



CASE STUDY

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In brief

What is SVX?

SVX (Social Venture Connexion) is a private investment platform built to connect impact ventures, funds and investors in order to catalyze new debt and equity investment capital for ventures that have demonstrable social and/or environmental impact and the potential for financial return. SVX was developed under the leadership of MaRS Discovery District (a non-profit organization) and the MaRS Centre for Impact Investing in collaboration with TMX Group. It is supported by the Government of Ontario, Torys LLP, KPMG, The J.W. McConnell Family Foundation, Royal Bank of Canada and Hamilton Community Foundation.

Who are the target users for SVX?

- **Ontario-based impact ventures and funds** (with <\$25 million revenues), including **non-profits** (including charities), non-profit and for-profit **co-operatives**, and for-profit **businesses** looking for \$100,000 to \$10 million in the following sectors:
 - **Social impact issuers:** Ventures that are creating opportunities and breaking the cycle of poverty in subsectors including affordable housing, employment services, food security, education, First Nations and new Canadians.
 - **Environmental impact issuers:** Ventures that are building environmental sustainability in subsectors including renewable energy, sustainable agriculture, consumer products, water, waste reduction and transportation.
- **Accredited impact investors** as defined under the Ontario Securities Commission regulations. Investors will include **foundations and endowments** (private, public or community), **financial institutions, asset managers, wealth advisors** and **high-net-worth individuals** that meet the definitional requirements of an accredited investor as per securities regulations. These investors are **patient, impact-first investors** with a focus on achieving positive social and/or environmental outcomes and modest to market-rate financial returns.

Ontario is showing global and local leadership. SVX is the first platform of its kind in North America. There are no similar local impact-investing platforms registered in other provinces or in the United States, Mexico or Central America. SVX is part of a broader informal global network that includes similar initiatives in Africa, Asia and Europe.

Story: What is the story of SVX?

Our story started with a simple idea: to create a market for good.

We recognized the tremendous challenges that we face in Ontario, from the hundreds of thousands of people turning to food banks to the impact of changing weather patterns in the North. We wanted to find a means to fight poverty and climate change. Community organizations lacked the financial resources to tackle these problems and take their solutions to scale. We knew we needed progressive policy and government leadership, but we also needed the means to attract the necessary financial resources to support local efforts to address our most pressing issues. It was a capital problem. We needed a market to mobilize capital for impact.

SVX was first proposed in 2007 as a platform to attract financial resources for local social ventures that focused on reducing poverty. We didn't want SVX to be another proposal that got lost in an old file folder somewhere, so we quickly organized and laid the groundwork to move from idea to initiative. We met with government. We met with local leaders in social innovation and capital markets. We met with global leaders considering similar projects in Europe, Asia and Africa.

The idea was endorsed by the Government of Ontario in 2008 as a part of its Poverty Reduction Strategy, and funding for the feasibility study and pilot was subsequently supported through Social Innovation Generation at MaRS Discovery District, the Ontario Ministry of Research and Innovation, Causeway Social Finance and TMX Group.

We had a bit of money and the strength of trusted partners to march forward with a clear vision. Next, we needed the right people.

We brought together a cross-sector group of expert advisors with decades of experience in mainstream capital markets, social finance, securities law and regulations, and the non-profit, social venture and sustainable corporate sectors to provide guidance. We also brought on a small team with the financial experience and expertise to steward the development of the initiative.

We spent a year asking fundamental questions, engaging in painstaking market research, understanding the barriers and opportunities, and shaping the contours of SVX to fit with our vision and our local conditions. We needed to know whether our idea could really work and how we could make it happen.

We found a growing number of charities, non-profits, co-ops and for-profit companies building business models to tackle the collective problems we face and turning to investors for financing to launch and scale innovative and impactful enterprises.

These local social ventures had tens of millions of dollars in capital demand. Their major problem was access to capital. We learned that their ability to achieve their mission of social and environmental change could be achieved more effectively with the right connections to the investors and service providers who could help them build their businesses.

We also found that although investors lacked the expertise and resources required to identify social ventures and make appropriate investments, they did not lack interest. There was a strong base of existing impact investing activity and a growing number of investors in Ontario and around the world who wanted to make investments that generated both a financial return and a positive impact. The total Canadian impact investing market is \$5.3 billion today, and it is expected to grow to \$30 billion in 10 years.

There was a clear need for a market in Ontario.

Our research concluded in early 2011, at which point we set about assembling the bricks and beams that are the SVX, from building the SVX website and access process to connecting with ventures and investors, to working with the Ontario Securities Commission on our terms and conditions. It was one thing to build a business plan and altogether another to put that plan into action.

The first phase of our market for good is what you are seeing today: a local impact-first platform that connects impact ventures, funds and investors in order to catalyze new debt and equity investment capital with demonstrable social and/or environmental impact.

It is an agile platform that will continue to evolve and improve. Our long-term aim is to create a fully regulated market with access for retail investors that could be parallel or integrated into mainstream markets. We are interested in spreading our model to other regions where it can have a positive impact, thus scaling our own impact.

It's really only the beginning of our story. We hope that you will follow us along the way.

Problem: What problem is SVX attempting to tackle?

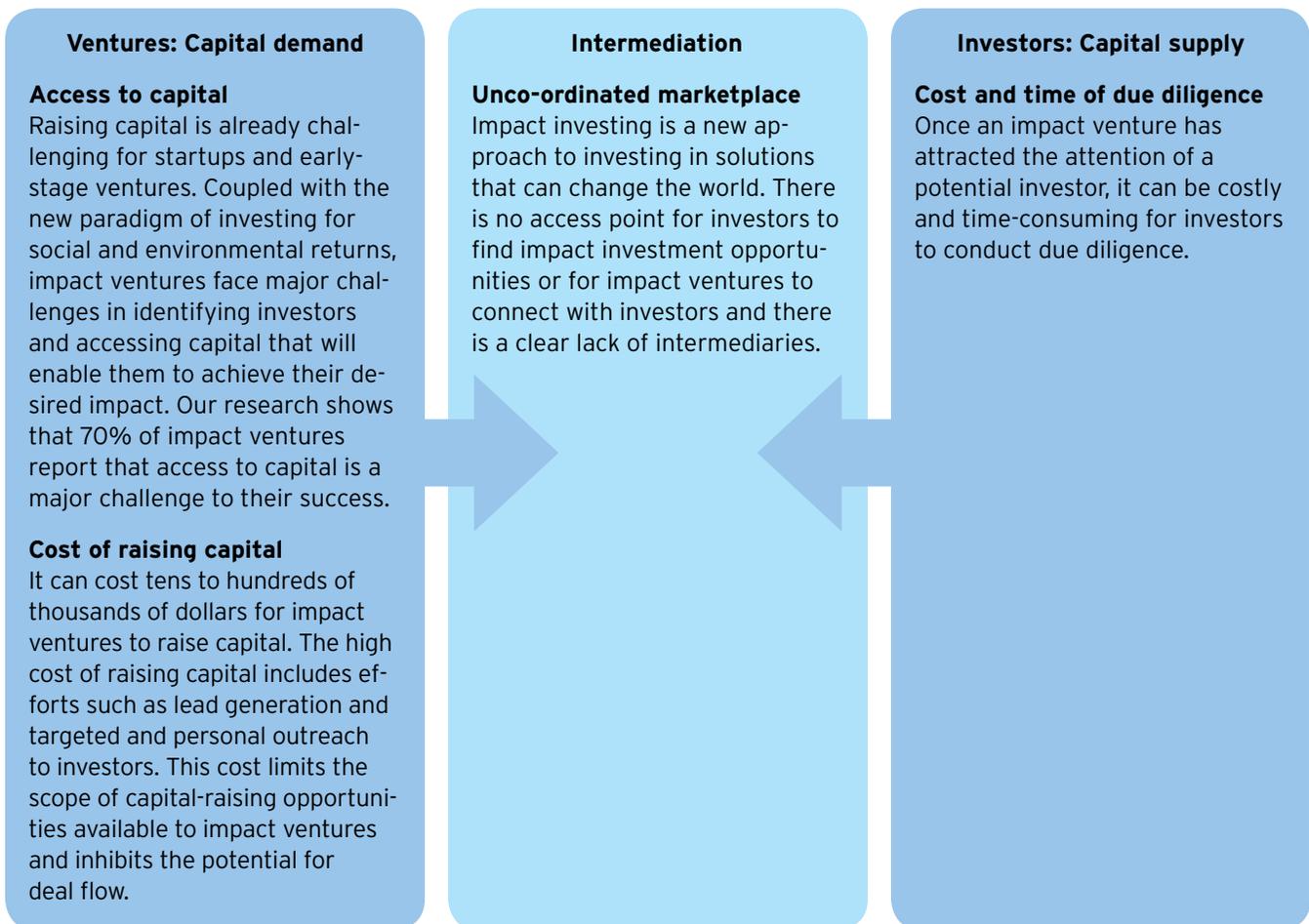
We are faced with pressing social and environmental problems at local, national and global levels. These problems are increasing in urgency and growing in complexity.

From rising inequality and intractable multi-generational poverty to the dramatic implications of climate change on our food systems and energy supply, we are collectively in search of solutions to help us maintain and improve our quality of life and the ecosystems we inhabit.

Fortunately, there is a growing group of impact ventures that are building business models to tackle these problems. Their goal is to create sustainable and resilient communities, and they are already demonstrating a breadth of solutions that solve our world's most critical social and environmental challenges.

These impact ventures need a different type of capital to help them grow, scale and achieve systemic impact. They need impact capital: a type of investment that has the goal of achieving a triple bottom line of social, environmental and economic return. However, as impact ventures are turning to investors for financing, they are facing significant challenges and barriers.

An innovation was needed to change both the way that impact ventures access capital and the way that investors access investment opportunities. SVX is this innovation.



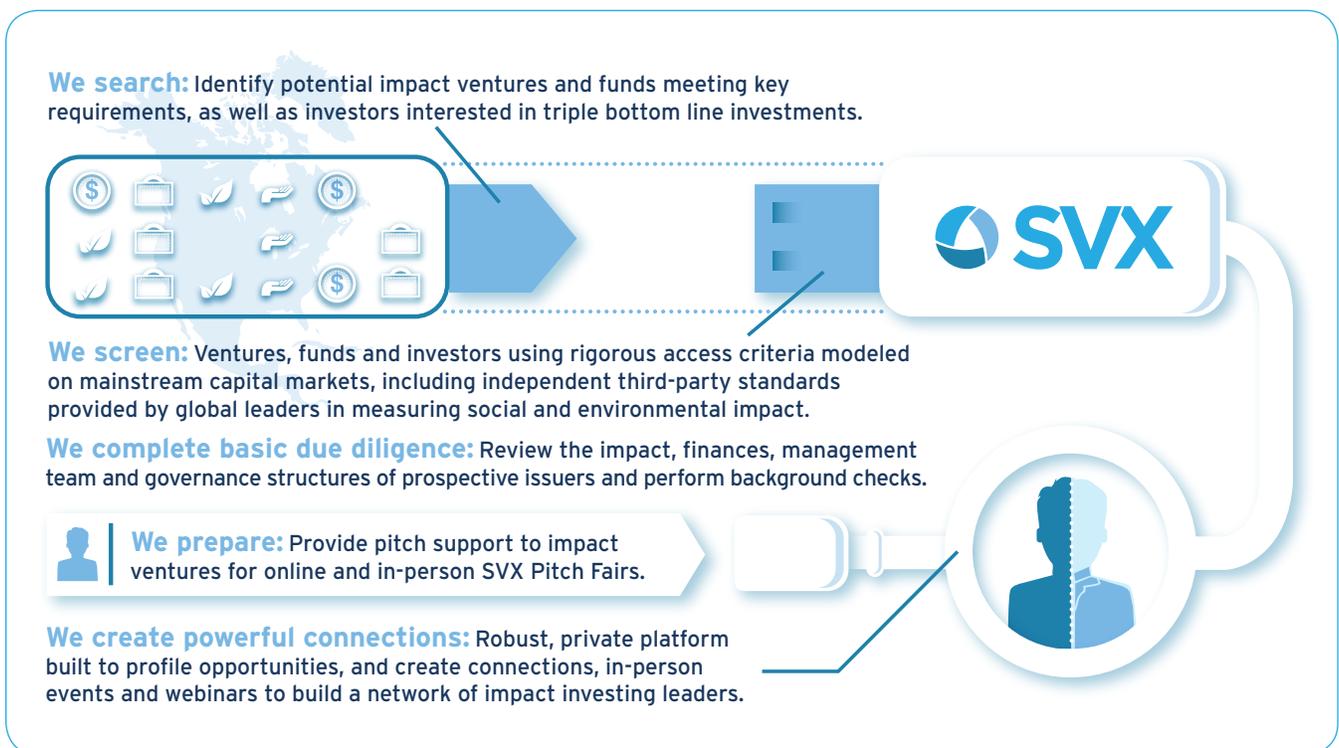
Model: What does SVX do?

For investors to maximize their impact and for impact organizations to reach their full potential, they need a space to interact, connect and share opportunities to create social, environmental and financial return. SVX was developed to meet this need.

SVX acts as a single access point to a strong local network of impact ventures, funds, investors and service providers. As a private platform that is built to connect impact ventures, funds and investors, SVX aims to catalyze new debt and equity investment capital for ventures that have demonstrable social and/or environmental impact and the potential for financial return.

By creating a space that allows investors to place their capital in enterprises that can make money and do good, and that allows high-impact organizations to find the capital they need to help them grow, SVX achieves its mission to mobilize money toward impact ventures that are reducing poverty, creating opportunities and advancing environmental sustainability.

SVX has been designed to increase access to capital for impact ventures by reducing the cost of raising capital, conducting basic due diligence for investors and creating a co-ordinated network for ventures and investors to meet and interact.



Innovation: How is SVX an innovation?

A technology and process innovation

SVX is a locally developed technology innovation custom built by The Working Group, a globally recognized web development firm based in Toronto. The robust online platform has a public front-end to attract potential investors and ventures, alongside a private, secure and password-protected portal.

The platform has a number of key functions, including:

- **an online application and progress tracking tool** with tips to answer user questions;
- **a keyword and category search directory;**
- **private deal rooms** with document sharing and user interaction features; and
- **clean profile views with feature plugins** including YouTube and SlideShare.

But SVX is more than just an innovative online portal. The technology is integrated with an important set of business process innovations.

- **Search process:** SVX is at the forefront of identifying high-impact ventures by leveraging relationships with local innovation centres, incubators and networks.
- **Review process:** SVX applies a rigorous review process to build a high-quality pipeline of investment opportunities, applying an adapted review model based on the Toronto Stock Exchange listings process. SVX reviews issuers based on a comprehensive set of criteria in governance, finances, offer and impact.
- **Venture preparation process:** SVX provides strategic venture preparation through key resources and investor translation services. SVX offers venture tools and templates (such as sample term sheets, business plans and issuance records) and provides valuable pitch practice sessions with internal advisors and external experts with capital markets and pitching expertise.
- **Venture-investor connection process:** SVX is more than a web connector. It is a network of ventures and investors, and all qualified users are placed in this network and are able to connect in a variety of formats, including online, via webinar and at in-person events. SVX employs fair and equitable practices to ensure that investors and issuers are able to connect, engage with one another and participate in the impact investing movement in meaningful and effective ways.

A capital markets innovation

SVX is an interesting capital markets innovation. It is the first online portal specifically registered with a securities regulator in Canada and the first local impact investing portal registered in North America. SVX is registered as a Restricted Dealer with the Ontario Securities Commission (OSC). SVX adheres to all relevant and applicable securities legislation as prescribed by the OSC.

SVX also holds a unique position as an independent, mission-driven capital markets actor incorporated as a non-profit. Our board of directors, staff and advisors are committed to pursuing a mission to support and enable the growth of impact investing in order to benefit social, environmental and economic development. Our strategic direction and operations fully align with our values, ensuring that we push the envelope on creating positive change. There are very few non-profit capital market players in Canada, and Community Forward Fund and Maple Leaf Angels are the only known examples in Ontario.

A social innovation

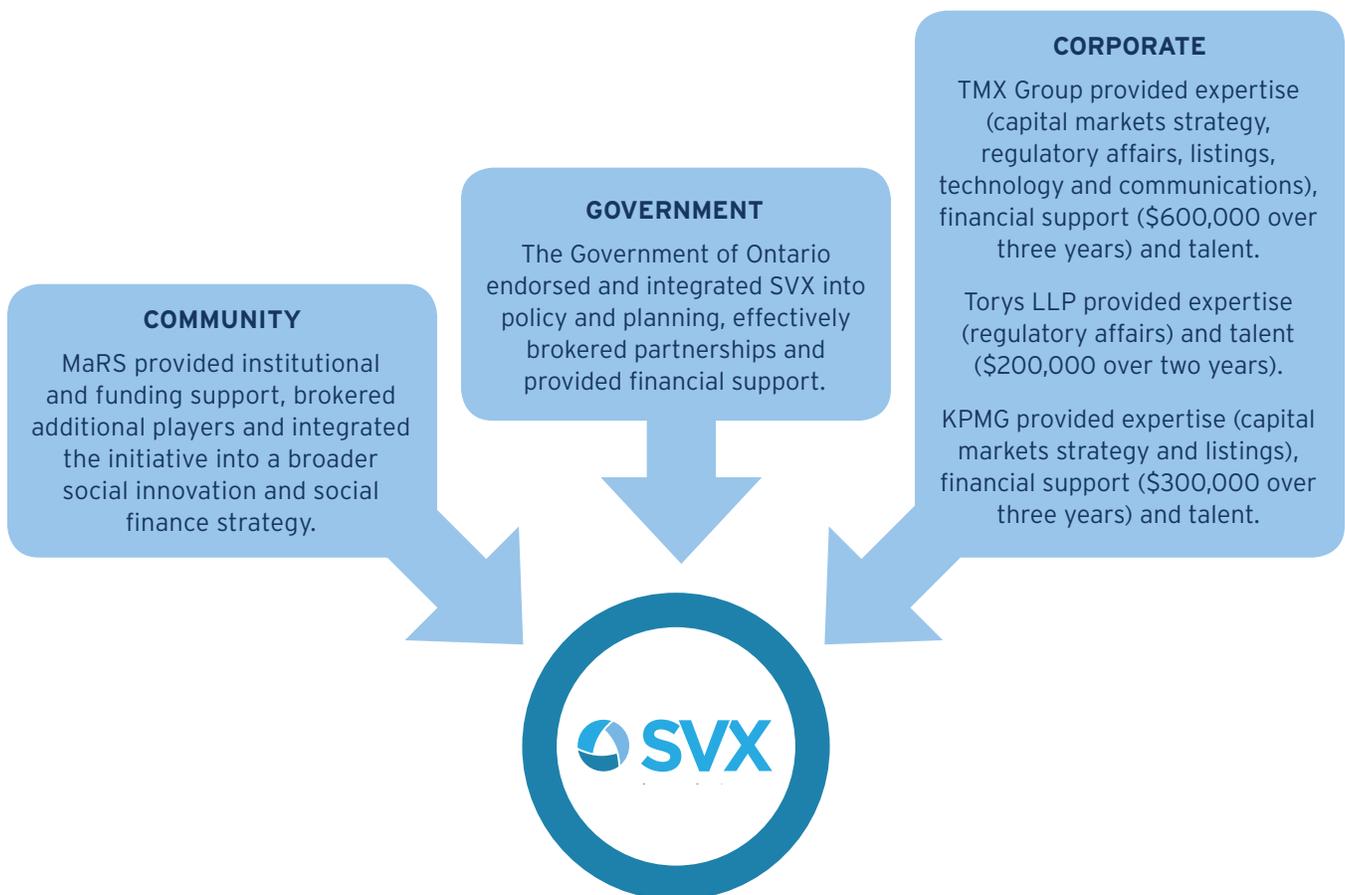
SVX is a model of social innovation that involves government, community and private-sector collaborators, with each making contributions to advance the development of SVX and to advance positive social and environmental change.

SVX was developed under the leadership of MaRS Discovery District (a non-profit organization) and the MaRS Centre for Impact Investing. MaRS provided institutional and funding support, brokered additional players and integrated the initiative into a broader social innovation and social finance strategy. Although it is a separately incorporated entity, MaRS Discovery District is the institutional home for SVX, providing a great connection to highly motivated investors and entrepreneurs.

SVX's key collaborator is TMX Group. TMX Group is an integrated, multi-asset class exchange group and the operator of the Toronto Stock Exchange. TMX Group's businesses operate cash and derivative markets for multiple asset classes, including equities, fixed income and energy. They also provide clearing facilities, data products and other services to the international finance community. As a co-founder of the project, TMX Group provides vital talent, advice and financial support to SVX. TMX has been a longstanding collaborator on the SVX project and has provided support since the concept was first developed. There was a personal motivation from staff and senior management to support the project, driven by an internal champion.

SVX also collaborates across a range of actors in impact investing, including the capital markets, financial advisor and community sectors. From legal services provided by Torys LLP to advisory support from KPMG, there is an outstanding team of collaborators committed to SVX.

The Government of Ontario was also a key contributor to the project, by endorsing and integrating SVX into policy and planning, effectively brokering partnerships and providing financial support.



It is clear that SVX is a model of **corporate social innovation**. Corporate social innovation is the process by which a company engages in an enterprising project or partnership that is aligned with both its business operations and a broader social mission. This innovation typically involves collaboration with a non-profit organization. The concept represents an evolution from corporate social responsibility in that the innovation involves the development and implementation of a business or enterprising solution with an ongoing resource commitment beyond pure financial contribution in order to address a social or environmental need, instead of a single purely philanthropic contribution to a non-profit or charity. Other examples of corporate social innovation include Grameen Danone, a business partnership in Bangladesh that is combating malnutrition through the production and sale of low-cost yogurt, and Coca-Cola's Aidpod, a wedge-shaped container that fits between the necks of the bottles in a crate of Coca-Cola, making use of the unused space to get simple medicines to every place where they distribute beverages.

Structure: How is SVX structured?

A registered capital markets player

SVX is registered as a Restricted Dealer with the Ontario Securities Commission (OSC). SVX adheres to all relevant and applicable securities legislation as prescribed by the OSC. We are highly accountable and transparent in our operations, and we employ fair and equitable processes to ensure that investors and issuers are able to connect, engage with one another and participate in the impact investing movement in meaningful and effective ways.

An independent, values-driven non-profit corporation

SVX is an independently incorporated non-profit corporation with a strong commitment to creating impact. Our board of directors, staff and advisors have committed to pursuing a mission to support and enable the growth of impact investing in order to benefit social, environmental and economic development.

- **Board of directors:** Our board of directors provides strategic direction and oversight to the organization.
- **Staff:** Our team of three staff members manages all aspects of the organization, including venture and investor outreach, compliance and regulatory affairs, communications, platform development and partnerships.
- **Advisors:** Our highly qualified and mission-driven advisors provide pro bono strategic advice and also support pitch preparation and the issuer review process.
- **Partners and service providers:** A number of partners and service providers support SVX through legal advice, third-party impact assessments, background checks and platform development.

Sustainability: How does SVX finance its operations?

SVX is a lean operation focused on maintaining long-term sustainability. It operates as a non-profit social enterprise and uses a mix of financing sources to support its operations.

- **Grants:** SVX has secured grant support from a variety of funders, including government, foundations and corporate supporters.
 - **In-kind talent and resources:** SVX draws upon its partners for contributions of in-kind talent and resources, from support in the issuer review process to providing space for events.
 - **Earned revenues:** To support its operations SVX generates earned revenues from a variety of sources. These earned revenues will increasingly form a larger percentage of total revenues as SVX drives toward self-sustainability.
 - **Access fees:** Issuers (both ventures and funds) pay an access fee to be featured on the platform. This fee, ranging from \$500 to \$2,500, is based on 12-month trailing revenues.
 - **Event fees:** Investors do not pay fees to access the platform, but fees are contributed to attend in-person events on a cost recovery basis.
 - **Franchise fees:** Moving forward, as SVX looks to scale operations into other provinces, states and nations, franchise (or local development) fees could be a form of additional earned revenues.

Impact: What is the desired impact of SVX?

Profile: Feature local ventures to demonstrate a robust pipeline of impact investment opportunities

Pipeline is one of the key challenges in the impact investing sector. One question that is often asked is: Are there enough opportunities to invest for impact? SVX hopes to address this challenge by featuring a number of local impact ventures and funds and by demonstrating a robust pipeline of impact investment opportunities. It is hoped that at least 30 issuers will be featured on the platform in the first year of operations.

Capital: Mobilize private capital for public good

The mandate of the MaRS Centre for Impact Investing is to mobilize private capital for public good. SVX provides a clear pathway to achieve this target by connecting ventures and funds seeking capital to investors looking for impact alongside the potential of financial return. The objective in Year 1 is to mobilize at least \$2.5 million in capital via investments in at least 10 issuers on the platform.

Impact: Generate demonstrable social and environmental impact

Ultimately, SVX has been developed to move the yardsticks related to the pressing problems we are facing in Ontario and beyond. Whether it is measured in the number of affordable housing units or the number of pounds of waste diverted from landfill, SVX aims to achieve a measurable impact on the pressing challenges of our time.

Scale: Build a scalable social innovation that can operate in other provinces, states and nations

There is significant potential and interest for the SVX model to expand outside of Ontario to other provinces, states and nations. SVX will seek to expand first across Canada and then, where mutually

beneficial, to the United States and other countries. The scaling of the model will not be done for the sake of pure expansion; scaling will only be done within the constraints of available resources and in collaboration with values-aligned partners.

Systems change: Challenge and change a number of existing systems

SVX is a social innovation designed to challenge and change a number of existing systems.

- **Investment industry:** Demonstrate the viability of an investment approach that seeks to balance social and/or environmental impact alongside the potential for financial return.
- **Enterprise:** Demonstrate the viability of enterprises that balance people, the planet and profit.
- **Securities regulations:** Demonstrate the potential for online investment portals and support the drive for democratizing capital via crowdfunding with an appropriate balance of robust investor protections and efficient means of registering portals and issuers.

Please note: Only accredited investors, as such term is defined in section 1.1 of National Instrument 45-106 -- Prospectus and Registration Exemptions ("NI 45-106"), based in Ontario may register as investors on SVX. The SVX platform is only accessible by ventures incorporated in Ontario. SVX is registered as a Restricted Market Dealer with the Ontario Securities Commission.

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