee Cornett
Email: kcornett@kresge.org

Living Cities
1730 M Street NW, Suite 400
Washington, DC 20036
Attention: Eileen Neely
Email: eneely@livingcities.org

To the Grantors at:

The Boston Foundation
75 Arlington Street
Boston, MA 02116
Attention: Jennifer Aronson
Email: Jennifer.Aronson@tbf.org

Laura and John Arnold Foundation
2800 Post Oak Boulevard, Suite 225
Houston, TX 77056
Attention: Josh McGee
Email: josh@arnoldfondation.org

New Profit. Inc.

900 Clarendon Street, 9th Floor
Boston, MA 02116
Attention: Eliza Greenberg
Email: egreenberg@newprofit.org

As to all of the foregoing, to such other address as the addressee shall have given in writing to the one giving notice. Notice hereunder may be waived prospectively or retroactively by the Person entitled to the notice, but no waiver shall affect any notice requirement as to other Persons.

Section 10.05 Agreement Not for the Benefit of Other Parties.

(a) Except as set forth in clause (b) of this Section 10.05, this Contract is not intended for the benefit of and shall not be construed to create rights in parties other than the Commonwealth, YSI, Roca, the Independent Evaluator, and the Independent Validator.

(b) The Commonwealth acknowledges that YSI has collaterally assigned the right to payment set forth in this Contract to its Lenders (together with their successors and assigns, the “**Assignees**”) as collateral for the obligations of YSI to the Assignees, and the Commonwealth hereby consents to such collateral assignment. The Commonwealth agrees that no amendment to the payment provisions of this Contract and no consent or waiver to the payment provisions by YSI hereunder shall be valid without the prior written consent of each Assignee. Each Assignee shall be a third party beneficiary of the payment provisions of this Contract and shall be entitled to enforce the payment provisions hereof.

Section 10.06 Severability. In case any provision of this Contract shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, provided that the allocation of benefits and burdens under this Agreement shall not thereby be materially altered.

Section 10.07 Counterparts. This Contract may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument.

Section 10.08 Captions. The captions and table of contents of this Contract are for convenience only and shall not affect the construction hereof.

Section 10.09 Governing Law. All issues concerning this Contract shall be governed by and construed in accordance with the laws of the Commonwealth without giving effect to any choice of law or conflict of law provision or rule (whether of the Commonwealth or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the Commonwealth.

Section 10.10 Waiver of Jury Trial. EACH PARTY TO THIS CONTRACT HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (A) ARISING UNDER THIS CONTRACT OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR

INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS CONTRACT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. EACH PARTY TO THIS CONTRACT HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS CONTRACT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 10.11 Commonwealth Standard Terms and Conditions. The Commonwealth Standard Terms and Conditions, included as Appendix F to this Contract, are hereby incorporated into this Contract, provided, however, to the extent that the provisions of this Contract are construed by the Parties or any person to be inconsistent with the provisions of Section 2 and Section 4 of the Commonwealth Standard Terms and Conditions, this Contract shall prevail. Notwithstanding the second sentence of Section 2 of the Commonwealth Standard Terms and Conditions, payments by the Commonwealth under this Contract are backed by the full faith and credit of the Commonwealth. Notwithstanding the second sentence of Section 4 of the Commonwealth Standard Terms and Conditions, the Commonwealth shall not have any right to terminate this Contract without cause, and any termination of this Contract that purports to be a termination without cause or that purports to be due to an elimination of an appropriation or availability of sufficient funds for the purpose of this Contract shall give rise to the obligations provided for in Section 9.03

Section 10.12 Lender Requirements.

(a) Accounts and Cash. Notwithstanding anything to the contrary set forth in this Contract, if the requirements of this Contract with respect to (i) bank accounts and other accounts or (ii) cash management of YSI conflict with the requirements of the Loan Documents, then such provisions of the Loan Documents shall control.

(b) Funding Plan. To the extent required by the Loan Documents, modification of the Funding Plan shall require the consent of the Lenders.

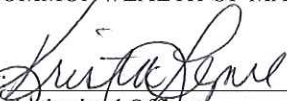
(c) Information and Reports. To the extent (i) required by the Loan Documents or Grant Agreements and (ii) allowed by applicable law or regulation, copies of all Roca Reports shall be provided to the Funding Partners and the Funding Partners shall be accorded the same access to information provided by Sections 6.08(a), 7.09(a) and, to the extent the Parties have been provided with notice information with respect to any Funding Party, notices provided under Section 10.04 shall be provided to such Lender.

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Section 10.13 Merger; Entire Agreement. The parties understand and agree that their entire agreement is contained herein and in the documents, exhibits, schedules and plans referenced herein, attached hereto or entered into pursuant hereto. It is further understood and agreed that all prior understandings and agreements heretofore had between the parties are merged in this Contract which alone fully and completely expresses their agreement and that the same is entered into after full investigation, neither party relying on any statement or representation not explicitly set forth in this Contract.

IN WITNESS WHEREOF, the Parties have caused this Contract to be duly executed as an instrument under seal, all as of the date first above written.

THE COMMONWEALTH OF MASSACHUSETTS

By: 
Authorized Officer

ROCA, INC.

By: _____
Name: _____
Title: _____

YOUTH SERVICES INC.

By: _____
Name: _____
Title: _____

Section 10.13 Merger; Entire Agreement. The parties understand and agree that their entire agreement is contained herein and in the documents, exhibits, schedules and plans referenced herein, attached hereto or entered into pursuant hereto. It is further understood and agreed that all prior understandings and agreements heretofore had between the parties are merged in this Contract which alone fully and completely expresses their agreement and that the same is entered into after full investigation, neither party relying on any statement or representation not explicitly set forth in this Contract.

IN WITNESS WHEREOF, the Parties have caused this Contract to be duly executed as an instrument under seal, all as of the date first above written.

THE COMMONWEALTH OF MASSACHUSETTS

By: _____
Authorized Officer

ROCA, INC.

By: M.B. Baldwin
Name: Mary Baldwin (Melly)
Title: Founder and CEO

YOUTH SERVICES INC.

By: [Signature]
Name: John Grossman
Title: President

EXHIBIT A

[Interdepartmental Service Agreement between the Office of the Commissioner of Probation and the Executive Office for Administration and Finance, dated as of December 23, 2013, amended July 11, 2014.]

EXHIBIT B

[Interdepartmental Service Agreement between the Department of Youth Services and the Executive Office for Administration and Finance, dated as of December 24, 2013]

EXHIBIT C

[Interdepartmental Service Agreement between the Department of Corrections and the Executive Office for Administration and Finance, dated as of May 30, 2014, amended August 18, 2014]

EXHIBIT D

[Interdepartmental Service Agreement between the Essex County Sherriff's Department and the Executive Office for Administration and Finance, dated as of May 29, 2014]

EXHIBIT E

[Interdepartmental Service Agreement between the Hampden County Sherriff's Department and the Executive Office for Administration and Finance, dated as of May 19, 2014]

EXHIBIT F

[Interdepartmental Service Agreement between the Middlesex Sherriff's Office and the Executive Office for Administration and Finance, dated as of May 21, 2014]

EXHIBIT G

[Interdepartmental Service Agreement between the Suffolk County Sherriff's Department and the Executive Office for Administration and Finance, dated as of May 29, 2014]

EXHIBIT H

[Interdepartmental Service Agreement between the Massachusetts Parole Board and the Executive Office for Administration and Finance, dated as of August 25, 2014]

APPENDIX A DEFINITIONS

In addition to the terms defined in the Contract, the following terms have the following meaning in this Contract:

“Actual Bed-Days Avoided Per Person Served” has the meaning set forth in Section 4.03(g).

“Actual Department of Labor Sentenced Bed-Days” has the meaning set forth in Section 4.03(d).

“Actual Department of Labor Employment Quarter” has the meaning set forth in Section 4.03(d).

“Actual Employment Quarter” has the meaning set forth in Section 4.03(f).

“Actual Job Readiness Quarter” has the meaning set forth in Section 4.03(f).

“Actual Sentenced Bed-Days” has the meaning set forth in Section 4.03(g).

“All Lender Early Termination” has the meaning set forth in Appendix H.

“Assignees” has the meaning set forth in Section 10.05(b).

“Backstop Methodology” means an evaluation method that uses an RCT or quasi-experimental methodology or a combination of the two to determine outcomes.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, the Commonwealth.

“Commonwealth” means The Commonwealth of Massachusetts.

“Commonwealth Early Termination Right” has the meaning set forth in Section 9.06(b)(iv).

“Commonwealth Success Payments” or **“Success Payments”** mean payments made by the Commonwealth as provided in this Contract and as authorized under Section 35VVI of the Enabling Act.

“Conforming Referrals” has the meaning set forth in Section 3.03(d).

“Conforming Referrals Floor” has the meaning set forth in Section 9.01(a).

“Conforming Referral Shortfall” has the meaning set forth in Section 9.01(a).

“Conforming Referral Threshold” has the meaning set forth in Section 9.01(a).

“Contract” means this Pay for Success Contract among The Commonwealth of Massachusetts, Roca, Inc. and Youth Services Inc.

“Control List” means young people drawn on a randomized basis from the larger list of eligible candidates that are in the Target Population who are not placed on the Roca List as described in Section 3.03(b).

“Control Youth” means the young people assigned to the Control List.

“Controlled Account Agreement” has the meaning set forth in Appendix H.

“CORI” has the meaning set forth in Section 1.01.

“Department of Labor Actual Bed-Days Avoided Per Person Served” has the meaning set forth in Section 4.03(d).

“Department of Labor Employment Eligible Quarter” has the meaning set forth in Section 4.03(d).

“Department of Labor Employment Measurement Period” has the meaning set forth in Section 4.03(d).

“Department of Labor Incarceration Measurement Period” has the meaning set forth in Section 4.03(d).

“Department of Labor PFS Payment Due to Bed-Days Avoided” has the meaning set forth in Section 4.03(d).

“Department of Labor PFS Payment Due to Gains in Employment” has the meaning set forth in Section 4.03(e).

“Department of Labor Total Bed-Days Avoided Per Person Served” has the meaning set forth in Section 4.03(d).

“Department of Youth Services” or **“DYS”** has the meaning set forth in Section 1.01.

“DOC” has the meaning set forth in Section 1.01.

“DOC ISA” has the meaning set forth in Section 6.08(b).

“DYS ISA” has the meaning set forth in Section 6.08(b).

“ECSD” has the meaning set forth in Section 1.01.

“ECSD ISA” has the meaning set forth in Section 6.08(b).

“Effective Date” means the date set forth in Section 2.01.

“Eligible Quarter” has the meaning set forth in Section 4.03(f).

“Enabling Act” has the meaning set forth in Section 1.01.

"Enroll" or "Enrollment" means when a member of the Roca List or a Roca Recruit who has been contacted by a Roca employee, has completed a Roca central intake form, and has been determined to be eligible for Roca programming, in accordance with the eligibility guidelines detailed in this contract. For Referrals coming from OCP, MPB or DYS, Enrollment is determined within 90 days of Referral and the enrollment date will revert to the date of Referral for those determined to be eligible. For Referrals coming from all other sources, Enrollment is determined within 90 days of the date of release from incarceration and the date of Enrollment will be the expected date of release from incarceration. Notwithstanding the foregoing, when a person is determined to be a Non-Conforming Referral and Roca later determines that the person is Conforming, Enrollment, as it affects the amount to be paid to Roca, need not be determined within 90 days of Referral. For purposes of the Evaluation Plan, the enrollment date will revert to the date of Referral.

“Employment Measurement Period” has the meaning set forth in Section 4.03(f).

“EOAF” has the meaning set forth in Section 1.01.

“Evaluation Plan” means the protocols set forth in Appendix C of this Contract.

“Expected Referrals” has the meaning set forth in Section 3.03(e)(ii).

“Expected Termination Date” has the meaning set forth in Section 2.01.

“Financial Statements” has the meaning set forth in Section 6.06(a).

“Fiscal Services Provider” has the meaning set forth in Section 3.05(f).

“First Amended PFS Contract” has the meaning set forth in Section 1.01.

“Funding Partners” means Grantors and Lenders.

“Funding Schedule” has the meaning set forth in Section 4.01(b).

“Grantors” means each grantor under the Grant Agreements.

“Grant Agreements” means each of the Laura and John Arnold Foundation ("LJAF") -- New Profit Inc. ("NPI") Grant Agreement, the Boston Foundation ("TBF") -- NPI Grant Agreement, and the NPI -- YSI (LJAF) Grant Agreement, the NPI - YSI (TBF) Grant Agreement and the NPI - YSI Grant Agreement (as more fully defined in Appendix H) as the same may be amended from time to time.

“**HCSD**” has the meaning set forth in Section 1.01.

“**HCSD ISA**” has the meaning set forth in Section 6.08(b).

“**HKS SIB Lab**” has the meaning set forth in Section 10.01

“**Incarceration Measurement Period**” has the meaning set forth in Section 4.03(g).

“**Independent Evaluator**” means the entity contracted by YSI to be responsible for creating the Master List, Roca List and Control List; verifying the number of young people served by Roca; determining whether the thresholds for Commonwealth success payments have been met and at what level; and for performing such other functions as are set forth in the Evaluation Plan. The initial Independent Evaluator shall be Sibalytics LLC.

“**Independent Validator**” means a person or organization contracted by the Commonwealth to be responsible for reviewing and confirming the findings of the Independent Evaluator on behalf of the Commonwealth or the Commonwealth, as described in Section 3.05(c). The initial Independent Validator shall be the Public Consulting Group.

“**Initial List**” has the meaning set forth in Section 3.03(b).

“**Intent to Treat Estimate**” means the difference between the average outcomes for the Roca Assigned Youth and the Control Youth, adjusting for pre-randomization covariates.

“**Instrumental Variable Estimate**” means a “per-person served” estimate that accounts for the fact that some Roca Assigned Youth may not enroll in Roca and that Control Youth may end up receiving services from Roca, as described in the Evaluation Plan.

“**Job Readiness Benchmarks**” means a young person who receives nine (9) or more contacts with a Roca youth worker during any given Quarter, allowing them to remove barriers to employment and improve their overall job readiness.

“**Job Readiness Measurement Period**” has the meaning set forth in Section 4.03(e).

“**Job Readiness Payments Account**” means the account established by YSI pursuant to this Contract to deposit all PFS Payments Owed to YSI Due to Gains in Employment as set forth in Section 4.04 of this Contract.

“**Job Readiness Success Payments**” has the meaning set forth in Section 4.03(f) of this Contract.

“**Lender Committee**” has the meaning set forth in Appendix H.

“**Lenders**” means each lender under the Loan Documents.

“**Loan Documents**” means each of the Senior Loan Agreement, the Junior Loan Agreements, the Subordination and Intercreditor Agreement, the Security Agreement, the Controlled Account Agreement, and the Social Impact Agreement, in each case as defined in the

Financing Overview attached hereto as Appendix H as the same may be amended from time to time.

“**Master List**” has the meaning set forth in Section 3.03(b).

“**MPB**” has the meaning set forth in Section 1.01.

“**MPB ISA**” has the meaning set forth in Section 6.08(b).

“**MSO**” has the meaning set forth in Section 1.01.

“**MSO ISA**” has the meaning set forth in Section 6.08(b).

“**Non-Conforming Referrals**” has the meaning set forth in Section 3.03(d).

“**OCP**” has the meaning set forth in Section 1.01.

“**OCP ISA**” has the meaning set forth in Section 6.08(b).

“**Operating Committee**” has the meaning set forth in Section 5.01.

“**Operational Meeting**” has the meaning set forth in Section 5.01(a).

“**Original PFS Contract**” has the meaning set forth in Section 1.01.

“**Oversight Committee**” has the meaning set forth in Section 5.02.

“**Parties**” means, collectively, the Commonwealth, Roca and YSI.

“**Pay for Success Administrator**” means the individual designated by Roca to oversee the execution and administration of Roca’s services pursuant to the Contract.

“**PCF**” means Probation Central File, as set forth in Section 3.03(c)(v).

“**PCG**” means the Public Consulting Group, as set forth in Section 3.05(c).

“**Performance Measures**” has the meaning set forth in Section 4.02(b).

“**PFS Payments Earned to Date Due to Bed-Days Avoided**” has the meaning set forth in Section 4.03(g).

“**PFS Payments Earned to Date Due to Gains in Employment**” has the meaning set forth in Section 4.03(f).

“**PFS Payments Earned to Date Due to Gains in Job Readiness**” has the meaning set forth in Section 4.03(e).

“PFS Payments Owed to YSI Due to Bed-Days Avoided” has the meaning set forth in Section 4.03(g).

“PFS Payments Owed to YSI Due to Gains in Employment” has the meaning set forth in Section 4.03(f).

“PFS Payments Owed to YSI Due to Gains in Employment at Wind-Up” has the meaning set forth in Section 4.03(f).

“PFS Payments Owed to YSI Due to Gains in Job Readiness” has the meaning set forth in Section 4.03(e).

“PFS Payments Owed to YSI to Date Due to Bed-Days Avoided at Wind-Up” has the meaning set forth in Section 4.03(g).

“Pilot Contract” has the meaning set forth in Section 1.01.

“Probation” means the Office of the Commissioner of Probation within the Judicial Branch of the Commonwealth.

“Project Extension Youth” has the meaning set forth in Section 4.01(d).

“Project Manager” has the meaning set forth in Section 3.05(b).

“Quarter” means each calendar quarter; provided that Quarter 1 began on the Service Commencement Date and ended on December 31, 2013.

“RCT” or a randomized controlled trial is an experimental method of evaluation in which individuals are randomly assigned to treatment and control groups and outcomes compared across those two groups.

“Referral Period” means the fourteen Quarters following the Service Commencement Date.

“Referral(s)” means individual(s) identified by the Independent Evaluator to be placed on the Roca List and served by Roca, all in accordance with the protocols set forth in the Evaluation Plan.

“Referral Process” means how each agency will provide data to the Independent Evaluator for randomization and, if applicable, coordinate a handoff procedure with Roca for youth selected into the Roca List as set forth in the Evaluation Plan.

“Roca” means Roca, Inc.

“Roca Assigned Youth” means young men assigned to the Roca List based on project randomization. These young men are considered part of the treatment group for purposes of the project evaluation.

“Roca Boston Service Area” means the city of Boston with the exception of Charlestown and East Boston.

“Roca Chelsea Service Area” means Cambridge, Charlestown, East Boston, Everett, Lynn, Malden, Medford, Revere, Somerville and Winthrop and other locations that may be agreed to by the Parties.

“Roca Intervention Model” means Roca’s cognitive-behavioral intervention model, as described in Section 3.01 and Appendix B.

“Roca List” means the list of individuals to serve given to Roca by the Independent Evaluator that is drawn on a randomized basis from the larger list of young men that are in the Target Population, as described in Section 3.03(b).

“Roca Recruits” means individuals who are not on the Roca List or on the Control List, but were independently recruited by Roca to participate in its programs to fill slots that could not be filled from the Roca List.

“Roca Recruit Cap” has the meaning set forth in Section 3.03(e)(iv).

“Roca Report” has the meaning set forth in Section 5.01.

“Roca Service Payment Amount” has the meaning set forth in Section 4.05(a)(i).

“Roca Services” has the meaning set forth in Section 3.02.

“Roca Springfield Service Area” means Agawam, Chicopee, East Longmeadow, Holyoke, Longmeadow, Ludlow, Springfield, West Springfield, Westfield and other locations that may be agreed to by the Parties.

“Roca Youth” are defined as young men who are on the Roca List, except for those identified as Non-Conforming Referrals.

“SCSD” has the meaning set forth in Section 1.01.

“SCSD ISA” has the meaning set forth in Section 6.08(b).

“Secretary” has the meaning set forth in Section 1.01.

“Senior Lender” has the meaning set forth in Appendix H.

“Service Areas” has the meaning set forth in Section 3.02(b).

“Service Commencement Date” means October 1, 2013.

“Shortfall Payment” has the meaning set forth in Section 9.01(a).

“Slot(s) Filled” means the maximum number of young people enrolled per day at any time during a Quarter.

“Social Innovation Financing Trust Fund” or SIF Trust Fund means the fund set up on the books of the Commonwealth by Chapter 143 of the Acts of 2012.

“Success Fees” has the meaning set forth in Schedule 1 to Appendix H.

“Take-up Rate” has the meaning set forth in Section 3.03(e).

“Target Enrollment” has the meaning set forth in Section 3.03(e).

“Target Population” has the meaning set forth in Section 3.03(a).

“Termination Date” is the Expected Termination Date.

“Third Sector” has the meaning set forth in Section 3.05.

“Total Bed-Days Avoided Per Person Served” has the meaning set forth in Section 4.03(g)

“Total Department of Labor Employment Gain” has the meaning set forth in Section 4.03(d).

“Total Department of Labor PFS Payment” has the meaning set forth in Section 4.03(d).

“Total Employment Gain” has the meaning set forth in Section 4.03(f).

“Total Job Readiness Quarters” has the meaning set forth in Section 4.03(e).

“Total PFS Payments Earned to Date” has the meaning set forth in Section 4.03(h).

“TR1/2 Programming” has the meaning set forth in Section 3.01.

“TR3 Programming” has the meaning set forth in Section 3.01.

“UI” has the meaning set forth in Section 1.01.

“Wage Reporting Data” has the meaning set forth in Section 9.01(b).

“Wind-Up” means the final payments and distribution of funds associated with this Contract, to occur in Quarter 25, unless the Contract is terminated earlier.

“YSI” has the meaning set forth in Section 1.01.

“YSI Operating Account” has the meaning set forth in Section 4.01(a).

APPENDIX B

ROCA INTERVENTION MODEL

Provided by Roca, Inc.

Roca is an outcomes driven organization that has served very high risk young men since 1988. Roca has developed and operates an Intervention Model designed to help the most high-risk young men break the destructive cycles of poverty, violence and perpetual incarceration. The Intervention Model pushes young men to identify, confront and overcome destructive behaviors and learn the skills needed to re-engage and succeed in society, education, and the economy.

To the best of Roca's knowledge, the Intervention Model is the *only full-time, long-term, behavioral change intervention delivered on the street, for this population, by a non-mandating authority*. The Intervention Model is a cognitive-restructuring and skills development intervention, enabling young men to transform their lives and move toward the outcomes of economic independence (i.e., successfully keeping a job) and living out of harm's way (i.e., staying out of prison).

Overview of the Intervention Model

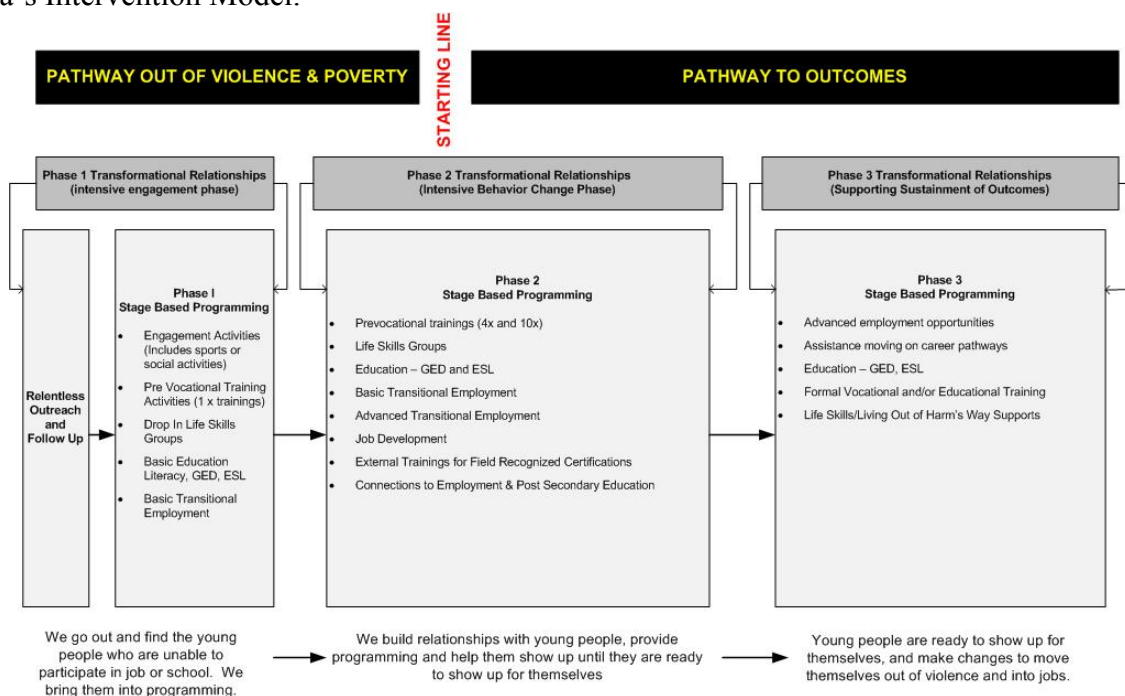
Development of the Intervention Model is Roca's most important accomplishment. While conventional criminal justice and public policy has been designed to respond to violence and poverty in urban communities with a limited set of institutional tools, the Intervention Model serves as a progressive alternative that is both cost-efficient and highly-effective. Traditionally, federal and state governments have operated within a narrow framework, employing two basic strategies: prevention and suppression. Though these strategies remain fundamental components in the fight against poverty and violence, they exclude an equally important strategy: intervention.

The Intervention Model effectively combines relationship-building and targeted programming (life skills, education and employment) to support young people in developing the necessary skills to create positive behavioral changes. Once a consistent relationship is established, it becomes the foundation for cognitive-behavioral change, helping the young person move through a long-term, stage-based plan for improving their lives, creating opportunities as they make educational, life-skills and employment gains. Each youth worker is trained in various evidence-based and clinical techniques for promoting behavioral change, specifically:

- *cognitive-restructuring*, an approach designed to help people identify and change dysfunctional thoughts that contribute to problem behaviors;
- *motivational interviewing*, a client-centered counseling style designed to help clients explore and resolve ambivalence;
- *stage-based learning*, which helps young people practice the academic and pre-vocational skills needed to achieve social and economic independence; as well as,
- *transitional employment*, a stage-based approach for helping individuals gain and practice critical entry-level employment skills while earning a subsidized wage.

Roca's Intervention Model offers two years of intensive services with two years of follow up. Roca's Intervention Model connects very high-risk youth to each other and adults through intensive relationships and uses targeted programming to support young people to develop the necessary skills to reduce violence and create positive behavioral changes.

The process starts with intensive outreach, follow-up to engage and reengage young people over and over again, and building relationships that support change. Then Roca offers programming that meets young people where they are developmentally, operates basic and advanced transitional employment, creates jobs, and works with cities, criminal justice partners, and other organizations on deliberate intervention and support strategies. The following image illustrates Roca's Intervention Model.



Components of the Intervention Model

Each component of Roca's Intervention Model is designed to drive toward measurable, positive outcomes. The Intervention Model has four key components each of which is described below.

- Relentless Outreach and Follow Up:*** Roca cannot wait for high-risk young people to show up at our doors, because they never will. Youth workers build relationships by finding young people where they are at, learning where they hang out, knocking on their doors, and continuously circling the neighborhood in the infamous Roca vans. It is the relentlessness of a youth worker who shows up day after day, no matter what, that awakens hope in a young person. As trust builds and the visits to Roca increase, the youth worker strategically develops a relationship that is a commitment between the youth and youth worker: they are now "in it" together.

But what defines *relentless outreach and follow up* in the most fundamental sense, is the consistency of a youth worker's efforts in connecting and reconnecting with a young person. Because high-risk young people have had little or no experience with adults who impose consistent expectations of healthy behavior, they are prone to frequent disengagement and rejection of constructive relationships. Therefore, a youth worker must relentlessly reconnect with a young person who periodically rejects them and refuses to engage in programming. This pattern is crucial to the process and must happen continuously throughout the relationship. While a young person may show up at Roca three times in one week, they may just as likely refuse to come back the following week. It is the youth worker's responsibility to track down that young person and reengage them.

- ***Transformational Relationships (Intensive Case Management):*** Roca knows that when a young person is re-engaged through positive and intensive relationships, he/she can go on to gain competencies in life skills, education and employment. Therefore, at the **core** of our High-Risk Youth Intervention Model is the **Transformational Relationship (TR)**. Each youth worker carries a caseload of 25 young people and connects with each young person no less than three times each week. Youth workers are available 24 hours a day and are often the one adult in a young person's life that is there when they go to court or enter lock up; who visits them during incarceration and picks them up when they are out. Their relationship is not a friendship – it is more profound- effectively intentional, and mutually respectful. Youth workers are trained in motivational interviewing and cognitive behavioral strategies preparing them to use their self effectively to guide and support young people.
- ***Stage-Based Programming (Life Skills, Educational, Prevocational, and Employment Programming):*** The third part of Roca's Model engages young people where they are in the stages of change cognitively and behaviorally. By applying this evidence-based framework in the program delivery, young people move along a pathway of education, pre-vocational training, life skills, transitional employment and unsubsidized employment opportunities. For example, one young man who was in pre-contemplation about education—who was very vocal in his hatred of all things school-related—occasionally was persuaded by his youth worker to drop-in on open tutoring. After about a year, this young man decided he was ready for a pre-GED class, and now plans to take and pass his GED next year. Another young person was completely negative about school, but enjoyed the drop-in carpentry class at Roca. He was eventually able to make the transition from a drop-in class, to certificate training, to transitional employment. By matching programming to a young person's stage of change, instead of placing all young people into a one-size-fits-all curriculum, Roca is driving this population, who will not move in a straight trajectory, toward positive outcomes.
- ***Work with Engaged Institutional Partners:*** The institutions that are in a young person's life—schools, local government, agencies, and organizations—are just as influential to the needs and growth of a young person as Roca. In recognizing this, Roca sought to

create partnerships with these institutions, open the lines of communication, and benefit from each other's expertise.

Implementation Model Goals and Objectives

Roca's **Intervention Model** is designed to ensure that graduates will achieve the sustained outcomes of no incarcerations and retained employment (measured five years from enrollment). In order to achieve these outcomes, Roca has developed the following intermediate outcomes and measures.

2 Years from enrollment	3 Years from enrollment	4 Years from enrollment
Educational Gains <ul style="list-style-type: none"> increase on assessments attainment of industry recognized certification 	Educational Gains <ul style="list-style-type: none"> continued increases on assessments attainment of industry recognized certification 	Educational Gains <ul style="list-style-type: none"> continued increases on assessments attainment of industry recognized certification
Employment <ul style="list-style-type: none"> 30 hrs/wk competitive employment placement minimum of 30 days 	Employment Retention <ul style="list-style-type: none"> no gaps in employment longer than 30 days 	Employment Retention <ul style="list-style-type: none"> no gaps in employment longer than 30 days
No New Arrests <ul style="list-style-type: none"> self-report w/YW verification 	No New Arrests <ul style="list-style-type: none"> self-report w/YW verification 	No New Arrests <ul style="list-style-type: none"> self-report w/YW verification
No New Technical Violations <ul style="list-style-type: none"> self-report w/YW verification 	No New Technical Violations <ul style="list-style-type: none"> self-report w/YW verification 	No New Technical Violations <ul style="list-style-type: none"> self-report w/YW verification

In addition, Roca has developed the following short-term outcomes for the Intervention Model:

Outcome	Performance Measures
<i>Progress through the Stages of Change</i>	<ul style="list-style-type: none"> Decreasing criminal/delinquent behavior Decreasing street/gang involvement Decreasing substance use/abuse Increasing employment engagement Increasing educational engagement
<i>Assessed as Work Ready</i> (by 15-18 mo. from enrollment)	<ul style="list-style-type: none"> Completion of 4 domains of Workforce Readiness Criteria
<i>Positive Behavioral Changes</i> (indicated on Out of Harm's Way Assessment)	<ul style="list-style-type: none"> Readiness for change Bond w/Roca Staffs Pro-Social Support-bond with other adults Pro-Social Support/Behaviors –peers Future Orientation Substance Use General Delinquency Sexual Activity & Practices

Measuring Performance

Roca's Intervention Model is aligned with the clinically proven cognitive-behavioral *Stages of Change*, which is managed and tracked through a customized, web-based software system by Social Solutions called Efforts Toward Outcomes (ETO). Roca enters participant data into the system, including eligibility and enrollment data, individual needs and a service plan to meet those needs, all training, certification, employment and wage data, and all post-employment

services for one year after employment. This system tracks staff efforts, performance indicators, and participant outcomes, and allows us to customize individual and collective queries and reports.

Using its ETO system, client level performance reports are reviewed each week so that adjustments can be made as necessary to youth worker, program instructor, and work crew supervisor engagement approaches and overall efforts. Each month, managers and supervisors look at progress toward outputs and outcomes (e.g., participant retention, employment placements) and examine if key functions are on track, such as assessments and work plans. Performance measures are reviewed by staff at all levels every quarter and outcomes are assessed in depth annually.

Project Staffing

Staff Capacity: Roca has developed comprehensive staff competencies for all organizational staff, with pathways for growth and learning. Competencies address five core areas: 1) knowledge of the work; 2) use of self; 3) Roca's strategic methods including the core components of the Intervention model; 4) driving to outcomes; and, 5) professional job skills. Roca supervisors utilize the competencies for hiring, staff development and coaching. Roca is working to refine the competencies and link these with the other components of its performance management system to create a comprehensive staff assessment and performance evaluation process.

Staff Training: Roca provides all staff with one-on-one trainings for new staff, quarterly refresher trainings on the model, monthly content-based topical trainings, and monthly process-related trainings.

Supervision and Coaching: To reinforce training and to continuously coach staff, Roca has developed a tool for weekly youth worker staff supervision, which has been programmed into the Efforts Toward Outcomes data system. It formalizes and codifies the content of supervision meetings. The tool ensures that each participant on a caseload is reviewed in depth at least once per month and guides the conversation according to core model components. The supervision tool provides for discussions of specific strategies and planning through the identification of one success and one challenge each week. Supervisors also record their reflections on the youth workers' performance during the week based on supervisor observations and worker demonstrations of the skills during the supervision time.

Safeguard Mechanisms for the Roca Youth

Roca's Intervention Model, itself, is the clearest and most direct tool we have to maintain safety. Through our transformational relationships, Roca develops intentional relationships that allow Roca's staff to speak directly with young people, engage them, and diffuse difficult situations. At the same time, as young people develop and change their own behaviors, they begin to influence their peers in positive ways, further ensuring the safety of Roca's facilities and programming. In

addition, by focusing only on very high risk young people, and not mixing risk levels, Roca protects young people and the community.

Roca has clearly identified process and protocols for intervening in and managing crisis and critical incidents internally and externally (flow charts, protocols, processes) covering fights, weapons, injuries, etc.. As part of this protocol, Roca has young people sign safety contracts which clearly lays out what is not allowable in the building in order to maintain a safe space for everyone and the consequences that could occur if the contract is not followed. In addition, Roca uses peacemaking circles to mediate incidents as a preventative measure, an intervention, and as a restorative process following an incident.

Roca's policy is also to ensure that all program locations have staff assigned to building coverage to monitor who is in the facility, the behavior and interactions of young people and staff within the space and other relevant conversations in order to intervene with and/or mitigate potential problems. All Roca program staff members are trained in coverage protocols, which include check in times during each coverage shift which are used to share important information with program supervisors. Coverage staff members also have the capacity for immediate communications with supervisors (through cell phones and other technology) to report any immediate problems and receive appropriate assistance.

Roca trains all program staff extensively in crisis intervention and risk management. This includes required safety training on the eight steps for short term crisis intervention: 1) Risk assessment; 2) Available resources and help; 3) Action plan; 4) Implementation; 5) Follow through; 6) Evaluation; 7) Follow-up; and, 8) De-briefing, support, and supervision.

Additionally, building from our partnerships and engaged institutions strategy, Roca works closely with the local police departments in order to intervene with critical incidents or to interrupt potential violence on the street through coordinated efforts and communication protocols.

These safeguards address what Roca will do to prevent and/or in the event of a crisis. However, these measures are enhanced by the full project's crisis mitigation plan, which Roca will follow as well.

APPENDIX C
EVALUATION PLAN

APPENDIX D FUNDING PLAN

The tables and assumptions below are based on the “base case” projections achievement of performance metrics and level of Commonwealth Success Payments and full funding by all Funding Partners and based in the assumed enrollment as of the time of the Original Contract --a reduction of 223,577 bed-days of incarceration (40% from the historic baseline) and an increase of 1,266 employment quarters (a 30% increase from the historic baseline) – and the corresponding level of Commonwealth Success Payments; all figures are subject to change based on actual expenses incurred and the actual Commonwealth Success Payment; resulting payments to Roca and the Funding Partners may be greater or lesser, as set forth in Appendix H, depending on the job readiness, employment, and incarceration outcomes achieved by Roca.

All Funds will be deposited in the YSI Operations Account, except for the Job Readiness Success Payments. Job Readiness Success Payments will be deposited in the Job Readiness Payments Account and shall be used exclusively by YSI to pay Roca fees until Wind-Up when any funds remaining in the YSI Job Readiness Payments Account will be transferred to the YSI Operations Account.

PROJECT FEES

Description of Project Fees not paid to Roca

1. Evaluation Fees

Pursuant to the Evaluation Agreements, YSI shall pay the Evaluators (Sibalytics LLC and The Urban Institute) collectively no more than \$706,000 between Project Quarters 1 and 25.

2. Validation Fees

Pursuant to the Validation Agreement, YSI shall pay the Validator no more than \$156,000 between Quarters 1 and 25.

3. Audit and Legal Fees

YSI shall cause an auditor to audit its financial records each calendar year. YSI shall pay the auditor no more than \$200,000 between Quarters 1 and 25. There shall be a maximum of \$220,000 reimbursed to Lenders for legal fees incurred related to lending to YSI.

4. Fiscal Services Provider Fees

Pursuant to the YSI - New Profit Fiscal Services Agreement and the YSI – Third Sector Capital Partners, Inc. Fiscal Services Agreement, YSI shall pay the Fiscal Services Provider no more than \$135,000 between Quarters 1 and 25.

5. Third Sector Service Fees

Pursuant to the Third Sector Services Agreement, YSI shall pay Third Sector no more than \$320,500 between Quarters 1 and 25 (which amount excludes repayment of the Third Sector deferred fees of \$54,000). YSI shall also reimburse Third Sector for up to \$2500 in out-of-pocket costs incurred by Third

Sector in establishing YSI and any Project Fees advanced by Third Sector on behalf of YSI prior to YSI receiving funding.

6. Other Operational Fees

YSI may from time to time incur other fees related to the operation of the Project, including, but not limited to fees relating to meetings and a small reserve that may be maintained by YSI. These costs shall not exceed \$119,000 between Quarters 1 and 25. This shall include no more than \$75,000 to be paid to Abt Associates for assistance with evaluation and randomization.

7. Financial Advisor Fees

YSI shall pay Third Sector \$275,000 no later than the 10th day after receiving Quarter 1 funding in consideration of financial advice and related services provided by Third Sector in connection with the Project since August 2012 and for work performed by Third Sector on the application for a grant from the United States Department of Labor.

8. Third Sector Investment and Roca Investment

In the manner provided in the Loan Documents, YSI shall re-pay the Third Sector Investment and the Roca Investment.

Project Budget (not including debt service on Senior and Junior Loans)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Wind Up	Total
Rocas Service Fees	\$ 833,930	\$ 2,595,750	\$ 3,633,232	\$ 3,821,072	\$ 4,112,364	\$ 2,684,830	\$ 2,146,232	\$ 19,827,410
Deferred Roca Fees	\$ 147,164	\$ 458,073	\$ 641,159	\$ 674,307	\$ 725,711	\$ 473,794	\$ 378,747	\$ 3,498,955
Total Roca Service Fees	\$ 981,094	\$ 3,053,823	\$ 4,274,391	\$ 4,495,379	\$ 4,838,076	\$ 3,158,624	\$ 2,524,979	\$ 23,326,364
Program Manager/Advisor	\$ 76,500	\$ 68,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 40,000	\$ 320,500
Evaluation	\$ 111,900	\$ 127,341	\$ 81,810	\$ 95,696	\$ 89,029	\$ 92,841	\$ 107,299	\$ 705,916
Validation	\$ 57,143	\$ 16,943	\$ 16,943	\$ 16,943	\$ 16,943	\$ 16,943	\$ 13,343	\$ 155,201
Audit and Legal	\$ 220,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 50,000	\$ 420,000
Fiscal Agent	\$ 15,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 135,000
Financial Advisory	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000
DOL Fee	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Convenings	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 14,000
Contingency	\$ 80,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ 105,000
Total Expenditures	\$ 1,818,637	\$ 3,323,107	\$ 4,464,144	\$ 4,699,018	\$ 5,035,048	\$ 3,359,408	\$ 2,757,621	\$ 25,456,981

Quarterly Cash Balance

Quarter	1	2	3	4	5	6	7	8	
YSI Ending Cash Balance	\$ -	\$ 1,048,854	\$ 728,128	\$ 437,127	\$ 1,006,114	\$ 972,537	\$ 878,714	\$ 580,488	
Quarter	9	10	11	12	13	14	15	16	
YSI Ending Cash Balance	\$ 1,881,477	\$ 1,649,993	\$ 1,403,654	\$ 3,023,640	\$ 2,915,804	\$ 2,806,074	\$ 2,533,597	\$ 2,818,566	
Quarter	17	18	19	20	21	22	23	24	25
YSI Ending Cash Balance	\$ 5,372,670	\$ 2,737,055	\$ 2,737,055	\$ 2,627,666	\$ 2,737,055	\$ 2,653,057	\$ 2,737,055	\$ 2,163,233	\$ -

Success Fees

In Quarters 18, 19, 21 and 23, if total Success Payments exceed \$14,745,000 and in Quarter 25 if total Success Payments exceed \$14,500,000, YSI will pay Success Fees to the Senior and Junior Lenders, Roca, and the Project Manager based on a formula that has been negotiated among those parties and the grantors to YSI.

The maximum Success Fees, which will occur when the Project itself has a high level of success in reducing incarceration and increasing employment are approximately:

- For the Senior Lender: \$918,896
- For the Junior Lenders (split pro rata): \$488,896
- For Roca: \$714,681
- For the Project Manager: \$16,134

YSI could also retain up to approximately \$5.3 million at the end of Quarter 25. These monies will be distributed consistent with the directions of the grantors to YSI and consistent with YSI's charitable purpose:

- A percentage of the funds remaining with YSI (representing the share of grants provided by the Laura and John Arnold Foundation "LJAF," including the approximately \$1.67 million provided to fund the services delivered to the Project Extension Youth) will be distributed pursuant to Amendment II to the LJAF- YSI Grant Agreement: the first approximately \$1.67 million (the amount provided to fund the services delivered to the Project Extension Youth) will be returned to LJAF and the balance will be allocated to future Social Innovation Finance ("SIF") projects as that term is defined in the LJAF- YSI Grant Agreement, with no more than 25% of that amount being used for intermediary operations, technical assistance and deal development relating to the development of projects and the balance being used to provide capital to such projects. If YSI fails to identify a suitable SIF project within one year, the funds will be returned to LJAF.
- A percentage of the funds remaining with YSI (representing the share of grants provided by New Profit Inc., including the approximately \$1.67 million provided by LJAF to fund the services delivered to the Project Extension Youth) will be allocated to help Roca scale nationally, outside of Massachusetts.
- A percentage of the funds remaining with YSI (representing the share of grants provided by the Boston Foundation, including the approximately \$1.67 million provided by LJAF to fund the services delivered to the Project Extension Youth) will be allocated to support a new Roca project in Massachusetts.

Funding Schedule

	Draw on Senior Loan	Draw on Junior Loan (LC)	Draw on Junior Loan (K)	Draw on LJAF	Draw on New Profit	Draw on TBF	Total
Q1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Q2	\$ 720,000	\$ 120,000	\$ 120,000	\$ 629,000	\$ 340,000	\$ 100,000	\$ 2,029,000
Q3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Q4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
Q5	\$ 326,086	\$ 54,348	\$ 54,348	\$ 458,350	\$ 247,757	\$ -	\$ 1,140,888
Q6	\$ 474,605	\$ 79,101	\$ 79,101	\$ -	\$ -	\$ -	\$ 632,807
Q7	\$ 532,765	\$ 88,794	\$ 88,794	\$ -	\$ -	\$ -	\$ 710,353
Q8	\$ 450,000	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ -	\$ 600,000
Q9	\$ 491,400	\$ 81,900	\$ 81,900	\$ 999,000	\$ 540,000	\$ 100,000	\$ 2,294,200
Q10	\$ 567,000	\$ 94,500	\$ 94,500	\$ -	\$ -	\$ -	\$ 756,000
Q11	\$ 579,600	\$ 96,600	\$ 96,600	\$ -	\$ -	\$ -	\$ 772,800
Q12	\$ 519,120	\$ 86,520	\$ 86,520	\$ 1,258,000	\$ 680,000	\$ -	\$ 2,630,160
Q13	\$ 676,355	\$ 112,726	\$ 112,726	\$ -	\$ -	\$ -	\$ 901,807
Q14	\$ 720,000	\$ 120,000	\$ 120,000	\$ -	\$ -	\$ -	\$ 960,000
Q15	\$ 630,000	\$ 105,000	\$ 105,000	\$ -	\$ -	\$ -	\$ 840,000
Q16	\$ 1,080,000	\$ 180,000	\$ 180,000	\$ -	\$ -	\$ -	\$ 1,440,000
Total	\$ 7,766,931	\$ 1,294,489	\$ 1,294,489	\$ 3,344,350	\$ 1,807,757	\$ 300,000	\$ 15,808,015

Wind-Up Schedule

See Appendix H.

APPENDIX E
FORM OF ROCA REPORT

Roca Pay For Success Interim Performance Measures Quarterly Report

Date: _____

Program Quarter: _____

Quantitative Report Narrative: Reporting will be provided for any red or yellow status flags, providing details on each item along with any necessary corrective action plans.

Section 1: Young People Referred to Roca

Section 2: Young People Enrolled at Roca

Section 3: Terminations and Attrition

Section 4: Employment Services

Section 4: Recidivism

Section 5: Staffing

Section 6: Financial

Roca Pay For Success Interim Performance Measures Quarterly Report

Date: _____

Program Quarter: _____

Additional Narratives (Note: In an effort to protect participant confidentiality, all information on indictments, incarcerations and critical incidents will be presented verbally at operations and/or oversight committee meetings.)

Section A: Significant Changes To the Intervention Model and/or Roca Services

Section B: Proposed Changes to OCP/DYS Referral Processes

Section C: Proposed Changes to Funding/Changes to Funding Needs

Roca Pay For Success Interim Performance Measures Quarterly Report

Date: _____

Program Quarter: _____

KEY DEFINITIONS

Referral is defined as any young person included on the Roca list by the Independent Evaluator. This includes all young people who have been randomized to be served by Roca from DYS, Juvenile Probation and/or Adult Probation.

Inappropriate Referral is defined as any referral that does not meet project enrollment criteria (i.e., young person is not in service area, has an open felony charge, is a sex offender – as defined in the PFS contract, or is referred with inaccurate contact information.) Inappropriate referrals remain in the study frame but are not counted as served by Roca.

Slots Filled is defined as the maximum number of young people enrolled per day at any time during the quarter. Slots filled are tracked based on where a young person is within the Intervention Model (i.e., Phase 1/2 or Phase 3.)

TOTAL AVAILABLE TR1/2 PROGRAMMING SLOTS											
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11
Chelsea	0	33	37	54	59	73	83	93	98	79	78
Boston	0	26	50	87	103	115	127	133	142	131	134
Springfield	0	31	39	68	93	107	119	116	120	101	105
Total	0	90	126	209	255	295	329	342	360	311	317
	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	
Chelsea	70	70	68	68	67	67	68	67	67	67	
Boston	130	130	130	130	130	130	130	130	130	130	
Springfield	100	100	100	100	100	100	100	100	100	100	
Total	300	300	298	298	297	297	298	297	297	297	

Attrition Rate of Roca Youth means a percentage calculated by (i) dividing the number of Roca Youth who have been Terminated From Receiving TR1/2 Programming and TR3 Programming as of the relevant measuring date by (ii) the total the number of Roca Youth from the beginning of Project Quarter 1 through such measuring date. Attrition Rates for the program to date are weighted based upon quarter of enrollment and number of young people enrolled in each quarter.

Historic Attrition is calculated based on Roca's attrition patterns over the past seven years. The table below sets forth the Historic Attrition Rates for each quarterly cohort of enrollees.

Attrition Pattern	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
Remaining at Roca	1.00	0.92	0.91	0.91	0.97	0.96	0.97	0.96	0.97	0.97
Roca Quarterly Attrition	-	0.08	0.08	0.08	0.03	0.03	0.03	0.03	0.02	0.02
Roca Cumulative Attrition	-	0.08	0.16	0.24	0.27	0.29	0.32	0.34	0.36	0.38

Attrition Pattern	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20
Remaining at Roca	0.97	0.97	0.98	0.98	0.98	0.98	-	-	-	-
Roca Quarterly Attrition	0.02	0.02	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00
Roca Cumulative Attrition	0.40	0.42	0.43	0.44	0.45	0.46	0.46	0.46	0.46	0.46

These Historic Attrition Rates will be applied to each quarterly cohort to determine the overall Historic Attrition Rate. Targets for attrition will be based on this weighted historic attrition rate. For example in Quarter 3, the overall Historic Attrition Rate will be a weighted average of the Historic Attrition Rate for Quarter 3 for the cohort which began in Quarter 1, the Historic Attrition Rate for Quarter 2 for the cohort which began in Quarter 2, and the Historic Attrition Rate for Quarter 1 for the cohort which began in Quarter 3.

Roca Pay For Success Interim Performance Measures

Date: _____ Program Quarter: _____

Status	Interim Performance Measures	Chelsea				Boston				Springfield				All Sites			
		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Young People Referred to Roca																
●	1A. Number of referrals expected																
●	1B. Number of referrals received																
●	1C. Number of “inappropriate” referrals																
●	1D. Reasons of “inappropriate” referrals (Ind. Eval. Only - please see attachment “1D” for list of names)																
●	1D.1. Ineligible – Deceased																
●	1D.2. Ineligible – Incarcerated																
●	1D.3. Ineligible – Not in targeted age range																
●	1D.4. Ineligible – Not in targeted geographic service area																
●	1D.5. Ineligible – Pending open adult charges																
●	1D.6. Ineligible – Previously enrolled																
●	1D.7. Ineligible – Unable to contact / locate (inadequate referral information)																
	Young People Enrolled in Roca																
●	2A. Number of “Referrals” enrolled																
●	2A.1. Number of “New Slots” filled from referrals/Number of Young People Served																

Status	Interim Performance Measures	Chelsea				Boston				Springfield				All Sites			
		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
●	2B. Number of “Non-Referrals” enrolled in PFS slots (Ind. Eval. Only - see attachment “2B” for list of names)																
●	2B.1. Number of “New Slots” filled from non-referrals/Number of Young People Served																
●	2C. Participants Slots Filled (Total)																
●	2C.1 Maximum Number of Slots Filled																
●	2C.2 Maximum Percentage of Slots Filled																
●	2D. Participant Slots filled - TR1 and TR2 participants only																
●	2D.1 Maximum Number of Slots Filled																
●	2D.2 Maximum Percentage of Slots Filled																
●	2E. Participant Slots filled - TR3 participants only																
●	2E.1 Maximum Number of Slots Filled																
●	2E.2 Maximum Percentage of Slots Filled																
	Terminations and Attrition																
●	3A. Number of young people terminated from program																
●	3B. Reasons for termination																
●	3B.1. Deceased																

Status	Interim Performance Measures	Chelsea				Boston				Springfield				All Sites			
		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
●	3B.2. Incarcerated/Detained (see recidivism section of report for additional details)																
●	3B.3. Other Unsuccessful Completion																
●	3B.4. Moved out of geographic service area																
	3C. Overall Attrition Rate																
●	4A. Number of "Non-PFS" male enrollments (Ind. Eval. Only - please see attachment "4A" for list of names)																
	Employment Services																
●	5A. Number of young people engaged in transitional employment earning over \$1000 in a quarter																
●	5A.1. Number of young people engaged in basic transitional employment																
●	5A.2. Number of young people engaged in advance transitional employment																
●	6A. Number of young people eligible to complete Job Readiness Benchmarks																
●	6B. Number of young people who completed Job Readiness Benchmarks																
●	7A. Number of young people completing Job Readiness activity (i.e., prevocational and/or job readiness training)																
●	8A. Number of young people engaged in unsubsidized employment earning over \$1000 in a quarter																

Status	Interim Performance Measures	Chelsea				Boston				Springfield				All Sites			
		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date		Most Recent Quarter		Project to Date	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	Recidivism																
●	9A. Number of young people with “New Arrests”																
●	9B. Number of young people incarcerated/detained																
●	9B.1. Detained for a New Charge																
●	9B.2. Detained for a Technical Violation																
●	9B.3. Sentenced for a New Charge																
●	9B.4. Sentenced for a Technical Violation																
●	9B.5. Sentenced for an Open Case																
●	9C. Number of young people incarcerated who re-enrolled																
	Staffing																
●	10A. Number of Roca Staff																
●	10A.1. Number of Directors																
●	10A.2. Number of Supervisors																
●	10A.3. Number of TR1-TR2 Youth Workers																
●	10A.4. Number of TR3 Youth Workers																
●	10A.5. Number of Education/Pre-Vocational Instructors																
	Financial																
●	11A. Financial Report – Quarterly Financial Statements (please see attachment “8A”)																

APPENDIX F
COMMONWEALTH STANDARD TERMS AND CONDITIONS

APPENDIX G ROCA'S HISTORIC ATTRITION PATTERN AND TARGETTED SLOTS FILLED

Historic Attrition Rates

The table below sets forth the Historic Attrition Rates for each quarterly cohort of enrollees. These Historic Attrition Rates will be applied to each quarterly cohort to determine the overall Historic Attrition Rate. For example in Quarter 3, the overall Historic Attrition Rate will be a weighted average of the Historic Attrition Rate for three quarters for the cohort which began in Quarter 1, the Historic Attrition Rate for two quarters for the cohort which began in Quarter 2, and the Historic Attrition Rate for one quarter for the cohort which began in Quarter 3.

Attrition Pattern	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
Remaining at Roca	1.00	0.92	0.91	0.91	0.97	0.96	0.97	0.96	0.97	0.97
Roca Quarterly Attrition	-	0.08	0.08	0.08	0.03	0.03	0.03	0.03	0.02	0.02
Roca Cumulative Attrition	-	0.08	0.16	0.24	0.27	0.29	0.32	0.34	0.36	0.38

Attrition Pattern	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20
Remaining at Roca	0.97	0.97	0.98	0.98	0.98	0.98	-	-	-	-
Roca Quarterly Attrition	0.02	0.02	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00
Roca Cumulative Attrition	0.40	0.42	0.43	0.44	0.45	0.46	0.46	0.46	0.46	0.46

TARGETED SLOTS FILLED

Roca's quarterly payments are tied to the number of slots filled during any given quarter. "Slots Filled" is defined as the maximum number of young people enrolled per day at any time during the quarter. The number of slots of TR1/2 Programming to be filled for Project Quarters between Quarters 10 and 21 are: for Chelsea 70, for Boston 130, and for Springfield 100. . (While the total slots filled will not vary, slots filled by site may vary based upon actual referrals.)

Specific estimates for Roca Youth served in Boston and/or Chelsea may be adjusted throughout the duration of the Project with a goal of filling 200 to 250 slots of TR1/2 Programming across these two regions during the first 21 Project Quarters.

Projections for number of Roca Youth served following Project Quarter 21 will be based on programmatic attrition rates and the assumption that there will be no new enrollment of Roca Youth after Project

Quarter 21.

APPENDIX H FINANCING OVERVIEW¹

This overview provides a summary of certain of the terms of the agreements listed below in Sections I and II.

The summary provided in this Appendix H is qualified in its entirety by reference to the complete terms and conditions of the Loan Documents and the Grant Agreements respectively.

- I. Loan Documents (collectively, the “Loan Documents”):
 - A. Amended and Restated Senior Loan Agreement between Goldman Sachs Social Impact Fund, L.P. and Youth Services, Inc., dated as of January 30, 2015, and the First Amendment thereto dated as of November 1, 2016.
 - B. Amended and Restated Junior Loan Agreement between The Kresge Foundation and Youth Services, Inc., dated as of January 30, 2015, and the First Amendment thereto dated as of November 1, 2016.
 - C. Amended and Restated Junior Loan Agreement between Living Cities, Inc.: The National Community Development Initiative and Youth Services, Inc., dated as of January 30, 2015, and the First Amendment thereto dated as of November 1, 2016.
 - D. Subordination and Intercreditor Agreement by and among Goldman Sachs Social Impact Fund, L.P., Living Cities Inc.: The National Community Development Initiative and The Kresge Foundation on one hand and on the other hand Youth Services, Inc., dated as of January 28, 2014 and the Ratification thereof dated as of January 30, 2015..
 - E. Security Agreement by and among Goldman Sachs Social Impact Fund, L.P., Living Cities Inc.: The National Community Development Initiative and The Kresge Foundation as Secured Parties and Youth Services, Inc. as Borrower, dated as of January 28, 2014.
 - F. Deposit Account Control Agreement by and among Eastern Bank, Youth Services, Inc. and Goldman Sachs Social Impact Fund, L.P., dated as of January 28, 2014.
 - G. Non-Recourse Carve-Out Agreement by and among Goldman Sachs Social Impact Fund, L.P., Living Cities Inc.: The National Community Development Initiative and The Kresge Foundation on one hand and on

¹ Except as otherwise expressly provided in the Contract to which this Appendix H is attached, capitalized terms in this Appendix are used with the definitions set forth herein only in this Appendix.

the other hand Third Sector Capital Partners, Inc., dated as of January 28, 2014, and the First Amendment thereto dated as of November 1, 2016.

- H. Social Impact Agreement by and among Goldman Sachs Social Impact Fund, L.P. and Youth Services, Inc., dated as of January 28, 2014.
- I. Omnibus Instrument of Ratification by and among Goldman Sachs Social Impact Fund, L.P.; Living Cities, Inc.; The National Community Development Initiative; The Kresge Foundation; Youth Services, Inc.; Third Sector Capital Partners, Inc.; and Eastern Bank, dated as of November 1, 2016.

II. Grant Agreements (collectively, the “Grant Agreements”):

- A. Grant Agreement Letter from The Boston Foundation to New Profit, Inc., dated as of January 27, 2014, amended as of October 6, 2014 to make grants directly to Youth Services, Inc.
- B. Grant Agreement between New Profit, Inc. and Youth Services, Inc., dated as of January 28, 2014 (re: The Boston Foundation), superseded by amendment to the Grant Agreement Letter from The Boston Foundation to New Profit, Inc., dated as of January 27, 2014, amended as of October 6, 2014 to make grants directly to Youth Services, Inc. and further amended as of October 31, 2016 to change the disposition of any funds to be distributed pursuant to the direction of The Boston Foundation as described in Schedule 1.
- C. Grant Agreement between New Profit, Inc. and Youth Services, Inc., dated as of January 28, 2014 amended as of September 30, 2014 to change the total grant amount to no more than \$1,810,736 and amend the funding schedule and further amended as of October 28, 2016 to change the disposition of any funds to be distributed pursuant to the direction of the New Profit as described in Schedule 1.
- D. Grant Agreement between the Directors of the Laura and John Arnold Foundation and Youth Services, Inc., dated as of January 28, 2014 amended as of October 27, 2014 to change the total grant amount to up to \$3,344,350 and amend the funding schedule and further amended as of April 16, 2016 to change the disposition of any funds to be distributed pursuant to the direction of the to the Laura and John Arnold Foundation as described in Schedule 1 .

As used in this Appendix H, the following terms have the respective meanings below:

“Employment Success Payments” means all payments defined in the Contract to which this Appendix H is attached as “Department of Labor PFS Payment Due to Gains in Employment,” “PFS Payments Owed to YSI Due to Gains in Employment” and/or “PFS Payments Owed to YSI Due to Gains in Employment at Wind-Up”.

“Incarceration Success Payments” means all payments defined in the Contract to which this Appendix H is attached as “Department of Labor PFS Payments Due to Bed Days Avoided,” “PFS Payments Owed to YSI to Date Due to Bed Days Avoided” and/or “PFS Payments Owed to YSI Due to Bed Days Avoided at Wind-Up”.

“Job Readiness Success Payments” means all payments defined in the Contract to which this Appendix H is attached as “PFS Payments Owed to YSI Due to Gains in Job Readiness”.

“Pay for Success Contract” means the Original Pay for Success Contract.

Table A below describes certain terms of the Loan Documents as of January 2014. As set out in Section I above, certain of those documents have subsequently been amended.

The effect of the amendments in January 2015 was to:

1. Conform the applicable terms thereof to the terms of the First Amended and Restated Pay for Success Contract dated as of December 16, 2014;
2. Confirm the consent of the Lenders to the terms of the First Amended and Restated Pay for Success Contract dated as of December 16, 2014;
3. Acknowledge the fundings that had occurred, pursuant to the Loan Documents and the Grant Agreements at the time of the First Amended and Restated Pay for Success Contract dated as of December 16, 2014;
4. Incorporate into the funding schedule of each of the applicable Loan Documents the applicable components of the Funding Schedule set out in the First Amended and Restated Pay for Success Contract dated as of December 16, 2014;
5. Confirm the consent of the Lenders and the Grantors to the replacement of New Profit by Third Sector; and
6. Amend the “Early Termination Rights” of the Lenders.

The effect of the amendments in November 2016 was to:

1. Adopt the Funding Schedule set out in Appendix D to this Contract;
2. Limit the circumstances under which an Early Termination Loan would be made;
3. Add certain affirmative covenants regarding the grant to Roca from the Laura and John Arnold Foundation intended to pay for Project Extension Youth and Roca’s agreement to

backstop that grant and requiring YSI to provide any notice to the Commonwealth and/or Roca necessary to enforce the obligations of the Commonwealth and/or Roca, including such notice as may be required to enforce the obligations under Section 9.01(a)(iv).

4. Define Available Funds to mean liquid assets of the Borrower (not including amounts in the Job Readiness Payments Account) on the last Business Day of the applicable Project Quarter less \$2,750,000; and

5. Confirm the consent of the Lenders to the terms of the Second Amended and Restated Pay for Success Contract dated as of November 1, 2016.

The description of terms and conditions in Table A below has not been updated to reflect all of the terms and conditions of the Loan Documents as amended. The description of terms and conditions in Table A below is qualified in its entirety by reference to the actual Loan Documents as the same have been amended as described above and as the same may hereafter be amended from time to time. In the event of any conflict or inconsistency between the terms and conditions described in Table A below and the terms and conditions in the actual applicable Loan Document(s), the terms and conditions in the actual applicable Loan Document(s) will govern in all respects.

TABLE A

Borrower	Youth Services Inc. (“ Borrower ” or “ YSI ”), a Massachusetts not-for-profit corporation created as a supporting organization of Third Sector Capital Partners, Inc. (“ Third Sector ”) under section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the “ Code ”) and intended to be exempt under section 501(c)(3) of the Code. Borrower and Third Sector are referred to herein individually as a “ Borrower Party ” and collectively as the “ Borrower Parties .”
Project	<p>Goldman Sachs Social Impact Fund, L.P. or a wholly-owned designee thereof (such entity, together with its permitted assigns and successors, “Senior Lender” or “GSSIF”) will enter into a senior loan agreement (the “Senior Loan Agreement”) pursuant to which Senior Lender agrees to make a multiple draw senior term loan in an aggregate principal amount of up to \$9mm (“Senior Loan”) to Borrower as a social impact loan in accordance with the terms described herein. Living Cities (“Living Cities”) and The Kresge Foundation (“Kresge”; Kresge together with Living Cities, each, a “Junior Lender” and collectively, the “Junior Lenders” and, together with the Senior Lenders, the “Lenders”) will enter into junior loan agreements (the “Junior Loan Agreements”) pursuant to which each Junior Lender agrees to make a multiple draw junior term loan in an aggregate principal amount of up to \$1.5mm (each a “Junior Loan”, collectively, the “Junior Loans”, and together with the Senior Loan, the “Loans”) to Borrower as a program related investment/social impact loan in accordance with the terms described herein. The Loans, together with the other funding described herein, will fund the implementation of the Massachusetts Juvenile Justice Pay for Success Program (the “Project”).</p> <p>Borrower will be responsible for the use of the proceeds of the Loans and overseeing the consistent and high quality implementation of the Project. Roca</p>

Inc. (“**Roca**”) will be engaged by the Commonwealth (as defined below) and Borrower to implement the Project pursuant to the Pay for Success Contract. To enable the budget for the Project to be feasible, Roca will defer \$3.260 million that would otherwise have been paid (in addition to the \$18.53 Million specified in Section 4.05(c) of the Original PFS Contract) as the Roca Service Payment Amount (as defined in the Contract to which this Appendix H is attached) (the “**Roca Investment**”). Repayment of the Roca Investment will be required to be made only in accordance with the “Payment Terms” section.

Third Sector will be engaged by Borrower as a project manager/advisor pursuant to the Third Sector Services Agreement (defined below). To enable the budget for the Project to be feasible, Third Sector will defer 15% of the quarterly fees owed to it by Borrower between Project Quarter 1 and Project Quarter 24 under the Third Sector Services Agreement (the “**Third Sector Investment**”, and together with the Roca Investment, the “**Investments**”). Repayment of the Third Sector Investment will be required to be made only in accordance with the “Payment Terms” section. The maximum amount of the Third Sector Investment will be \$54,000.

New Profit, Inc. (“**New Profit**”) and Borrower have entered into the New Profit-YSI Fiscal Sponsorship Agreement and New Profit will be engaged by Borrower pursuant to the New Profit-YSI Fiscal Services Agreement.

To provide additional support of the implementation of the Project, Borrower will receive philanthropic grant funding (the “**Philanthropic Funding**”) from (a) New Profit in the amount of \$2 mm, and (b) New Profit in the further amount of \$4mm provided that New Profit receives funds from other grantors for the purpose of funding said \$4mm grant. New Profit expects to receive funds from the Laura and John Arnold Foundation in the amount of \$3.7 mm and The Boston Foundation in the amount of \$0.3 mm which may be used by New Profit to fund said \$4mm grant (each entity, a “**Grantor**” and collectively, the “**Grantors**”) pursuant to the Grant Agreements (as defined in the Pay for Success Contract).

The Loans and the Investments will be repaid by the Borrower on the terms described herein using the funding it receives pursuant to (a) the Pay for Success Contract based on the success of the Project, (b) the Philanthropic Funding and (c) the Loans. An evaluator (“**Evaluator**”) will be engaged by Borrower to evaluate the success of the Project pursuant to the Evaluation Agreement (defined below). A validator (“**Validator**”) will be engaged by the Commonwealth to validate the results of the Evaluator pursuant to the Validation Agreement (as defined below). Sibalytics LLC, led by Dr. Lisa Sanbonmatsu, will be the initial Evaluator and Public Consulting Group will be the initial Validator.

Pursuant to the Pay for Success Contract, payments (“**Success Payments**”) will be made by the Commonwealth of Massachusetts (“**Commonwealth**”) to Borrower based on the success of the Project. Borrower will use the Success Payments to (a) repay the Loans, the Roca Investment and the Third Sector Investment, (b) pay Project Fees (as defined below) and (c) pay Success Fees (defined below) to the Lenders, Roca and Third Sector.

The Borrower Parties and the Lenders are referred to herein individually as a “**Party**” and collectively as the “**Parties.**”

Project Timetable	<p>Subject to the conditions precedent described below, the Loan Documents (as defined below) will be executed no later than January 31, 2014 (such date of execution, the “Execution Date”). Subject to the terms and conditions summarized herein, the date of the initial advance of the Loans (“Initial Advance Date”) is expected to be no later than January 31, 2014. “Project Year” means each calendar year; provided that the first Project Year shall begin on October 1, 2013, which is deemed to be the date that Roca began providing the Roca Intervention Model (as defined below) pursuant to the Pilot Contract (such date, the “Service Commencement Date”) and end on December 31, 2014. “Project Quarter” means each calendar quarter; provided that the first Project Quarter shall begin on the Service Commencement Date and end on December 31, 2013.</p>
Term	<p>Provided that no event of default occurs, the term of the Senior Loan Agreement and the Junior Loan Agreements (each, a “Term”) will be from the Initial Advance Date until the last business day of Project Quarter 25 (the “Maturity Date”) (<i>i.e.</i>, a Term of up to 6 years and 3 months); provided, however, that Lenders will have the option to discontinue funding of the Loans as further described under the “Loan Funding” section.</p>
Loan Terms	<p>The Senior Loan will bear stated interest at a rate of 5% per annum (“Senior Interest”). Senior Interest will be calculated on the basis of the actual number of days elapsed over an assumed year of 360 days. Senior Interest will accrue with respect to each advance of the Senior Loan from the date of the making of such advance until, but not including, the date on which such advance is repaid and will be due for each Project Quarter no later than the last day of the following Project Quarter. Payments in respect of the Senior Loan will be required to be made only in accordance with the “Payment Terms” section. The Senior Loan will be secured by a collateral assignment of the Borrower’s right, title and interest in the Grant Agreements and the Junior Loan Agreements and Borrower’s right to receive the Incarceration Success Payment and Employment Success Payment under the Pay for Success Contract and by a first priority lien and security interest as described under the “Controlled Account” section.</p> <p>Each of the Junior Loans will bear stated interest at a rate of 2% per annum (“Junior Interest”). Junior Interest will be calculated on the basis of the actual number of days elapsed over an assumed year of 360 days. Junior Interest will accrue with respect to each advance of each Junior Loan from the date of the making of such advance until, but not including, the date on which such advance is repaid and will be due for each Project Quarter no later than the last day of the following Project Quarter. Payments in respect of the Junior Loan will be required to be made only in accordance with the “Payment Terms” section. The Junior Loans will be secured by a second lien and security interest as described under the “Controlled Account” section.</p> <p>In addition to Senior Interest and Junior Interest, Lenders will be entitled to receive certain success fees (“Success Fees”) as described under the “Payment Terms” section.</p>
Loan Purpose	<p>Borrower will use funds provided by the Lenders to pay agreed upon fees (the “Project Fees”). The Roca Intervention Model will be provided to young men who are involved in and/or aging out of the juvenile or adult criminal justice system in furtherance of the charitable purposes shared by Borrower, Third</p>

	<p>Sector, Roca, the Junior Lenders and the Grantors of relief of the underprivileged and the promotion of social welfare through the combating of juvenile delinquency.</p> <p>Borrower will deposit all proceeds of the Loans into the Controlled Account (as defined below) the use of which will be restricted to the payment of Project Fees and otherwise as described in the “Controlled Account” section.</p> <p>All changes to the Project Fees, including changes to the Project Fees set forth in the Funding Plan, shall be subject to the approval of the Lender Committee as described in the “Lender Committee” section.</p>
Controlled Account	<p>Borrower will direct the Commonwealth to deposit all proceeds of the installments of the Incarceration Success Payment and the Employment Success Payment into a separate controlled account (the “Controlled Account”). On the Execution Date, Borrower will enter into a security agreement (the “Security Agreement”) granting to (i) Senior Lender a first priority lien and security interest in the Controlled Account and in Borrower’s right to receive the Incarceration Success Payment and Employment Success Payment under the Pay for Success Contract to secure Borrower’s obligations to Senior Lender under the Senior Loan Agreement and (ii) each Junior Lender a second lien and security interest in the Controlled Account and in Borrower’s right to receive the Incarceration Success Payment and Employment Success Payment under the Pay for Success Contract to secure Borrower’s obligations to Junior Lenders under the Junior Loan Agreements.</p> <p>Prior to the Execution Date, Lenders, Borrower and the depository bank will enter into a controlled account agreement (the “Controlled Account Agreement”) to perfect the security interest granted to Lenders. Until such time as Senior Lender gives a control notice (a “Control Notice”) to the depository bank or the Controlled Account Agreement is terminated, Borrower will have the right to withdraw amounts from the Controlled Account solely to cause a portion of the amount in the Controlled Account to be paid directly from the Controlled Account (x) (i) to Lenders for the account of Borrower for application to the obligations of Borrower under the Senior Loan Agreement and the Junior Loan Agreements; (ii) to Roca for the account of Borrower for repayment of the Roca Investment; (iii) for the payment of Project Fees for the account of Borrower; (iv) to Third Sector for the account of Borrower for repayment of the Third Sector Investment; (v) to Lenders, Roca and Third Sector for payment of Success Fees, in each case, in accordance with the “Payment Terms” section and (y) if Borrower has elected to cause Job Readiness Success Payment to be paid into the Controlled Account, for the transfer of proceeds of installments of the Job Readiness Success Payment to the Job Readiness Payments Account in accordance with the “Pay for Success Contract” section.</p> <p>During the continuance of an event of default under the Senior Loan Agreement or either Junior Loan Agreements, Senior Lender will have the right to give a Control Notice to the depository bank, after the giving of which the Borrower will have no further authority to withdraw funds from the Controlled Account and the Senior Lender will have the authority to cause 100% of the amounts in the Controlled Account to be applied strictly in the order and priority described under the “Payment Terms” section.</p>
Subordination and	Lenders and Borrower will enter into a subordination and intercreditor

Intercreditor Agreement	<p>agreement (“Subordination and Intercreditor Agreement”) prescribed by Senior Lender pursuant to which: (a) Junior Lenders will fully subordinate their rights, claims and liens in respect of the Junior Loans to the rights, claims and liens of Senior Lender in respect of the Senior Loan; (b) Junior Lenders will appoint Senior Lender as the collateral agent under the Controlled Account Agreement with full authority to exercise any and all remedies thereunder or to decline to do so for any reason and (c) Junior Lenders will agree that any collections by or for the account of Borrower of any installments of the Incarceration Success Payment and/or Employment Success Payment that are available in the Controlled Account for application to the debt service obligations of Borrower to any Lender will be applied, and Senior Lender will be authorized to cause such amounts to be applied, strictly in the order and priority described under the “Payment Terms” section.</p>
Loan Funding	<p>Upon no less than 30 days’ advance written notice (or, in the case of the Initial Advance Date, upon 21 days’ advance written notice, which notice shall be provided on the Execution Date) (a “Borrowing Notice”) to the Lenders, the Loans will be advanced to Borrower no more frequently than quarterly over the Term in accordance with an agreed upon funding schedule (the “Funding Schedule”), unless Lenders decide to discontinue funding as described below.</p> <p>In the event that the number of slots of TR1/2 Programming actually filled (“Actual Slots Filled”) falls below the targeted slots filled (“Targeted Slots Filled”) for any Project Quarter, the Funding Schedule shall be deemed to have been modified to reduce (a) the advance expected to be made by the Senior Lender in respect of the Senior Loan and (b) the advance expected to be made by the Junior Lenders in respect of the Junior Loans, in each case, in the subsequent Project Quarter by an amount commensurate with the difference between the Actual Slots Filled for the then-ending Project Quarter as compared to the Targeted Slots Filled for such then-ending Project Quarter; provided, however, that in any Project Quarter subsequent to the Project Quarter in which such reduction shall take effect for which the Actual Slots Filled equals the Targeted Slots Filled, upon 30 days’ notice thereof from Borrower to Lenders, the Funding Schedule shall be deemed to have been modified to increase such advances by an amount equal to the aggregate amount of such prior reductions.</p> <p>In the event that Targeted Slots Filled is decreased pursuant to the Pay for Success Contract, the Funding Schedule shall be deemed to be modified to reduce (a) the advances expected to be made by the Senior Lender in respect of the Senior Loan and (b) the advances expected to be made by the Junior Lenders in respect of the Junior Loans, in each case, for the remaining Project Quarters by an amount commensurate with the applicable decrease in Targeted Slots Filled.</p> <p>Upon no less than 30 days’ advance written notice to Lenders, Borrower may, without penalty or fee, make (x) downward deviations of up to 10% from the applicable amount set forth in the Funding Schedule in no more than three Project Quarters and (y) Carryforward Deviations (as defined below). The following deviations from the applicable amount set forth in the Funding Schedule shall require approval of the Lender Committee as described in the “Lender Committee” section: (a) any downward deviations of more than 10%, (b) if Borrower has made downward deviations of less than 10% in three preceding Project Quarters, any downward deviation of up to 10%, and (c) any upward deviations; provided, however, that if the Borrower makes a downward deviation, the Borrower may make one or more upward deviations in the</p>

subsequent four Project Quarters following such downward deviation in an aggregate amount equal to such prior downward deviations without the approval of the Lender Committee (“**Carryforward Deviation**”).

Conditions to Execution and Funding

The execution of the Senior Loan Agreement and the Junior Loan Agreements will be conditioned on the conditions (“**Closing Conditions**”) agreed to in principle by YSI and the Lenders to the reasonable satisfaction of the Lenders including (i) execution and delivery by Borrower, Senior Lender and Junior Lenders of the Senior Loan Agreement, Junior Loan Agreements, the Subordination and Intercreditor Agreement, the Security Agreement, the Controlled Account Agreement and any other loan documents required thereby (the “**Loan Documents**”) and (ii) execution and delivery of the pay for success agreement, the Third Sector Services Agreement, the New Profit - YSI Fiscal Sponsorship Agreement, the New Profit - YSI Fiscal Services Agreement, the Grant Agreements, the Evaluation Agreement, the Validation Agreement, the Social Impact Agreement and the Third Sector Non-Recourse Carve-Out Agreement (the “**Core Agreements**”).

Each advance of the Loans will be conditioned on the satisfaction of conditions (“**Advance Conditions**”) set forth in Loan Documents.

Right to Discontinue Funding and Corrective Action Plans

Notwithstanding the foregoing, the Lenders will have the right (“**Early Termination Right**”) to discontinue funding of the Loans as follows:

- (i) if on the last day of Project Quarter 8, (A) the Attrition Rate of Roca Youth exceeds 250%, but is less than 350%, of the applicable historic attrition rate (the “**Historic Attrition Rate**”) and (B) either (x) Senior Lender has funded an amount equal to \$3,300,000 or (y) the number of Roca Youth is at least 650 and Senior Lender has funded its *pro rata* share of the Project Fees to allow for the full Roca Intervention Model to be provided to all Roca Youth enrolled as of the last day of Project Quarter 8, Senior Lender will have the right to discontinue funding of the Senior Loan.
- (ii) if on the last day of Project Quarter 12, (A) the Attrition Rate of Roca Youth exceeds 275%, but is less than 350%, of the applicable Historic Attrition Rate and (B) the number of Roca Youth is at least 650 and Senior Lender has funded its *pro rata* share of the Project Fees to allow for the full Roca Intervention Model to be provided to all Roca Youth enrolled as of the last day of Project Quarter 12, Senior Lender will have the right to discontinue funding of the Senior Loan.
- (iii) if on the last day of Project Quarter 8 or Project Quarter 12, the Attrition Rate of Roca Youth exceeds 350% of the applicable Historic Attrition Rate, the Lenders will have the right to discontinue funding of the Loans (regardless of the amount of the Senior Loan that has been funded by the Senior Lender).
- (iv) if, at any time, the Pay for Success Contract is terminated, the Lenders will have the right to discontinue funding of the Loans.

	<p>If on the last day of Project Quarter 8, the Attrition Rate of Roca Youth exceeds 200% and Senior Lender does not exercise its Early Termination Right, the Lenders, Borrower and Roca will agree to a plan of decreased enrollment of Roca Youth for subsequent Project Quarters and a corresponding modification of the Funding Schedule in order to reduce costs of the Project and to allow for the full Roca Intervention Model to be provided to all Roca Youth enrolled as of the end of Project Quarter 12.</p> <p>“Attrition Rate of Roca Youth” means a percentage calculated by (i) dividing the number of Roca Youth who have been Terminated From Receiving TR1/2 Programming and TR3 Programming as of the relevant measuring date by (ii) the total number of Roca Youth from the beginning of Project Quarter 1 through such measuring date.</p> <p>“Terminated From Receiving TR1/2 Programming and TR3 Programming” means the exit of any young person from Roca TR1/2 Programming or TR3 Programming prior to completing TR1/2 Programming and TR3 Programming because such young person is either: (x) deceased, incarcerated or detained for an extended period of time; (y) has moved out of the geographic area defined in the Evaluation Plan; or (z) is unsuccessful in transitioning through the Roca Intervention Model based upon the application of Roca’s generally-applicable policies and procedures (a copy of which will be appended to the Senior Loan Agreement as an exhibit).</p> <p>If on the last day of any Project Quarter beginning in Project Quarter 4, the Attrition Rate of Roca Youth exceeds 175% of the applicable Historic Attrition Rate, (x) Borrower shall provide notice thereof to the Lenders and shall provide to Lenders a remediation plan within 30 days after such notification and (y) upon notice to Lenders and Roca, Borrower will review risk levels for Roca Youth and risk levels for Control Youth to determine whether the disparity in the Attrition Rate of Roca Youth as compared to the applicable Historic Attrition Rate is attributable to a change in risk assessment tools used by the Commonwealth or a change in the risk profile of Roca Assigned Youth and Control Youth and will provide the results of such review to Lenders. Lenders, the Borrower and Roca shall mutually agree upon a modification to the Early Termination Rights, which modification shall be made within 30 days after completion of the review of the risk profile data.</p> <p>If the number of Actual Slots Filled falls below (a) 70% of Targeted Slots Filled for any Project Quarter or (b) 80% of Targeted Slots Filled over two consecutive Project Quarters, Borrower shall provide notice thereof to the Lenders and shall provide to Lenders a remediation plan within 30 days after such notification.</p> <p>Borrower and Roca will immediately implement the remediation plans described above. Results achieved under such remediation plans will be monitored by the Oversight Committee in accordance with the Pay for Success Contract. Borrower and Roca will implement such other measures as are required by the Oversight Committee or otherwise pursuant to the Pay for Success Contract.</p> <p>If the Commonwealth exercises the Commonwealth Early Termination Right (as such term is defined in the Pay for Success Contract) prior to the exercise by any Lender of the Early Termination Right, then for purposes of the “Payment Terms” section of this Appendix H, no Senior Lender Early Termination or All Lender Early Termination shall be deemed to have been exercised.</p> <p>Upon the exercise by the Commonwealth of the Commonwealth Early</p>
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	<p>Termination Right (a “CW Early Termination”):</p> <p>(i) Each Lender shall allow Borrower to continue to draw sufficient funds and each Grantor shall continue to provide sufficient grant funding (“CW Early Termination Amounts”) to fund its <i>pro rata</i> share of the difference between (a) \$650,000 plus, if the Parties, the Commonwealth and the Grantors agree to proceed with evaluation of the Project, the amount of Extended Evaluation Costs (as defined below) and (b) the amount of the Job Readiness Success Payment to:</p> <p style="padding-left: 40px;">A. pay to Roca 75% of Roca Service Fees in respect of services to be provided by Roca during the six month period following the effective date of the CW Early Termination (“Roca CW Wind-Down Service Fees”) less the amount of all payments made by Borrower to Roca that have not been expended by Roca;</p> <p style="padding-left: 40px;">B. pay any outstanding Project Fees to the Evaluator, Validator or other third parties in connection with the Project;</p> <p style="padding-left: 40px;">C. if the Parties, the Commonwealth and the Grantors agree to proceed with evaluation of the Project, pay costs in an amount approved by the Lender Committee (“Extended Evaluation Costs”) to the Evaluator and Validator less the amount of all payments made by Borrower to Evaluator and Validator that have not been expended by Evaluator and Validator, respectively;</p> <p style="padding-left: 40px;">in each case, less the amount of all advances of the Loans that have been made to Borrower and that have not been expended and are retained by Borrower; and</p> <p>Roca shall not, without approval of the Lender Committee, enroll any additional Roca Youth or incur any additional expenses, in each case, with respect to the Project, following such CW Early Termination.</p>
Payment Terms	<p>Payments in respect of the Senior Loan, the Junior Loans, Roca Investment and the Third Sector Investment will be required and permitted only as summarized in this Section.</p> <p>On the last business day of each Project Quarter, Borrower shall pay to Senior Lender outstanding Senior Interest as described in the “Loan Terms” section; provided, however, that following a Senior Lender Early Termination, such interest shall instead be paid in kind and added to the principal amount of the Senior Loan.</p> <p>On the last business day of each Project Quarter, Borrower shall pay to each Junior Lender outstanding Junior Interest as described in the “Loan Terms” section.</p> <p>Repayment of unpaid principal in respect of the Loans will be due on the last business day of Project Quarter 25 in the form of a lump sum payment. Principal may be repaid at any time, in whole or in part. There shall be no prepayment penalty.</p> <p><u>Payments Absent Senior Lender Early Termination, All Lender Early</u></p>

	<p><u>Termination or the Occurrence and Continuance of an Event of Default</u></p> <p>In Project Quarters 18, 19, 21 and 23:</p> <ul style="list-style-type: none"> (i) Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm (x) first to pay Senior Interest in respect of the Senior Loan, (y) second to pay Junior Interest in respect of the Junior Loans, on a <i>pro rata</i> basis, and (z) third to pay principal in respect of the Senior Loan. (ii) Once the principal of the Senior Loan is paid in full, Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm (x) first to pay Junior Interest in respect of the Junior Loans, on a <i>pro rata</i> basis, and (y) second to pay principal in respect of the Junior Loans, on a <i>pro rata</i> basis. (iii) Once the principal of the Senior Loan and the Junior Loans are paid in full, Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm to repay the cumulative Roca Investment. (iv) Once the principal of the Senior Loan and the Junior Loans and the Roca Investment are paid in full, Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm to repay the cumulative Third Sector Investment. (v) Once the principal of the Senior Loan and the Junior Loans and the cumulative Roca Investment and the cumulative Third Sector Investment are paid in full, Borrower will pay Success Fee in accordance with Schedule 1. <p>Upon the Maturity Date, Borrower will use (x) any remaining amounts in the Job Readiness Payments Account for repayment of the cumulative Roca Investment not yet repaid and (y) all liquid assets of Borrower (other than amounts in the Job Readiness Payments Account) after payment to Borrower in full of all installments of the Incarceration Success Payment and the Employment Success Payment to make the following payments or set-asides in the following order (the “Wind-Up Plan”):</p> <ul style="list-style-type: none"> (i) payment of outstanding Project Fees to the Evaluator, Validator, Third Sector, Roca or other third parties in connection with the Project; (ii) payment of outstanding principal, Senior Interest and legal and other costs under the Senior Loan; (iii) payment of outstanding principal, Junior Interest and legal and other costs under the Junior Loans, on a <i>pro rata</i> basis; (iv) repayment of the cumulative Roca Investment not yet repaid;
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	<p>(v) repayment of the cumulative Third Sector Investment not yet repaid; and</p> <p>(vi) payment of Success Fees.</p> <p><u>Payments Upon Senior Lender Early Termination</u></p> <p>If only Senior Lender has exercised its Early Termination Right (a “Senior Lender Early Termination”), in Project Quarters 18, 19, 21 and 23:</p> <p>(i) Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm (x) first to pay Junior Interest in respect of advances of the Junior Loans made by Junior Lenders after the effective date of the Senior Lender Early Termination (“Priority Junior Loans”), on a <i>pro rata</i> basis, and second (y) to pay principal in respect of the Priority Junior Loans, on a <i>pro rata</i> basis.</p> <p>(ii) Once the principal of the Priority Junior Loans are paid in full, Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm (x) first to pay Senior Interest in respect of the Senior Loan, and second (y) to pay principal in respect of the Senior Loan.</p> <p>(iii) Once the principal of the Priority Junior Loans and the Senior Loan are paid in full, Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm (x) first to pay Junior Interest in respect of the Junior Loans, on a <i>pro rata</i> basis, and second (y) to pay principal in respect of the Junior Loans, on a <i>pro rata</i> basis.</p> <p>(iv) Once the principal of the Senior Loan and the Junior Loans are paid in full, Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm to repay the cumulative Roca Investment.</p> <p>(v) Once the principal of the Senior Loan and the Junior Loans and the Roca Investment are paid in full, Borrower will use all liquid assets of the Borrower (other than amounts in the Job Readiness Payments Account) on the last business day of the applicable Project Quarter in excess of an aggregate amount of \$1mm to repay the cumulative Third Sector Investment.</p> <p>(vi) Once the principal of the Senior Loan and the Junior Loans and the cumulative Roca Investment and the cumulative Third Sector Investment are paid in full, Borrower will pay Success Fees; provided, however, that Senior Lender shall not be entitled to Success Fees.</p> <p>Upon the Maturity Date, Borrower will use (x) any remaining amounts in the Job Readiness Payments Account for repayment of the cumulative Roca Investment not yet repaid and (y) all liquid assets of Borrower (other than amounts in the Job Readiness Payments Account) after payment to Borrower in full of all installments of the Incarceration Success Payment and the</p>
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	<p>Employment Success Payment to make the following payments or set-asides in the following order (the “Senior Lender Early Termination Wind-Up Plan”):</p> <ul style="list-style-type: none"> (i) payment of outstanding Project Fees to the Evaluator, Validator, Third Sector or Roca or other third parties in connection with the Project; (ii) payment of outstanding principal, Junior Interest and legal and other costs under the Priority Junior Loans, on a <i>pro rata</i> basis; (iii) payment of outstanding principal, Senior Interest and legal and other costs under the Senior Loan; (iv) payment of outstanding principal, Junior Interest and legal and other costs under the Junior Loans, on a <i>pro rata</i> basis; (v) repayment of the cumulative Roca Investment not yet repaid; (vi) repayment of the cumulative Third Sector Investment not yet repaid; and (vii) payment of Success Fees; provided, however, that Senior Lender shall not be entitled to Success Fees. <p><u>Payments Upon the Occurrence and Continuance of an Event of Default or All Lender Early Termination</u></p> <p>If an event of default under the Senior Loan Agreement or either Junior Loan Agreement occurs and is continuing, Senior Lender will have the authority to accelerate the payment obligations of Borrower.</p> <p>If an event of default under either Junior Loan Agreement occurs and is continuing as a result of Borrower’s breach of any covenant required by the expenditure responsibility covenants applicable to private foundations set forth on Schedule 4 (the “Expenditure Responsibility Covenants”), each Junior Lender will have the authority to accelerate the payment obligations of Borrower under the applicable Junior Loan Agreement.</p> <p>Upon (a) the occurrence and continuance of an event of default and the election by the Senior Lender or a Junior Lender to accelerate the Senior Loan or a Junior Loan, as applicable (an “Acceleration”) or (b) exercise by all Lenders of their Early Termination Rights, unless Borrower and/or Roca are able to secure alternative equivalent funding on terms that are reasonably satisfactory to Lenders (an “All Lender Early Termination”):</p> <ul style="list-style-type: none"> (ii) Lenders shall allow Borrower to continue to draw sufficient funds (“Early Termination Loans”) to: <ul style="list-style-type: none"> A. pay to Roca 75% of Roca Service Fees in respect of services to be provided by Roca during the six month period following the effective date of the Acceleration or All Lender Early Termination (“Roca Wind-Down Service Fees”) less the amount of all payments made by Borrower to Roca that have not been expended by Roca; B. pay any outstanding Project Fees to the Evaluator, Validator or other third parties in connection with the Project; C. pay wind-down costs in an amount approved by the Lender
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	<p>Committee as described in the “Lender Committee” (“Wind-Down Costs”) to the Evaluator, Validator or other third parties less the amount of all payments made by Borrower to Evaluator, Validator and such other third parties that have not been expended by Evaluator, Validator and such other third parties, respectively;</p> <p>in each case, less the amount of all advances of the Loans that have been made to Borrower and that have not been expended and are retained by Borrower; and</p> <p>(iii) Roca shall not, without approval of Lenders as described in the “Lender Committee” section, enroll any additional Roca Youth or incur any additional expenses, in each case, with respect to the Project, following such Acceleration or All Lender Early Termination;</p> <p>provided, however, that (x) in the event of an All Lender Early Termination in which Senior Lender exercised its Early Termination Right in a Project Quarter prior to the Project Quarter in which Junior Lenders exercise their Early Termination Right, Senior Lender will have no obligation to make an Early Termination Loan; (y) in the event of an All Lender Early Termination due to the termination of the Pay for Success Contract for breach of the Pay for Success Contract by Roca, no Lender will have the obligation to make an Early Termination Loan in respect of the Roca Service Fees described in clause (A); and (z) in the event of an All Lender Early Termination due to the termination of the Pay for Success Contract for breach of the Pay for Success Contract by the Commonwealth, no Lender will have the obligation to make an Early Termination Loan.</p> <p>Upon an Acceleration or an All Lender Early Termination, Borrower will use (x) any remaining amounts in the Job Readiness Payments Account to pay Roca, (y) all liquid assets of Borrower (other than amounts in the Job Readiness Payments Account), including the proceeds of Early Termination Loans, if any, and after payment to Borrower in full of all installments of the Incarceration Success Payment and the Employment Success Payment and (z) payments from the Commonwealth, if any, in connection with an All Lender Early Termination (“Termination Payments”), to make the following payments or set-asides in the following order (the “Acceleration/All Lender Early Termination Wind-Up Plan”):</p> <ul style="list-style-type: none"> (i) to the extent not yet paid using remaining amounts in the Job Readiness Payments Account, payment of Roca Wind-Down Service Fees; (ii) payment of outstanding Project Fees to the Evaluator, Validator or other third parties in connection with the Project; (iii) payment of Wind-Down Costs; (viii) solely in the event of an Acceleration after the exercise by Senior Lender of its Early Termination Right, payment of outstanding principal, Junior Interest and legal and other costs under the Priority Junior Loans, on a <i>pro rata</i> basis; (iv) payment of outstanding principal, Senior Interest and legal and other costs under the Senior Loan; (v) payment of outstanding principal, Junior Interest and legal and other
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	<p>costs under the Junior Loans, on a <i>pro rata</i> basis;</p> <p>(vi) repayment of the cumulative Roca Investment not yet repaid;</p> <p>(vii) repayment of the cumulative Third Sector Investment not yet repaid; and</p> <p>(viii) payment of Success Fees;</p> <p>provided, however, that:</p> <p>(a) in the event of an All Lender Early Termination in which Senior Lender exercised its Early Termination Right in a Project Quarter prior to the Project Quarter in which Junior Lenders exercise their Early Termination Right, payments described in clause (i) through (iii) will be made solely using the proceeds of Early Termination Loans;</p> <p>(b) in the event of an All Lender Early Termination, the Lenders will not be entitled to payment of Success Fees;</p> <p>(c) in the event of an Acceleration, the Lenders will not be entitled to payment of Success Fees;</p> <p>(d) in the event of (x) an All Lender Early Termination due to the termination of the Pay for Success Contract for breach of the Pay for Success Contract by Borrower or (y) an Acceleration, Third Sector will not be entitled to payment of Success Fees;</p> <p>(e) in the event of an All Lender Early Termination due to the termination of the Pay for Success Contract for breach of the Pay for Success Contract by Roca, Roca will not be entitled to payment as described in clause (i) above or Success Fees;</p> <p>(f) in the event of an All Lender Early Termination due to the termination of the Pay for Success Contract for breach of the Pay for Success Contract by the Commonwealth, payments will be made in respect of clause (i) and (iii) solely using Termination Payments paid by the Commonwealth in respect of such costs; and</p> <p>(g) in the event of an All Lender Early Termination or Acceleration, any proceeds of the Grant Agreements that have not been applied to the Project may not be used to repay the principal of the Loans.</p> <p>At the end of the term of the Senior Loan Agreement and the Junior Loan Agreements and after the application of the payments contemplated by the Wind-Up Plan, the Senior Lender Early Termination Wind-Up Plan or the Acceleration/All Lender Early Termination Wind-Up Plan, as applicable, and subject to any liability that Borrower may have under the Loan Documents (including the obligation of Borrower to repay in full any portion of the Loans not used for the purposes set forth in the “Loan Purpose” section) and subject to any liability that Third Sector may have under the Non-Recourse Carve-Out Agreement, any unpaid obligations of Borrower with respect to the unpaid principal balance of the Senior Loan (and any accrued and unpaid Senior Interest thereon) and the unpaid principal balance of the Junior Loans (and any accrued and unpaid Junior Interest thereon) will be forgiven, and no further Success Fees will be paid.</p>
Reports; Meetings	Borrower will be obligated to provide Lenders with the reports described

	<p>in Schedule 2. Borrower will also be obligated to provide any other periodic or special reports reasonably requested by Lenders, including any reports necessary to comply with the Expenditure Responsibility Covenants.</p> <p>Lenders will have the right to observe and participate but not the right to vote in the meetings of the Oversight Committee (as such committee is described in the Pay for Success Contract); provided, however, that Borrower shall not approve, recommend or execute an amendment to the Pay for Success Contract in any manner that could affect the amount or timing of Incarceration Success Payment or Employment Success Payment thereunder without the prior written consent of Lenders (which may be granted or withheld in the sole discretion of Lenders). Borrower shall provide notice to the Lenders of any changes or modifications to the Pay for Success Contract.</p> <p>Lenders will have the right to observe and participate, but not the right to vote, in up to two meetings of the Operating Committee (as such committee is described in the Pay for Success Contract) per year except to the extent matters related to individual youth or other matters reasonably deemed confidential by the Operating Committee are being discussed. Lenders will provide advance notice to the Operating Committee of their attendance at a meeting of the Operating Committee and will use reasonable commercial efforts to coordinate their attendance so that all Lenders attend the same meetings of the Operating Committee. With the consent of Roca, YSI and the Commonwealth (which consent shall not be unreasonably withheld), Lenders shall have the right to attend additional meetings of the Operating Committee if additional oversight is warranted based on specifically articulated concerns regarding the performance of the Project.</p>
Lender Committee	<p>The Lenders will each be members of a committee (the “Lender Committee”) that will hold periodic meetings to review the progress of the Project and any other issues related to the Project, including as necessary to discuss any action or issue that requires the approval or consent of the Lenders.</p> <p>Approval of Senior Lender shall be required for all actions that require approval or consent of the Lender Committee; except that unanimous vote shall be required for the following actions that require Lender Committee approval or consent: (i) changes to the Project Fees; (ii) deviations from the Funding Schedule (except as expressly set forth in the Term Sheet) and (iii) enrollment of any additional Roca Youth or the incurring of any additional expenses following exercise by a Lender of its right to discontinue funding.</p>
Legal Expenses	<p>On the Initial Advance Date, Borrower will reimburse Senior Lender and Junior Lenders for reasonable and documented legal expenses incurred in connection with the transactions described herein up to an aggregate amount of: (a) \$190,000 with respect to the Senior Lender and (b) \$30,000 with respect to the Junior Lenders.</p>
Transferability	<p>Subject to compliance with applicable law, Senior Lender will have the unrestricted right to assign its interests in the Senior Loan Agreement, the Loan Documents and the associated collateral to any affiliate and to any fund in which Senior Lender or the general partner of Senior Lender or any affiliate is the general partner or managing member, provided that as a condition of such assignment the assignee joins in the Subordination and Intercreditor Agreement. Subject to compliance with applicable law, Senior Lender will also have the</p>

	<p>unrestricted right to pledge, hypothecate or otherwise leverage its interests in the Senior Loan and the associated collateral provided that as a condition of such pledge, hypothecation or leveraging any pledgee or lender joins in the Subordination and Intercreditor Agreement.</p> <p>Subject to compliance with applicable law and with the approval of Senior Lender until the Junior Loans are funded in full and thereafter without the approval of Senior Lender, either Junior Lender will have the right to assign its interests in the applicable Junior Loan Agreement, the Loan Documents and the associated collateral to any affiliate and to any fund in which such Junior Lender or any affiliate is the general partner or managing member provided that as a condition of such assignment any assignee joins in the Subordination and Intercreditor Agreement. Subject to compliance with applicable law and with the approval of Senior Lender until the Junior Loans are funded in full and thereafter without the approval of Senior Lender, each Junior Lender will also have the right to pledge, hypothecate or otherwise leverage its interests in the applicable Junior Loan and the associated collateral provided that as a condition of such pledge, hypothecation or leveraging any pledgee or lender joins in the Subordination and Intercreditor Agreement.</p>
Representations and Warranties; Covenants; Events of Default	<p>The Loan Documents will provide for customary representations and warranties, covenants and events of default as set forth on, in each case, subject to customary materiality qualifiers, exceptions and, in the case of non-payment defaults, cure periods as may be agreed upon by the Borrower and the Lenders.</p>

SCHEDULE 1

SUCCESS FEES

In Quarters 18, 19, 21 and 23, if total Success Payments exceed \$14,750,000 and in Quarter 25 if total Success Payments exceed \$14,615,000, YSI will pay success fees (“**Success Fees**”) to the Senior and Junior Lenders, Roca, and the Project Manager based on a formula that has been negotiated among those parties and the grantors to YSI.

The maximum Success Fees, which will occur when the Project itself has a high level of success in reducing incarceration and increasing employment are:

- For the Senior Lender: \$918,896
- For the Junior Lenders (split pro rata): \$488,896
- For Roca: \$714,681
- For the Project Manager: \$16,134

YSI could also retain up to approximately \$5.3 million at the end of Quarter 25. These monies will be distributed consistent with the Grant Agreements and consistent with YSI’s charitable purpose:

- A percentage of the funds remaining with YSI (representing the share of grants provided by the Laura and John Arnold Foundation “LJAF”, including the approximately \$1.67 million provided by LJAF to fund the services delivered to the Project Extension Youth) will be allocated to new Social Innovation Financing(s) (SIF) projects as that term is defined in the applicable Grant Agreement. Up to twenty-five percent (25%) of those funds can be used by YSI for intermediary operations, technical assistance and deal development relating to the development of a SIF project and the remainder of the Recycled Funds must be used as part of the capital to fund the SIF. If YSI fails to identify a suitable SIF within one year, the funds will be returned to LJAF.
- A percentage of the funds remaining with YSI (representing the share of grants provided by New Profit Inc., including the approximately \$1.67 million provided by LJAF to fund the services delivered to the Project Extension Youth) will be allocated to assist Roca in developing or expanding a program or project undertaken by Roca and located outside of the Commonwealth of Massachusetts. If YSI fails to identify a suitable project within one year, the funds will be returned to New Profit, Inc.
- A percentage of the funds remaining with YSI (representing the share of grants provided by the Boston Foundation, including the approximately \$1.67 million provided by LJAF to fund the services delivered to the Project Extension Youth) will be allocated to a new program or project undertaken by Roca and located within the Commonwealth of Massachusetts. If YSI fails to identify a suitable project within one year, the funds will be returned to the Boston Foundation.

SCHEDULE 2 **REPORTS**

Quarterly Reports

1. Bank Statements for the Controlled Account
2. Roca Interim Program Performance Measures Report

Pay for Success Contract Reports, Notices and Minutes

1. All reports and notices required to be provided under the Pay for Success Contract.
2. Promptly after adjournment thereof, any minutes of meetings of the Oversight Committee pursuant to the Pay for Success Contract, except to the extent such minutes relate to individual youth or other matters reasonably deemed confidential by the Oversight Committee.
3. Promptly after adjournment thereof, any minutes of meetings of the Operating Committee pursuant to the Pay for Success Contract, except to the extent such minutes relate to individual youth or other matters reasonably deemed confidential by the Operating Committee.

Expenditure Responsibility Reports

1. All reports required to be provided pursuant to the Expenditure Responsibility Covenants set forth on Schedule 4

SCHEDULE 3**REPRESENTATIONS AND WARRANTIES; COVENANTS; EVENTS OF DEFAULT****Representations and Warranties of Borrower**

1. Incorporation; Valid Existence; Authorization; Enforceability
2. Insurance
3. Financial Statements
4. No Changes Since Date of Last Audited Financial Statement
5. No Litigation
6. No Materially Adverse Contracts
7. Compliance With Other Instruments and Laws
8. Qualification and Filing of Application for Exempt Status
9. No Event of Default
10. Solvency
11. OFAC and Other Anti-Terrorism Laws
12. Regulation U, Margin Stock and Other Federal Reserve Regulations
13. Investment Company Act of 1940
14. Licenses and Permits
15. Not Debarred From Doing Business with the Commonwealth

Affirmative Covenants

1. Maintenance of Core Agreements
2. Application of Proceeds of Senior Loan and Junior Loans
3. Monitoring of Implementation of Project
4. Punctual Application of Success Payments
5. Financial Statements and Other Required Reports, including the Reports set forth on Schedule 2
6. Records and Accounts; Inspection (each Party will be responsible for its own costs related to any such inspection)

7. Maintenance of Existence
8. Notice of Litigation and Other Material Events
9. Insurance
10. Application for and, upon Receipt Thereof, Maintenance of Exempt Status
11. Compliance with Laws, Contracts and Licenses
12. Further Assurances
13. Replacement Service Provider, Project Manager/Advisor, Fiscal Sponsor and Fiscal Services Provider
14. Meetings
15. Customary “Single Purpose Entity” Covenants
16. Expenditure Responsibility Covenants set forth on
17. Appointment of Lenders to Oversight Committee
18. Senior Executive with Oversight Responsibility for the Project
19. Notice of any changes or modification to the Pay for Success Contract

Negative Covenants

1. No amendment to the Pay for Success Contract in any manner that could affect the amount or timing of Incarceration Success Payment or Employment Success Payment thereunder or the Success Fees or Wind-Up Schedule as set forth in the Funding Plan without the prior written consent of Lenders (which may be granted or withheld in the sole discretion of Lenders)
2. No amendment to the Project Fees or Funding Schedule as set forth in the Funding Plan without the approval of the Lender Committee
3. No Materially Adverse Amendment or Modification of Core Agreements (other than the Pay for Success Contract); Notice of Amendment or Modification of Core Agreements (other than Pay for Success Contract)
4. No Termination of Core Agreements
5. No amendment of or consent under Pay for Success Contract that would expand geographic service area without prior written consent of Lenders.
6. No amendment of or consent under Pay for Success Contract that would terminate and/or appoint a replacement for Borrower, Third Sector, the Evaluator, the Validator, or Roca without prior written consent of Lenders (such consent not to be unreasonably withheld.)

7. No approval of the Backstop Methodology (as such term is defined in the Contract to which this Appendix H is attached) without prior written consent of Lenders.
8. No modification of Commonwealth Early Termination Right pursuant to Section 9.06(b)(iv)(A) of the Original Pay for Success Contract.

Events of Default

1. Nonpayment; failure to apply Success Payments to pay Loans
2. Non-compliance with covenants
3. Falsity of representations and warranties
4. Default by Borrower under any Core Agreement
5. Bankruptcy or insolvency
6. Undischarged final judgment
7. Action to cancel, revoke or rescind any of the Loan Documents
8. Loss of exempt status, once received
9. Loss of “Single Purpose Entity” status
10. Failure by Borrower to, at all times during the Term, have in place a senior executive with oversight responsibility for the Project
11. Failure to engage a new Evaluator that is reasonably satisfactory to Lenders within 45 days after termination of the Evaluator
12. Failure to engage a new Validator that is reasonably satisfactory to Lenders within 45 days after termination of the Validator
13. Event of Default Under Security Agreements
14. Event of Default Under (x) with respect to the Senior Loan, a Junior Loan Agreement or (y) with respect to a Junior Loan, the Senior Loan Agreement

SCHEDULE 4**EXPENDITURE RESPONSIBILITY COVENANTS**

1. Borrower must repay any portion of proceeds of the Loans that are not used for the stated purpose of relief of the underprivileged and the promotion of social welfare through the combating of juvenile delinquency through support of the Project.
2. Within 120 days after the end of each fiscal year of Borrower during the term of the Loans, Borrower must provide annual financial reports of the type ordinarily required by commercial investors under similar circumstances.
3. Within 45 days after the end of each fiscal year of Borrower during the term of the Loans, the authorized representative of Borrower must provide annual certification that Borrower has complied with the terms of the Loans.
4. Within 45 days after the end of each fiscal year of Borrower during the term of the Loans, Borrower must provide an annual report, as of the end of the then-ending fiscal year of Borrower, on the use of the proceeds of the Loans and the progress made towards achieving the stated purpose of the Loans.
5. Within 120 days after the end of the fiscal year of Borrower during which a Loan is repaid (or the repayment obligation is forgiven), Borrower must provide a final report describing all expenditures made from the proceeds of the applicable Loan and indicating the progress made toward achieving the stated purpose of the applicable Loan.
6. Borrower must maintain books and records adequate to provide information ordinarily required by commercial investors under similar circumstances and make such books and records available to the Lenders at reasonable times.
7. Borrower must not use any of the loan proceeds:
 - a. to carry on propaganda or otherwise to attempt to influence legislation (within the meaning of section 4945(d)(1) of the Code; or
 - b. to influence the outcome of any specific public election or to carry on directly or indirectly any voter registration drive (within the meaning of section 4945(d)(2)), or to accomplish one of the purposes described in Section 170(c)(2)(D) of the Code.

APPENDIX I
PROVISION OF INFORMATION

APPENDIX J
CONTRACTS UNDER THE ENABLING ACT

As of October 31, 2016:

Contract	Maximum Obligation
Massachusetts Juvenile Justice PFS Project (this Contract)	\$28m
Massachusetts Pathways to Economic Advancement	\$15m
Massachusetts Alliance for Supportive Housing	\$6m
Total:	\$49m