



# Social Enterprise Demonstration Fund 2 - Summary



**The following 1000 word summary will highlight follow project areas:  
Impact, Awards, Success, Challenges, Delays, Budget Variances, Partners, Funding,  
Best Practices and Lessons Learned**

## Overall Impact

The overall impact of the project includes raising a \$2.26M place-based social finance fund that includes 20 investors from public and private sectors and range from individuals and institutions. VERGESVX, a partnership between Pillar Nonprofit Network (Pillar) and Social Venture Exchange (SVX), manages the VERGE Breakthrough Fund.

The first year of the 2 year project focused on development of governance and structure of the Fund, which included working with legal advisory Miller Thomson and fund management support from Tapestry Community Capital. We then launched and closed the VERGE Breakthrough Fund investment round, which included 14 new investors totalling \$1,535,000 of new leveraged capital committed to our local community. Thanks to the Government of Ontario and partners Libro Credit Union, London Community Foundation, Sisters of St Joseph, and early investors Alegria, Cambia and Questcapade, we were able to have the early stage operational funding and investment capital to achieve these goals.

In year 2 of the project, we focused on making investments, with total of 9 investments valued at \$1.2M with 4 investment commitments in the process of being funded valued at \$1,140,000. The fund has begun to develop its impact and financial model, with early results demonstrating job retention and creation, with 22 jobs supporting people in following targeted groups: mental health, young, newcomers, racialized, disabled, low income and rural.

Our social enterprise capacity building program has continued to have a strong offerings, including coaching, education, referrals and peer support, with over 150 social enterprises receiving support during this project timeline. From our monthly Socialpreneur Chats, to our Advisor Connect program, and finally our leading Social Enterprise Incubator, we provide social enterprises wraparound supports for all stages of development. This has included strong partnerships with the entrepreneurship ecosystem to co-develop programming in our community.

As a result, the Libro Social Enterprise Incubator helps entrepreneurs develop the necessary skills and resources needed to launch successful social enterprises. Members in the Incubator receive access to a network of entrepreneurs and financiers, a co-working space, professional and business development sessions, and mentorship. The evaluation with participants reveal that “90% of participating social enterprises agreed or strongly agreed that they increased their knowledge of running a social enterprise”

and “85% agreed or strongly agreed that the Incubator was important in moving their social enterprise forward.”

### **Our Successes**

We have become a national leading best practice for place-based social finance:

<https://www.impactinvestmentforum.com/sisf-case-studies-files/2019/3/8/verge-capital>

We have begun aligning to the UN SDGs:

<https://alliance2030.ca/funding-opportunities/verge-capital/>

Listed as one of the impact investment products in the country:

<https://www.openimpact.ca/issuers/36/products/40>

Shifting narrative in specific industries, like environmental conservation:

<https://caroliniancanada.ca/events/forum2019>

Forging groundbreaking partnerships in the field:

<https://www.forbes.com/sites/annefield/2019/04/29/after-a-long-journey-svx-is-ready-to-go-it-alone/#26f22ff21a2a>

An investee, Lucky Iron Fish, pitches on Dragon’s Den:

<https://ca.luckyironfish.com/blogs/news/lucky-iron-fish-pitch-on-dragons-den>

Lina Bowden, founder of VERGE Capital, provides remarks at Senate Committee:

<https://www.sesw.ca/blog/2018/11/06>

Andre Vashist, manager of VERGE Capital, co-hosts Social Innovation and Social Finance month with Ontario Trillium Foundation:

<https://share.otf.ca/t/shift-disruptors-what-is-social-finance/1018>

### **Our Challenges**

Challenge: Governance, Legal and Accounting structure

**Lessons Learned:** As a result of our legal incorporation, we have developed a strong governance model to ensure we are managing all stakeholder needs and ensuring compliance. Finalizing legal documentation, we learned a lot about the types of legal structures needed to ensure we can support investors, investees and maintain current legal entities involved in VERGE Capital.

#### **Best Practice:**

- Develop legal infrastructure ie. agreements, special purpose entities, and governance model
- Work with legal team that has combined experience with social impact and securities law

Challenge: Fund Management & Administration

**Lessons Learned:** We wanted to make sure we leverage best practices from the field as well as not over burdening us with learning to many new tasks or fields of practice. There are many new procedures that we developed to manage VERGE Breakthrough Fund that required iteration though some trial and error. Because many of these procedures are in relation to investee, service provider or investor, we had to get it

right quickly. We also have many stakeholders that are involved, from funders, service providers, investors, investees, staff and volunteers. Therefore we need to find a format to routinely communicate updates to our key stakeholder groups.

**Best Practice:**

- Work with experts in financial product administration and accounting
  - For us we worked with Libro Credit Union with in-kind support through their financing platform; with Tapestry Community Capital to support investor relations and tax returns through a 3<sup>rd</sup> party; and Davis Martindale to support the yearly audit and current auditor for Pillar.
- Create operations handbook to ensure consistent processes and easy communication with relevant stakeholder.
- To better serve investors, we have developed a quarterly reporting process to create better transparency and communications.

Challenge: Investor Relations

**Lessons Learned:** There were many steps to ensuring investors are accredited and understand the risks involved in investing with the Breakthrough Fund. There were also more processes developed to streamline investor onboarding on the fund once accreditation was complete and we begin the capital calls. We learned that some investors learned about us through media and referrals. They then spoke with their financial advisors, who then reached out to us. We provided information on the fund, and still feel that this relationship needs to be better developed, as we did not feel a strong support from financial advisors for a local impact investing fund.

**Best Practice:**

- Get training and support from organization with experience working with accredited investors
- Develop management trust in partnership with Exempt Market Dealer status.

Challenge: Product market fit

**Lessons Learned:** Building a product that fits the interests of investors while meeting needs of enterprises. We worked hard to find the right balance for investor in terms of interest income, regional impact and investment horizon of 7 years. Alongside the need for investees to have affordable access to capital, flexible terms and impact aligned fund services

**Best Practice:**

- Develop a proof of concept based on template of existing funds that are similar in scope, impact and stage.
- Communicate the value proposition of the fund in context of current capital markets in our local regions via traditional philanthropy and investment offerings that creates a story of fit.

Challenge: Pipeline Partnerships

**Lessons Learned:** Developing partnerships with intermediaries to identify engage organizations that fit our criteria for social enterprise is a lot of relationship building. There is turnover in staff that requires high touch points to ensure there is continuity. We have learned that developing our pipeline has come from relationship marketing as a primary business development channel. Therefore, we have focused on referrals, marketing through partners and getting in front of intermediaries to get in touch with possible investees.

**Best Practices:**

- Tailored marketing campaign towards intermediaries in region
  - Create targeted contact list that is updated frequently as new contacts are made and change in staffing occurs
  - Networks to target include: Ontario Network of Entrepreneurs, relevant industry associations, financial institutions, community and private foundations, enterprise consultants, relevant government agencies, impact investing and venture funds, and other business support organizations like Community Futures Development Corporations.
- Regular calls with network of intermediaries
  - Timing options: weekly/bi-weekly/monthly/quarterly
  - Have some structure, ie. standing agenda, terms of reference, memorandum of understanding, guiding principles
- Good marketing materials to enable clear communication within their own network
  - 1 pagers
  - Promotional kit with sample e-mail/news and social media messages
- Partnership events
  - Embed into existing ecosystem by working with them on current calendar of events, and/or developing well attended new event to engage local community
  - Ensure strong follow up with interested community members

Challenge: Operational Efficiencies

**Lessons Learned:** There has been a lot of work going from emergent to structured processes, and identifying the best order of tasks with appropriate person responsible for implementation. We have at time underestimated how much time finding the best work flow takes while we are doing the work. An fitting expression is: “Changing the tire while the vehicle is still moving”

**Best Practice:**

- Co-invest with others, though syndicated deals, or being the lead investor.
  - This has helped expedite the process at times, and also provide delays as we no longer have control of timelines and process. We are working to better understand these relationships to better manage expectations.

Challenge: Sustainability and Resiliency

**Lessons Learned:** Developing partnerships to identify organizations that fit our criteria for social enterprise

**Best Practice:**

- Staying abreast of the impact investing field alongside SVX, and through events like SOCAP18 and Reconciliation & Responsible Investment Initiative.

**Delays, Budget Variances**

We completed all milestones related to this project as per timeline. The only major budget variance was shifting funds from laptop, travel, and catering towards our marketing budget. This allowed us to implement a more effective marketing strategy to attract investors, intermediaries and investees. Thus enabling us to achieve our milestones. The projections around laptop, travel and catering were due to previous project budgets when we first started VERGE with SEDF 1 funding. Since then, our marketing needs have increased due to our increased market reach while there is less need for us to travel and cater as we engage more online and at existing events or engagements.

**Partners, Funding**

We have been very fortunate to have partners that continue to fund our work as we continue to scale towards sustainability. The London Community Foundation, Sisters of St Joseph and Cambia Foundation have all provided funds beyond this reporting period to complement our increasing revenues as a result of managing the funds. In addition our partnership with SVX has provided a lot of support for our ongoing development and connections to national social finance landscape.