

SOCIAL FINANCE FORUM 2008

TORONTO, NOV. 18, 2008



Financing for our future!

CAUSEWAY



INTRODUCTION

The **Social Finance Forum 2008** was held in Toronto at the MaRS Centre on November 18, as part of Entrepreneurship Week Canada, the first ever week dedicated to entrepreneurship in the country.

The first Forum was held one year ago on October 15, 2007, the purpose of which was to learn about Canadian and global best practices and success stories in social finance and the challenges and opportunities for scaling up social finance nationally. Proceedings of the 2007 Forum can be found at: causeway.socialfinance.ca

The purpose of this second Forum was to bring together social finance pioneers, practitioners and mainstream market makers to:

- › Explore practical real-world examples
- › Network with peers across Canada and the world
- › Discover strategic and commercial opportunities to deploy social finance within organizations

The sold-out Forum attracted over 220 diverse participants, including social enterprises, non-profits, co-operatives, foundations, credit unions, loan funds, financial institutions, asset managers, lawyers, academics and government representatives.

The Summit was hosted by three partners:

Causeway

Social Innovation Generation (SiG)

MaRS

Acknowledgements

The organizers would like to thank MaRS Discovery District staff and Social Innovation Generation SiG@MaRS for their support in making the Social Finance Forum 2008 a success.

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**WELCOME &
INTRODUCTORY
REMARKS:
A PRIMER
AND STATE
OF THE NATION**



Photo: Courtesy, Christie Spinkuk of MaRS Discovery District

Social Finance Forum was held at the MaRS Discovery District, with over 220 people attending from across Canada.

WELCOME AND INTRODUCTORY REMARKS: A PRIMER AND STATE OF THE NATION

DR. ILSE TREURNICHT, CEO, [MaRS Discovery District](#), welcomed participants to the Forum venue, MaRS, which she describes as a social enterprise with a bold and optimistic mission to maximize the economic and social impact of social innovation to improve the quality of life in Canada and around the world. MaRS is focused on the opportunity of converting important Canadian ideas and discoveries into economic and social value. Ilse, explained the role of MaRS, to connect social and technology entrepreneurs to support them in growing their businesses. With social ventures co-existing with technology ventures, MaRS hopes to generate a migration of talent between these worlds.

Commenting that we live in remarkable times, very evident in the massive destabilization of the world's financial markets, Ilse suggested that these times demand remarkable responses. The world of social finance is poised as a tool to help in this transformation. Given the current environment, the ultimate challenge is getting from here to there and the Forum will be addressing this question.

TIM BRODHEAD, President and CEO, [J.W. McConnell Family Foundation](#), spoke next, setting the stage for the day's discussions. He provided some background on the Forum, which grew out of a group of people who gathered in Vancouver in 2006 to consider how to mobilize new sources of financial support for non-profit organizations. A group called [Causeway](#) was formed after this meeting, including [Ashoka](#), [PLAN](#), [Canadian Co-operative Association](#), MaRS, McConnell Foundation, [Tides Canada](#) and [Social Capital Partners](#), who set themselves the task of researching social finance in the US and UK and developing an advocacy plan directed at government, financial institutions and non-profits. They have been implementing this plan for the last two years, with their work augmented by Nancy Neamtan of the [Chantier de l'économie sociale](#) and others who contributed their knowledge to this task.

“ MaRS is focused on the opportunity of converting important Canadian ideas and discoveries into economic and social value.”

Dr. Ilse Treurnicht

“ Perhaps this is the moment when we begin to question the way our economy is managed and the purpose for which our economy exists.”

Tim Brodhead

One year ago we held a successful first [Social Finance Forum](#) from which emerged today's meeting.

Tim reflected that Ilse talked about remarkable times. No one anticipated the developments in the financial system which are about to be felt in the job market and the real economy which touch us all. We are not certain what effect this will have on public and financial support for non-profit organizations. There is evidence from past recessions that giving does not go down and recovers very quickly. However, we are very likely to see an increased level of demand with fewer government resources available and the lingering psychological effects of reduced pensions, etc.

These circumstances make it more relevant than ever to consider the opportunity of social finance. How might we shape the architecture of social finance in Canada? The urgency is greater than ever before. It is not false optimism to say that any crisis generates opportunity. Perhaps this is the moment when we begin to question the way our economy is managed and the purpose for which our economy exists. We can think of this as a hopeful rather than a depressing time.

Tim urged the audience to take from the Forum the message that considerable experience is available from which we can learn. It is not simply a matter of “yes we can” but “yes we are doing it”.

TIM DRAIMIN spoke next on how the social financial ecosystem is taking shape. Tim is the Executive Director of Social Innovation Generation (SiG) National, which is a collaborative effort on the part of PLAN, the University of Waterloo, MARS and the McConnell Foundation whose mission is to create in Canada a culture that supports social innovation. He is also the Chair of Causeway Social Finance, a collaborative initiative existing to help support all the networks and organizations working on social finance. It is focused on scaling up social finance, by fostering change and supporting network development at different levels, including political, legal, grassroots, etc. It will wind up in 3 years.

Causeway works within four program areas.



Photo: Courtesy, Christie Spinkuk of MaRS Discovery District

SFF begins with a mapping of how the social finance ecosystem is taking shape throughout Canada.

- › **Engagement of mainstream financial institutions to help promote social finance opportunities.** Causeway opened discussions with financial institutions, held a social finance panel at SRI in the Rockies, and collaborated with the Social Investment Organization to establish a working group on community investment;
- › **Mobilization of knowledge and capacity building.** We are building a network of academic institutions. For example, Carleton University, Sauder School of Business and Concordia University are represented at the Forum;
- › **Help to catalyze a national movement on social finance.** Causeway is supporting existing networks and fosters new networks, such as efforts to help create a social finance roundtable in BC, supporting Community Foundations of Canada's pilot project on responsible investing, working with Calgary Chamber of Charities to create a nascent group in social finance, among other initiatives.
- › **Policy dialogue and policy advocacy.** Because of the national election it was difficult to advance on this front, however, Causeway is conducting a strategic inquiry with the federal government. In attempts to determine their level of knowledge and potential interest in social finance.

This past year was Causeway's start-up phase. We are very happy to see so much has taken place since our launch:

- › in BC the Coast Opportunities funds were established, a social finance mechanism to implement the Great Bear Rainforest agreement, with an investment of \$120M;
- › two private capital pools were created: Resilient Capital and Renewal 2, the latter focused on the conservation economy;
- › The BC Centre for Social Enterprise is considering its best route to incorporation to enable it to access social finance;
- › while Vancity Credit Union has created a new position, SVP Social Finance;



Photo: Courtesy, Christie Spakoluk of MaRS Discovery District

Conference delegates hear that Canada has a new platform called SocialFinance.ca to unite the diverse activity from across the country.

- > in Alberta the Edmonton Social Enterprise Fund is underway, with financing received from the City of Edmonton this year;
- > Ontario has seen a number of clean tech and energy funds start up; MaRS is working on a new social venture fund;
- > Investeco is focused on environmental investments;
- > Ontario Trillium Foundation is exploring new methods of financing for community endeavors;
- > a new network, Ontario Social Finance, has been created.

Quebec is blessed with the very active Chantier de l'économie sociale while a whole new policy framework to support the social economy has been implemented in the province.

Today we have a new online platform on social finance for individuals and organizations in Canada started by Karim Harji: www.socialfinance.ca. Causeway will build its web presence through socialfinance.ca and is open to other organizations linking their activities as well. It will have the capacity to share documents and build wikis, among other features.

Tim reviewed the agenda, which focuses on Canadian developments in the morning, a lunchtime profiling of two breakthrough organizations, followed by the afternoon session focused on learning from outside of Canada, placing this knowledge within the Canadian context.



THE NEED FOR SOCIAL FINANCE

BILL YOUNG, CEO of Social Capital Partners

DEREK BALLANTYNE, CEO of Toronto Social Housing

AMY STEIN, Finance Director of Evergreen Brick Works

BRENT KOPPERSON, Executive Director of the Windfall Ecology Centre

ÉTHEL CÔTÉ, President of L'Art du développement



From left to right, Brent Kopperson, Windfall Ecology Centre; Amy Stein, Evergreen Brickworks; Derek Ballantyne, Toronto Community Housing and Bill Young, Social Capital Partners.

THE NEED FOR SOCIAL FINANCE

BILL YOUNG, the CEO of Social Capital Partners, moderated this panel which focused on answering the question: “So why do we need social finance?” and which included real estate, environment and social business perspectives on the need for social finance at project, infrastructure and community levels.

Bill introduced a set of slides prepared by Katherine Fulton of the Monitor Institute in the US on [“The Future of Social Capital Markets”](#) which was presented at a recent conference in San Francisco. The slides pointed to a convergence of forces in social finance such as:

- › Money seeking diversification
- › Values driven investors and consumers
- › Growing inequity and environmental crisis
- › Track record of early success
- › Talent pushing new careers
- › Openings for policy change.

All of these trends are “locking in” investing for impact, but can it take off? Where is social finance today in Canada? According to Fulton’s slides, there are four phases of industry evolution;

- › uncoordinated innovation
- › marketplace building
- › capturing the value of the marketplace
- › and finally, maturity.

Bill speculated that in Canada we have gone past the uncoordinated innovation phase, but we have a ways to go. Will it be possible for impact investing to achieve the third phase of capturing the value of the marketplace in 5 - 10 years?

“ They have leveraged \$65 M in short term financing invested primarily in energy and environmental renovations with a tangible return.”

Derek Ballantyne

Much as there is a convergence of forces, so too is there a convergence of actions. With the five actions outlined in her slides, Fulton shows how through coordinated leadership it is possible for impact investing to “take off”. These actions include:

- › Create industry defining funds as a beacon for how to address specific social issue(s)
- › Place substantial catalytic, risk-taking capital in mezzanine finance structures
- › Develop impact investing network
- › Set the industry standards for social measurement
- › Look for specific policy and regulatory change

Bill commented that there are certainly real challenges in advancing the social finance sector but there are many opportunities. He introduced the panel who will speak to the developments underway in their organizations.

DEREK BALLANTYNE, the CEO of [Toronto Community Housing](#), provided an overview of how they are reorganizing to advance opportunities for capital raising. They are a large housing provider, with 60,000 units of housing. A share capital corporation, they are owned by the City of Toronto. They need to recapitalize their housing stock and predict that in the long term there will not be much prospect for significant capital investment as governments are withdrawing their funding to this sector. There is a huge capital deficit building in the housing stock across the country. \$1.2 B is needed for reinvestment over the next 6 years. At Toronto Social Housing they have a 3-part strategy:

- › invest to reduce operating costs
- › leverage asset base/cash flows
- › use corporate debt instruments

They are endeavouring to garner cash flows to attract financing and have been successful at this against popular opinion. Very few people thought that the

“ While there was considerable interest in the commercial lending sector as demonstrated by the number of competitive term sheets they received, they didn’t make any headway working with non-traditional lenders.”

Amy Stein

traditional financial sector would invest in social housing. Toronto Community Housing went into the debt markets 1.5 years ago and placed \$250 M in bonds into the marketplace. They have leveraged \$65 M in short term financing invested primarily in energy and environmental renovations with a tangible return. They attracted big attention from investors looking for debt investments in their portfolio, helping them deal with their problems in the short term.

They are looking into the creation of an intermediary or arms length trust for the social housing sector with three components: 1) sufficient front end investment with reduced risk through a loan loss provision; 2) a rational intermediary so that investors can invest more easily through one common platform; 3) the creation of a flexible instrument that will generate social returns, including environmental and social benefits.

AMY STEIN, the Finance Director of [Evergreen Brick Works](#), a large scale environmental discovery centre, spoke next on her experience capital raising for construction financing. Brick Works has launched a capital campaign of \$55M and to date have raised over \$40M. They have a cash flow gap because pledges come in over 3 - 4 years. Amy began working on a construction facility to bridge this gap when she started at Evergreen in June 2008. Initially she had hoped this would be a good opportunity for social finance, however, it didn’t turn out this way. While there was considerable interest in the commercial lending sector as demonstrated by the number of competitive term sheets they received, they didn’t make any headway working with non-traditional lenders.

At the outset they developed three criteria that a social finance prospective lender needed to bring to the opportunity: 1) they needed to be highly motivated to do the deal; 2) they needed to be experienced in social finance; and 3) they had the capacity to do the deal in the \$10 - 15 M range. Once these criteria were applied there were only a few possibilities available and it was difficult to know how to approach them. While commercial lenders have people who do these deals and can assess risk, etc., the non-traditional sector isn’t organized this way. Amy commented it would be good to have a warehouse of expertise in deal analysis and investment. Moving to the deals and execution of social finance is challenging - due diligence is complex. As



Photo: Courtesy, Christie Spalko of MaRS Discovery District

Brent Kopperson is the Executive Director of the Windfall Ecology Centre.

social finance funds grow, they will have more ability to hire people with the needed competencies and this will be important for success.

BRENT KOPPERSON spoke next on his experience. He is the Executive Director of the [Windfall Ecology Centre](#) which develops renewable energy conservation projects, and Chair of the [Community Power Fund](#), a \$3M fund endowed by the Province of Ontario to support the development of community-based energy projects across the province.

They found they needed to get involved in policy development because of the nature of the barriers to on-the-ground renewable energy projects.

The worldwide electricity supply system is based on 19th century technology. There are many opportunities available through modernizing the system. It could mean a very large transition from commercial to non-commercial energy sources. It could mean a transition from a small number of large power stations and expensive grid and transition systems to a system that has small energy producing systems. What can change is an energy system not controlled by a handful of corporate entities but one made up of hundreds if not thousands of energy producers at the community level.

This is a great opportunity for social finance. We are at a crossroads, a point in time where Ontario's heritage energy assets are coming to the end of their useful life. It will cost \$60 B to replace those assets. We have a choice - fossil fuel and nuclear energy or a new path to a renewable energy future. Ontario has been headed down the first path and the integrated power system plan demonstrates that. Then a new minister of energy and infrastructure was appointed. He participated in the world wind energy conference in Kingston this past June where he met a German parliamentarian who developed their renewable energy laws. A trip to Germany to see their system first-hand revealed that their renewable energy system was largely financed in the beginning by social capital. Germany, a country one-third the size of Ontario, produces 32,000 megawatts of energy from renewable sources. Applied to Canada we could produce 50% from renewable sources. In 10 years in Germany the renewable energy sector created 215,000 new jobs because of the more labour-intensive nature of the renewable energy sector.



Photo: Courtesy, Christie Spinkuk of MaRS Discovery District

Bill Young is the Executive Director of Social Capital Partners.

If we could have a similar system in Canada, social capital investors would need to find ways to determine the best projects. It is well known and established that community-based projects tend to produce economic benefits 10 times greater than other approaches, partly because energy dollars stay in the community. Community projects have a higher social return than other projects.

In Europe where these great strides were made, the efforts started at the grassroots level. 50% of all wind projects in Germany are locally owned; 65% of projects in Denmark are locally owned.

Would it be possible to invest in our own communities and see the products of our investment? We come across many policy barriers when we attempt this. They have a very simple system in Europe: advanced renewable tariffs. In Ontario they have a somewhat similar system called the standard offer program which is not enthusiastically implemented by the Ontario power authority. Europe uses this approach for the explicit purpose of transforming the marketplace. When Germany started they saw this approach as a market transformation opportunity - it was part of their energy security and a way to reduce emissions.

They pay a fixed price. For every kilowatt delivered a long term contract is written with the state so operators can secure bank financing, guaranteed by the state cash flow. This approach is used as a social policy valve. If they want more of that energy they increase the price. They have consistently built more and more renewable energy. This has really driven the technology and prices have trended downward. They have made this market and it has spurred innovation.

A green energy act for Ontario is in development. An omnibus policy is required that provides an umbrella opportunity for the development of conservation and renewable energy programs across Ontario which will amend many pieces of legislation. Europe and California are the role models. We have a great opportunity ahead for social finance projects at the community level once the green energy act is passed. \$60 B has to be spent anyway, so why not invest in community systems? The role and opportunity of social finance has never been more important than today.



Photo: Courtesy, Christie Spikoluk of ManS Discovery District

Éthel Côté is the President of L'Art du développement, or the Centre for Community Enterprise.

ÉTHEL CÔTÉ is the President of [L'Art du développement](#), or the Centre for Community Enterprise. She talked about her experience working for two decades as a social enterprise practitioner in housing, arts, agriculture and food where she learned about strategies and opportunities to deploy social finance to support social enterprise. She was able to mobilize \$16.5M but was not able to leverage this funding. Knowing that grants are not sustainable in the long term she worked with an Ottawa law firm to find a way to create a trust fund. This resulted in the Ottawa Community Loan Fund, which over the years has developed wisdom and strategic capacity. In our experience we see that capital is only accessible if there are networks to leverage it and capacity building programs such as Enterprising Non-profits available for assistance and funding. In Ontario the goal is to create a provincial network, to build the capacity of community agencies to deliver social enterprise training in different regions, including urban and rural. We would like to make funding available to francophone and aboriginal organizations, for example, to build connections and learning across the province and develop a viable and sustainable model. Our key anticipated outcome is scaled up social enterprise financing.

We have the knowledge, expertise, resources, networks and some funding in the third sector. We have private businesses willing to work with us and invest. We still have to establish some partnerships such as with the labour movement as in Quebec. We can learn from Quebec to further our interests in creating a growing volume of patient capital. As we find with the CEDIF Tax Credit in Nova Scotia, we can mobilize credit in the service of social change. Solidarity finance, community development finance and credit unions can work together to meet community needs and restore the natural environment. There are so many opportunities, we cannot afford to work in silos any more. It is time to be proactive and find a way to build a long term strategy. Social finance is more than a tool to reduce poverty; it is a powerful agent of social change.

Following these four panelists discussing their views on the need and opportunities of social finance there was a short period of time for questions.

To Derek: *Did you find institutional support? You found ways to put together high risk, higher transaction cost instruments at a large scale. Did you get some kind of investment banking support to develop these sophisticated instruments?*



Photo: Courtesy, Christie Spikoluk of MaRS Discovery District

Amy Stein is the Finance Director of Evergreen Brickworks.

We found some institutional and investment banking support. It is not inexpensive. However, because we had volume and scale we could afford to do this. One has to find a way to bulk and aggregate demand to amortize the costs over a broader base. If we were smaller we could not do it from a cost perspective. We ended up with a conventional product in the end, one that could nonetheless fit an SRI portfolio. The product was conventional only because that was the marketplace we could find that was readily accessible for us.

To Brent: *You mentioned that community-based projects produce economic benefits ten times greater than other approaches. How are you measuring the benefits?*

There have been many studies conducted in this area, for example, see those produced by the Iowa Policy Institute. Much of this can be attributed to the fact that 60 - 85% of every dollar spent on energy goes out of the province. If we can produce energy at the local level the energy dollars stay and recirculate in the community. There are many side benefits because when the community becomes involved there is less planning opposition and more ownership of the projects. Everyone benefits from dollars circulating in the community, these are induced benefits.

To Amy: *Why didn't Evergreen look for equity investments?*

Because there is no equity in non-profits. There are ways to partner with for-profits. However, Evergreen does not own the land, but is leasing the land from the Toronto and Region Conservation Authority which is managed by the City. This complexity makes it difficult to partner with a for-profit corporation that could bring some equity to the table.

To Derek: *Can you comment on the outreach to and engagement of visible minorities?*

A significant number of our clients are visible minorities, by virtue of being low income. While we work with the community as a whole we are spending a lot of time targeting young people who are predominantly visible minorities. For example, in our spending policy we have restructured how we spend money



Photo: Courtesy, Christie Spinkokuk of MaRS, Discovery District

to support social enterprise. When we form joint ventures for energy supply systems of new housing we have a minimum requirement of investment in the community through employment and small scale social enterprise. We are using our spending power to leverage social enterprise into our new business model and we are also using the opportunity to incubate small business as we develop new space.

Opening panel, "The Need for Social Finance."

CREATING CANADA'S SOCIAL FINANCE MARKETPLACE

ROD MACGILLIVRAY, Vice-Chair of Roots of Empathy

NANCY NEAMTAN, President and Executive Director of the Chantier de l'économie

DON FAIRBAIRN, President of Resilient Capital

DR. ILSE TREURNICHT, CEO of MaRS Discovery District

DR. MICHAEL SWACK, professor of economics and management at Whittemore School of Business and Economics at the University of New Hampshire



Photo: Courtesy, Christie Spalko of MaRS Discovery District

Delegates represented a broad range of people from social entrepreneurs and investors, to representatives from foundations, federal and provincial governments and those organizations involved in building capacity and shaping policy towards a healthy social finance marketplace for Canada.

CREATING CANADA'S SOCIAL FINANCE MARKETPLACE

Building on what is happening in Canada and abroad, the next panel explored the future of the social finance marketplace with highlights of what's happening and ideas on how it can grow momentum. The three panelists were Canadian and international practice pioneers. They were introduced by Rod Macgillivray, Vice-Chair of [Roots of Empathy](#), retired from 40 years experience in the investment industry where he advised governments and crown corporations and was a Managing Director with CIBC World Markets, who posed the question: how far has social finance developed; what productive advances has it made to date?

The first panelist was NANCY NEAMTAN, the President and Executive Director of the Chantier de l'économie sociale Trust, a \$53 M investment fund offering patient capital to collective enterprises and founder and President of the Board of Directors of [Réseau d'investissement social du Québec \(RISQ\)](#), a \$10 M investment fund dedicated to the non-profit and co-operative sector. She spoke to her Quebec experience and thoughts on how to create Canada's social finance marketplace.

First, she noted, there are 3 issues to address beforehand:

When we talk about the marketplace we are referring to supply and demand, that is, growing the supply of financial tools available and social enterprises to invest in.

We are excluding grants. We have the luck to live in a province where the government is supportive of the non-profit sector. Thus, when I talk about the marketplace I mean loans, guarantees, equity and quasi-equity.

We focus on collective enterprise in Quebec, so favoured because we agree on the importance of enterprises with a social mission. The best guarantee of longevity is democratic governance and collective control - not that we are against individual good will but it is important that dollars have long term impact and the best guarantee of that is collective enterprise. The survival

“ The best guarantee of longevity is democratic governance and collective control ” *Nancy Neamtan*

“ The fund was capitalized with an initial contribution from the federal government and to date they have been able to attract \$30 M in shares from the labour movement and government.. ”

Nancy Neamtan

rate of collective enterprises is greater than private enterprises, so financing collective enterprises is another way of reducing risk.

What stage is our market at? We are in the process of building the marketplace (using Katherine Fulton's model), mobilizing impact for investors to build the marketplace. From the demand side it has been building: today the Quebec social economy includes thousands of organizations, a wide range of movements and organizations that have taken an entrepreneurial approach to respond to needs and aspirations. We have organizations in every community committed to the development of enterprise, including social enterprise.

Chantier is a network of networks promoting collective entrepreneurship. We are seeing more and more ambitious projects. The demand side is very present and the need for capital has become very important.

In terms of the supply side we have been working on this for many years. For example, 12 years ago we created a fund to start making non-guaranteed loans to non-profit and cooperative enterprises. The success of this encouraged other investors to do the same thing, such as labor pension funds.

It became clear that we could not develop the social economy only based on loans and on debt - we also needed equity. Over 10 years ago we started the Montreal Investment Fund, using exclusively private funding from financial institutions to reinvest in community housing; they are now recapitalizing. However, the most important innovation was the creation of the Chantier Économie Social Trust 2 years ago, the first time we were able to offer patient capital. The fund was capitalized with an initial contribution from the federal government and to date they have been able to attract \$30 M in shares from the labour movement and government. The demand has grown and the supply side has become more diversified and we are moving into equity.

We have found challenges in responding to and building the marketplace. Currently we have loan guarantee mechanisms supporting basic banking loans; we have been able to develop new knowledge and capacity within social enterprises to use financing other than grants; we have developed the technology to evaluate how to use equity; we have been tracking the needs and seeing the emergence of new sectors and are looking at their access to capital. However, we need to scale up. \$53M is not even close to what we need.



Photo: Courtesy, Christie Spinkuk of MaRS Discovery District

Participants brought forward challenges and perspectives that shaped the discussion with each panel.

Our other challenge is to attract other investors beyond labour pension funds and governments. How do we get into the greater market? We have considerable evidence that this is a good investment, however we do not collect and compile it. There needs to be standardized measurement mechanisms.

The main obstacle we confront is that we lack a secondary market. There are no exit strategies for our investors. We believe we could attract more investors if they could exit in 3, 4, or 5 years as they can in the stock market.

The creation of the Trust has been our most productive advance, because it is the beginning of the secondary market. It is an intermediary we have created for non-profits and cooperatives that don't want to sell shares and need access to capital and from pension funds that want a return on their investment. The major step forward was when the labour-sponsored Solidarity Fund bought \$12M worth of shares, very patient capital that is real equity which respects local control and is controlled by the movement. Highly skilled people do the analysis but the investment policy cannot be changed except by the board of the Chantier which brings together all the actors.

The second important advancement is the quality of the projects we are seeing. Now that an equity product is available the social enterprises are becoming more ambitious. We are working on specialized products because this kind of initiative has created the appetite for investors to invest more. We are working on housing and a new product for artist workshops. We are also working on proposing to the Quebec government a new legislative environment to mobilize capital for social purpose.

The last area of focus is to create a Quebec network of social finance institutions, including development capital and solidarity capital organizations to reduce costs, share knowledge, build the marketplace and respond to the growing social enterprise demands across Quebec. Hopefully we will find ways to work with the rest of Canada. The need is urgent. Let's get going.

The next panelist, Don Fairbairn is the President of Resilient Capital and has extensive experience in the development, financing and operations of infrastructure projects. He spoke first on the interests of the shareholder versus the interests of customers and employees: what drives the management

“ The main obstacle we confront is that we lack a secondary market. There are no exit strategies for our investors. We believe we could attract more investors if they could exit in 3, 4, or 5 years as they can in the stock market.” *Nancy Neamtan*

“ We raised \$75M conditional on tax changes that would permit the financing to qualify for a donation. However, the federal tax changes didn't come through and the group is still working on this aspect.”

Don Fairbairn

of risks and good outcomes is the tension within this triangle. With social finance we are trying to balance the interest of customers and employees while creating value for shareholders. We are dealing with issues of supply as it relates to capital and issues of demand related to organizations that need capital.

Speaking to developments in BC, he pointed out the constraints in a government funded system in which the revenue isn't delivered from individuals that consume the services, but from governments financed through taxation. It is a challenge to find revenue associated with the delivery of products and services of social enterprises.

There have been some advancements in BC. VanCity continues to innovate in this area, UBC has established a [Centre for Sustainability and Social Innovation](#), [BC Social Venture Partners](#) contributes to the growth of social enterprises and the Great Bear Rainforest Conservation Fund was recently established.

Don is associated with two social finance initiatives. One is an approach to funding and improving the delivery of supportive housing for the chronically homeless. Because the homeless don't vote they are poor advocates for change, thus there is a lack of financing and innovation for housing for the homeless. A group created a foundation with 25 members, including CEOs of BC companies, leading bureaucrats, etc., whose role is to advise on the delivery of services. The limited partnership's role is to raise investment capital to expose the investors to the risk of the quality of the asset. Initially, the idea of exposing capital to that kind of risk was difficult to sell. So they made it more attractive to investors to provide the funding. In order to lower the risk we had to provide better services. We raised \$75M conditional on tax changes that would permit the financing to qualify for a donation. However, the federal tax changes didn't come through and the group is still working on this aspect. We found with this project that marrying the interests of philanthropy to the interest of investors is difficult in the case of social housing.

The second initiative is “Resilient Capital”, a fund under development with the objective of maximizing the impact of important products and services, targeting enterprising non-profits and social purpose businesses focused on health and education and services that will support social housing, the disabled and the elderly. The province has seeded this fund through the provision

“ Through SiG@MaRS they have been able to build capacity in terms of networks, access to capital, and a full suite of advisory services.”

Dr. Ilse Treurnicht

of a grant to the Vancouver Foundation. The funding is to be invested in a partnership as a mission-based investment. It will be launched as an open fund with 2 - 3 investments in some targets. One of the success factors of this fund will be its association with Social Venture Partners. They have 70 partners who can provide strategic and mentoring skills to ensure the fund is successful.

Don predicts that raising capital will be less difficult than identifying and working with targeted investees.

There have been many productive advancements in the province, most of them focused on the operational level. BC hasn't thought at the level of the system, but needs to start with creating demand. There has to be enough reason to function as a system. First build the examples and then look at system level change, such as the creation of an exchange.

DR. ILSE TREURNICHT, CEO of [MaRS Discovery District](#), spoke next on the current situation at MaRS where they are just emerging out of the randomly innovative phase and beginning to build the marketplace, consistent with Katherine Fulton's framework described earlier. She pointed out that this doesn't mean that the randomness of the current initiatives aren't innovative - it is just that they are starting to be linked. MaRS has a particular gravitational pull or magnet for entrepreneurs. They bring technology and social entrepreneurs into a fully integrated stream. There is a fundamental shift with enabling technology platforms that will help social enterprises get to scale. Entrepreneurs come to MaRS because they have a big idea, typically with a big capital need as well. MaRS assists with capital-raising. Through SiG@MaRS they have been able to build capacity in terms of networks, access to capital, and a full suite of advisory services. They worked with MIT to roll out a volunteer mentoring service. MIT has found a profound shift in the nature of volunteers that sign up and the nature of volunteers that come out of the mentoring stream: about 30 - 35% are now social ventures. MaRS is finding this too. There is an enormous amount of talent aggregating around social purpose businesses. This might be an opportunity to access capital that wouldn't come through usual sources.

MaRS faces a significant challenge because the parallel approach - venture capital - is in crisis. From 2002 - 2007 there has been a 40% drop in

“ The opportunity for all of us is to go at this from a system level and build this network across the country. ”

Dr. Ilse Treurnicht

venture capital because there is no return, no liquidity and no experienced management.

We are also going through a gut wrenching transition in our economy which tends to focus the mind. Thus we find we have a significant opportunity in that the government has created a ministry of research and innovation, which includes cultural institutions and social sector innovation. This is a chance to begin to think how innovation translates across multiple ministries and administrations. We will need to help the province think about and measure impact.

Ontario has a long and rich tradition with philanthropy, but mostly the traditional and conservative philanthropy of hospitals and schools. Technology philanthropy has been an important catalyst. Is there a way we can educate and engage our key philanthropists in the process of both funding and building some of these social enterprises?

Their focus going forward at MaRS is to identify and profile success stories. Even if it is difficult to point to a key financial return there are some key social impact metrics that can activate this asset class and engage the angels in looking at opportunities through this double lens. MaRS has been investigating venture philanthropy models - there is an opportunity to create an evergreen fund, where some of the returns can be donated to MaRS. This could be used as a feeder system as more investments from traditional capital sources come available.

A new centre has been created at MaRS called MaRS Innovation, which brings together the intellectual property of 14 academic institutions. This is a tremendous window on innovation. Already MaRS is seeing significant deal flow of knowledge transfer out of the social sciences and humanities. They would like to have a better window into the learnings in academic settings. Innovations developed there can be funneled into enterprises.

Dr. Treurnicht, commented that on reflection she wished we could get beyond each of us defining our provincial marketplaces as there is tremendous learning in other provinces. The opportunity for all of us is to go at this from a system level and build this network across the country. This would be her plea on behalf of MaRS and SiG@MaRS.

“ They also pulled the CED Program assets from the stock market and put them into the community investments, generating a 6% positive return on their investments, beating out the traditional investments by a considerable margin. ”

Dr. Michael Swack

DR. MICHAEL SWACK, research faculty and professor of economics and management at [Whittemore School of Business and Economics at the University of New Hampshire](#), brought an American perspective to the panel, speaking last.

He commented that the panelists had raised a number of issues they are tackling in the US. Most of his time is spent in applied projects in building scale in the social finance sector. He also teaches financial theory which is all about incentives for people to work effectively and diversify against random shocks and sharing them with other investors. The underlying theory is about sharing and pooling and diversifying risk. The theory of finance is not how to beat the market, a lesson for these current financial times.

In his last position he tried to raise an endowment for a community economic development PhD program. He went to his trustees and president of this university, with the belief that his CED program endowment should reflect its objectives and should be invested in community economic development. He recommended a series of community investments, which were approved subject to two conditions: 1) performance of the community investments should be segregated from the performance of the rest of the fund because they didn't want the social investments to drag down the costs of the rest of the portfolio; 2) they were concerned about transaction costs because they didn't want additional costs beyond what they were already paying. The fund manager, who was an ally, said there would be zero additional transaction costs, addressing issue number 2. They also pulled the CED Program assets from the stock market and put them into the community investments, generating a 6% positive return on their investments, beating out the traditional investments by a considerable margin.

The US refers to social finance as community investment and the current situation is chaotic in the sense that the field is piecemeal. There are many institutions that don't talk to one another. They are vertically integrated and do everything themselves, including investor relations, due diligence, etc.

Michael commented that there is only one capital market and the social capital market needs to be a part of this larger market. Relationships are needed to help build the market. All players need to be present to solve the problem: insurance companies, pension funds, banks, rating agencies, government

“ These CCDFIs have been able to effectively manage risk, identify good investments, and manage a portfolio that works well. We have begun to develop products that meet needs and manage investments effectively.”

Dr. Michael Swack

agencies, university endowments, religious endowments, etc. There are currently over 700 certified community development financial institutions (CCDFI) - small and inefficient, vertically integrated financial institutions.

However, we have a proven concept in the US. These CCDFIs have been able to effectively manage risk, identify good investments, and manage a portfolio that works well. We have begun to develop products that meet needs and manage investments effectively. Notice that the for-profit world goes from a proven concept to scale; in the non-profit sector we don't know how to go to scale. Usually this involves massive investment in infrastructure. However, in the non-profit sector we build scale incrementally. If you manage to hold on to your funds for a few years you don't get more funding. In the for-profit sector, once they have built their proven concept they go out and get massive funding.

This is the big gap in the US: we have a proven concept on one side with a number of institutions that make good loans and equity investments in cooperative enterprise, energy, social housing, and social enterprise, and we have a gap between those innovations and social investors.

Investors wish to reduce transaction costs. They want to invest on a larger scale in various asset classes including fixed income, private equity, money markets, etc. We have various asset classes available in different geographies and sectors, depending on the preference of the investor.

We don't have a good way to communicate the information in a scalable way. We don't have a system and need to be more intentional about building a market and building a system. To close the gap we need to build a platform for institutions that operate in the social finance sector, but not just to share information.

We have found a company that has agreed to partner with us to create an operating platform for community development lenders and investors for over 150 different intermediaries in housing, energy, micro-finance, community facilities, etc. They are CCA Global Partners, a company based in New Hampshire, a \$10B a year company, which is an umbrella organization for retail companies organized into 15 different sector co-operatives. The platform is about more than information sharing; it is an entire method for scaling up so that the sector doesn't operate as a single organization. They behave like

“ They issue an asset-based security and get it rated to attract institutional investors. This was an important step in the development of the system. ”

a sector and create a marketplace for themselves. This firm has agreed to partner initially to build a platform for finance and then moving into housing. The goal is to build a platform to help the sector reach scale and become more efficient, to build local capacity by giving CCDFIs access to information, service and capital that they couldn't get otherwise. This shared infrastructure will support organizations in two ways: providing information tools and products to help them work more efficiently with greater impact and to connect them with each other to share tools, best practices and concerns.

The platform will support scale; we need to think as a sector. Scale matters because there are so many competent small organizations that have proved their concept in workforce development, child care, housing, micro-finance, etc., but while they do this well, they don't serve nearly the number of people who need it. We need to build scale to serve more people who need the support.

We must focus on four aspects: platform, scale, policy and system. So far we have reviewed platform and scale, the other aspects are policy and system.

Policy: Back in 1994 federal legislation was enacted to create a community development financial institutions fund in the treasury department. This money was used as investment capital, whether grants or equity investments, to build capacity in the field. This infusion of capital made a huge difference in the growth of the field. One of the leaders in the US is an entity that aggregates loans originated by the network of 150 CCDFIs. They issue an asset-based security and get it rated to attract institutional investors. This was an important step in the development of the system. They received some funding from the CCDFI initiative which made this possible.

System: Supply needs to be connected to demand. Investors need to be connected to investment opportunities. We need to determine the role of government. Are they an investor? A credit enhancer? All groups have to be at the table. The system works when the users of the system determine what is built. It needs to be built from the ground up or it won't fly.

It is hard to predict what the end system will look like, but it is essential to work together.

“ We need to work at a national level especially regarding legal structures and tax issues.”

Don

As stated in the beginning of his talk, financial theory is about incentives for people to work together to diversify and manage financial shock: it is about working together - not beating the market.

A question period followed these panelists.

What are the major hurdles for the development of the Canadian marketplace and what are the priority initiatives that can help Canada cross those hurdles?

Don: We have to have a common project and we need to put a lot of people in the room together. We need to work at a national level especially regarding legal structures and tax issues. It requires a strong single voice. Because of the early stage of our different initiatives and the experiments we are conducting, we need to build demonstration vehicles and knit them together; it is essential the conversation on tax and system changes takes place on the ground. There is great learning to be had.

What should the provincial or federal governments do to promote a social finance marketplace?

Nancy: They have to be around the table. We are trying to lever private capital for social purpose. In Quebec governments could give some legitimacy and provide some fiscal measures to get the gears rolling. The evidence is there that this can be a good investment - but possibly the government could be at the table to provide legitimacy.

Don: The Canada Revenue Agency is threatening to close a non-profit because they are too entrepreneurial and less like a charity - we have to change the legislation to allow for hybrids. We are talking about achievements over a long period of time, which is difficult to translate into a political win. How can we change that? Strong political leadership can only be levered if we can communicate that the discount rate is too high.

An audience member from MBAs Without Borders commented they had difficulty becoming a charity. Their mission is to help businesses that have a social impact in Latin America. The CRA says they are not charitable so the organization compromised and found a way to write their purposes



Photo: Courtesy, Christie Spalko of MaRS Discovery District

Participants discussed ways of engaging with capital markets towards the development of a new social finance asset class.

without stating that they are helping businesses, entrepreneurs and social entrepreneurs.

How about bringing in the credit union sector?

Don: The role of credit unions is uneven. Some credit unions are doing fabulous work and others have forgotten where they have come from. Banks are the leading agents of change with respect to tax and finance policy. The banks are becoming more interested in this because the opportunities are bigger. A major bank is committed to providing deposit accounts in which depositors can agree that every penny of interest earned can be redirected. This bank is pleased to provide advertising and to invest some equity as well. By and large there is a problem with Canadian banks which are too big. They find it difficult to understand the value of the social investment and what it can do for the bank. It is difficult internally for them to understand how to bring the parts together. We have to deal with this next year.

Is it difficult to tap into capital markets without putting a return on the social investment?

Michael: It is good to have ratings because insurance companies and other institutional investors buy the paper on the basis of ratings. For example, if the investment has a rating of A or higher they will have unlimited appetite for it. We haven't asked them if their investment was due to a social commitment. We didn't ask the institutional investors the importance of the social return. It is unclear what we need to do on this front.



SPECIAL GUEST

+

ANNOUNCEMENT

JESSICA JACKLEY FLANNERY, Co-Founder and Chief Marketing Officer of Kiva

ROBERT MARUS, Manager of Community Business Banking for Vancity and Citizens Bank

BILL YOUNG, of Social Capital Partners and Chair of the Board of Vartana



Photo: Courtesy, Christie Spikoluk of ManS Discovery District

Guest speaker, Jessica Jackley Flannery, Co-founder of Kiva, engages with SFF participants. Bill Young of Social Capital Partners and Robert Marus of Vancity sit beside her.

Two presentations were held over the lunch period of new products available in Canada's social finance marketplace:

JESSICA JACKLEY FLANNERY, Co-Founder and Chief Marketing Officer of [Kiva](http://www.kiva.org), spoke of developments in the organization she co-founded. The mission of Kiva is to connect people to end poverty. Lenders from 8 countries come to the website to browse profiles of those who need a small business loan. Kiva has borrowers as entrepreneurs in 45 countries. They partner with micro-finance institutions all over the world, which are banks for the poor who have accounts with Kiva and facilitate the loans. At the end of the loan the lenders get their money back. It is very liquid and you can e-lend at any given time. Her main message was of the possibilities of people.

Kiva started in 2005 with \$500,000 in loans in its first year and is about \$50 M today. Loans are a sticky tool for connectivity. Kiva can help us change the way we think about what's possible. Perhaps a lender can start thinking of people as their potential business partners. If that entrepreneur in Africa receives funding that isn't just funding, but is funding with heart, she can start thinking about herself and her community in a different way. Social investors in Canada have the opportunity to invest in Kiva products available online (www.kiva.org). Their model is empowering micro-finance institutions to borrow flexible 0 % debt capital from lenders. She commented that hopefully one day in the future entrepreneurs from Canada will be able to access capital from the site.

“ Kiva started in 2005 with \$500,000 in loans in its first year and is about \$50 M today.”



Photo: Courtesy, Christie Spikoluk of MaRS Discovery District

Robert Marus, of Vancity, announces with Bill Young of Social Capital Partners announce the opening of the first charity branch in Toronto, with Vartana and Citizens Bank.

ROBERT MARUS, the Manager of Community Business Banking for VanCity and **Citizens Bank**, and **Bill Young**, of Social Capital Partners and Chair of the Board of **Vartana**, announced the opening of the first charity branch in Toronto in 2009. Bill spoke to the history of launching Vartana. Initially organizers had a \$50 M commitment from the government and funding for business plans. Political changes resulted in a significant funding gap causing the board to wonder if they should wind up the bank, get further support from within government or engage VanCity. They opted to engage VanCity, using Citizens Bank as the national platform. Vartana is a charitable organization. CRA was supportive of the bank and gave it charitable status. Vartana changed its objects to become a facilitating organization and received some start-up funding from the McConnell Family Foundation.

Robert provided a brief history of VanCity, whose mission is to work with people and communities to help them thrive and prosper. They follow a triple bottom line business model. Founded in 1946, they have \$14 B in assets, 400,000 members, 60 branches, and 2,600 employees. In 2000 VanCity created a specialized unit, called **community business banking**, to house all of the underbanked and underserved areas underfinanced by the traditional financial sector. Non-profits, micro-finance, co-operatives, Aboriginal, disability and other diversity efforts were housed there. They found they had \$125M in loans and deposits with non-profits so they reinvented all of their lending guidelines, built new products and new pricing guidelines and created a new service delivery model. They hire people from the community who know the community and give them the tools to interact and create partnerships and long term relationships. As of 2007 they had 5,500 non-profit members banking with VanCity with over \$600 M in funds under administration and 30% market share. That portfolio has the lowest delinquency rate in VanCity and the highest retention and last year was more profitable than other lines of business.

Citizens Bank was formed in 1997 because provincial regulations didn't allow the parent credit union to do business outside BC. VanCity bought a trust company and converted it to a bank which became VanCity's virtual bank. They were the first virtual bank in Canada and the only bank with an ethical social policy. They are bringing this to the Toronto market.

“ The bank will be focused on the Greater Toronto Area and will be operating out of a new Front St. branch opening in January 2009. ”

Robert Marus

The offer includes the following:

A full suite of financial products and services, tailored to the unique needs of charitable and non-profit organizations.

Education and outreach, through activities such as capacity building workshops, participation in the dialogue of social finance, contributing to events, etc.

Financial advice, to add value by increasing the awareness of how products and services can be effectively leveraged to strengthen the organization

The official launch is very early 2009. The bank will be focused on the Greater Toronto Area and will be operating out of a new Front St. branch opening in January 2009. A community business manager will be available shortly thereafter.

Robert commented that the success of this initiative and the experiences they have in the GTA will drive the expansion of the initiative throughout Ontario and the rest of Canada. Its deposits will affect how much it can lend. The bank is looking at developing full relationship with non-profits, not just focusing on the lending side.

After a brief networking period, the next panel was convened.

THE RISE OF THE SOCIAL FINANCE ASSET CLASS

Dr. Edward (Ted) Jackson, Associate Dean of Research
for the Faculty of Public Affairs at Carleton University

ARTHUR WOOD, VP, Social Financial Services at Ashoka

RON LAYTON, Founder and CEO, Light Years IP

GUILLERMO MACLEAN, the Vice President of Deutsch Bank Quality of Life Markets



Photo: Courtesy, Christie Spinkukuk of ManS Discovery District

Guillermo Maclean, VP of Deutsch Bank Quality of Life Markets, Ron Layton, Light Years IP, Arthur Wood, VP Social Finance Sevices, Ashoka.

THE RISE OF THE SOCIAL FINANCE ASSET CLASS

Social finance has gained ground as a global asset class led by micro-finance and affordable housing. It's also proving to be resilient and stable amidst a tumultuous market. The first afternoon panel discussed this asset class and its future direction and opportunities.

DR. EDWARD (TED) JACKSON, Associate Dean of Research for the [Faculty of Public Affairs at Carleton University](#), moderated the panel. He began by asking where to from here and how do we scale up? We are facing serious unemployment and dislocation issues. The issue of scale matters. We must move quickly to reach significant numbers. In order to do this we must learn from some of the best deal makers and strategists that we can find.

ARTHUR WOOD, VP, Social Financial Services at Ashoka, made a presentation on [“Leveraging Social Capital: Its Time for a Change”](#). Traditionally the relationship between bankers, lawyers and the social sector is divided. However, going forward we need to act as one family. There is a serious financial crunch ahead in the marketplace, a result of population aging, a worldwide phenomenon that will affect all G-7 countries. Funding spent on health and pensions in the US will increase by 40% in the next 10 years. In Japan, 70% of the population will be over the age of 65 by then. Governments will not be able to provide the resources we need going forward. There is a double whammy in that 3 years from now there will be a structural decline in the tax base while the demand on pensions and health care increases. Faced with this scenario, governments will withdraw and the citizen sector will continue to expand. Demographics will also result in the largest transfer of wealth in human history. 60% of the assets will be transferred by 1% of the population. This, too, will transform the way the sector is funded.

Currently we are faced with a schizophrenic situation. The cost of allocation of the grants received by the non-profit sector is 20 - 50 cents on the dollar, that is up to half of the grant goes into recovering costs to secure the grant. While the sector is significant with a \$1.4 trillion asset base, less than 3.8% have revenues over \$10M. There are high degrees of fragmentation in this huge market.

“Traditionally the relationship between bankers, lawyers and the social sector is divided. However, going forward we need to act as one family.”

Arthur Wood

Arthur presented a spectrum of social capital investment, created in 1888 - 1944, which he refers to as “essentially pre-modern capitalism”. In the for-profit world, the socially responsible investment market is growing exponentially, by 800% in Holland, for example. There is roughly \$4 trillion in SRI globally, coupled with expansion in CSR. On the other side there is a market of roughly \$400 billion in grants, of which 50% is the cost of capital-raising. He posed the question of how grant capital can leverage the significant amount of capital in the for-profit sector. Currently there is no leverage; we continue to use one product - the grant - that was invented in 1888. This results in massive underleverage and a lack of financial tools to allow people to bridge the gap between the two.

The system needs to work at a larger scale to collaborate on these issues, otherwise the sector will end up in small silo value propositions rather than larger propositions that allow change to be affected on a broader basis. A banker, for example, prefers to see a replicable business that has scaled up and can be repeated over and over again.

Arthur pointed to a value chain financing case study which revealed a spectrum from no financial return (grant) to below market return (recoverable grants and Program Related Investments) to market return (Investment Plus and Mainstream Investments). Commenting that if you want to win the battle you have to change the battlefield, Arthur pointed to two developments which are changing the field of play: a community investment company in the UK and a new piece of legislation recently passed in the US, the L3C, the latter which creates an entity which can have a for profit and a non-profit within the same structure, making Program Related Investments more accessible to the social sector.

If one thinks of the position of the firm, the firm can allocate its corporate social responsibility (CSR) budget into investments with 100% loss; or it can use the capital in between to develop a social enterprise; in so doing, the whole range between zero and 12% comes available, allowing the enterprise to bring the tools of capital to the marketplace.

This changes the ground rules of the social and the corporate sectors, leading to a framework where you can layer out different investments with different risk return parameters. The philanthropic market is becoming interesting to

“ We need to find a way to draw in more private capital and leverage 100% of foundation assets, not simply the 5% of distribution capital; we need to find a way to work with the corporate sector to achieve scale while protecting the interests of our constituencies.”

Arthur Wood

bankers because it is the sole market where people will happily make a loss. He commented that it is time to bring the new tools of banking and the new tools of the corporate world into the unleveraged non-profit world.

The foregoing enables us to think about a range of financing options that incentivizes companies, banks and civil society, integrating for-profit and not-for profit-players.

What are the critical ingredients? The political will to do this; metrics and audit mechanisms; cost benefit analyses; an ability to identify the community distribution chain; a single platform with a single language needs to be created. Structurally the status quo is not going to be bailed out. There is certain to be a significant decline in government, meanwhile banks are looking for markets to take to scale.

If we are prepared to use tax breaks and legislative incentives to enable business entrepreneurs to tap capital markets for the betterment of the economy, why are we not prepared to use the benefits of the tax system for the betterment of society?

To solve some of the problems we confront, governments have to change legislation, including tax treatment and legal structures, such as Community Investment Corporations and L3C corporations; we need to empower the base of the pyramid/the community; collaboration from the social sector is critical; we need to find a way to draw in more private capital and leverage 100% of foundation assets, not simply the 5% of distribution capital; we need to find a way to work with the corporate sector to achieve scale while protecting the interests of our constituencies; banks must bring their skills to bear along the whole value chain; and we need new intermediaries to safeguard the interests of both players.

Arthur summed up his presentation by suggesting there are two key issues: one is the legal terms of the environment that affect how we can engage the corporate and banking sectors; and the second is the creation of intermediaries that allow the engagement of the corporate and social sectors.

RON LAYTON, Founder and CEO, [Light Years IP](#), spoke next. Ron combined a successful career in economic development and intellectual property (IP)



Photo: Courtesy, Christie Spinkokuk of MaRS Discovery District

Ron Layton, Light Years IP

business to design the Light Years IP vision of engaging IP business techniques to alleviate poverty and secure higher export income for low-income producers, particularly in developing countries.

Light Years IP alleviates poverty by assisting producers, exporters and governments in the developing world to analyze their export potential by identifying intangible value and using intellectual property tools (i.e. patents, trademarks, licenses) to secure sustainable export income. The ownership of IP is secured in market countries through the existing IP legal frameworks of the developed world.

Ron used the example of coffee, a world class product with prices that do not reflect supply and demand, the result of which is extreme poverty on the part of the coffee growers and their families. Ron helped create a new collaboration between the producer and distributor in Ethiopia, which generated a \$100M return per annum from an investment of \$2.5M in commercial investment, resulting in the improvement of the lives of 4 million coffee farmers and small traders and benefits to developed country coffee distributors. Ethiopia now owns the coffee brands in their markets and, for example, Starbucks must get a license from the producers for the coffee brands it retails in developed countries. Ron doesn't refer to this as a social investment, but a commercial investment.

Ron and Arthur at Ashoka are looking to see how this model might be leveraged and are considering an investment vehicle that will affect 40 million people. It is difficult to find opportunities in the social sector where this kind of yield is possible. Perhaps it is achievable by carving out a certain piece of the investment that has commercial attributes. By leveraging government or donor funding one can reduce the risk. Companies know it is no longer acceptable to scorch the earth and pass on low prices to communities. Multi-national companies will find these models to be of mutual benefit.

As Ron sees it, the company receives a commercial benefit and a significant enhancement to its supply chain from which they are currently securing limited benefits. Consider the opportunities: distinctive products in Africa, Kenyan tea, Ugandan vanilla. Are there opportunities in the Canadian context? Which social sectors can create yields and can create investment opportunities at the scale of \$100 - 200 M?



Photo: Courtesy, Christie Spikoluk of MaRS Discovery District

Guillermo Maclean, VP of Deutsch Bank Quality of Life Markets.

GUILLERMO MACLEAN, the Vice President of Deutsch Bank Quality of Life Markets, followed Ron's presentation with an overview of what Deutsch Bank calls Quality of Life Markets, or Qmarkets. His concept is still in the startup and launch phase and has not been completely tested. Their first Qmarket is called Dignified Homes. They have found an opportunity to create a market around affordable housing, where they have identified a valuable exchange, critical to the concept they are pursuing. The way the Qmarket concept works, there is one side of the trade in which people would say they wished "dignified homes" would go from 40% to 70% growth in 10 years and would be willing to pay a certain amount for this, e.g. \$10M in 10 years if dignified homes reach 70%. Essentially this phase is about assigning a value to a non-controversial, non-political social issue - a value is signed that makes the value tangible. So far with this example, \$30 - 45 M of commitments have been generated, with signed letters of intent for roughly this amount.

On the other side, they plan to auction off the rights to that money. Whomever buys the rights buys the challenge to build out the homes. Let's assume we have \$100M and someone buys the rights to that money for \$4M. We are creating something equivalent to stock options. It is important to incorporate a goal the market thinks is incredibly ambitious but not impossible. In this fashion, we are putting together the doers with the promisers and creating an active market where transactions will actually occur. However, it can be a challenge to define a non-political, non-controversial vision of the future.

TED JACKSON wound up the panel by asking the audience to consider the question: Of the methods and strategies you have just heard, which of these could be applied in your region? Give us a sense of what these methods could deliver on a particular social or environmental issue. After a 10-minute discussion at large tables, Ted invited people to address the panel with their thoughts and questions. Their comments follow.

There is a huge opportunity on the leveraging side, where you have companies or asset management firms whose CSR programs can support their pension funds. They can consider the opportunity of grants to build their capacity to manage loans.

“ We are putting together the doers with the promisers and creating an active market where transactions will actually occur. ”

Guillermo Maclean

We have dairy and chicken marketing boards that function similarly to the coffee situation in Ethiopia. Guillermo’s concepts were of interest to us. He was clearly trying to operationalize a social capital marketplace.

How do we empower the poorest of the poor in Canada where we have economic apartheid? What can they sell to leverage their assets? In the case of the black community, we have our culture. If we had made hip hop intellectual property we would be the richest people on earth. Too bad we can’t trade mark and package that. In Toronto the black community hosts an annual event called [Caribana](#) that generates \$500M in wealth across the city. We don’t see a penny of that. In our group we looked at how we could use that event to our better economic advantage.

Regarding the intellectual property example, how do you get the value in the hands of the people who generate the value? In the case of artists, how do you monetize the value they generate?

The Gates \$3 B vaccination deal took future aid flows and brought them into the present day. The citizen sector was empowered to negotiate terms so that the cost of vaccination dropped considerably. Everything in the room has value. What this model is saying is how do we take that future value of what you do and capture that value today? The future value that you create is not captured. What this instrument does is give a value to that to create synthetic profit. The social value you create has a value today and that is used to incentivize companies to come in to achieve that objective. If they create the outcomes quicker than otherwise, they create a synthetic profit.

Because some people are prepared to make a loss, this can create additional capital in the marketplace.

Opportunities exist to connect this concept to the new consumer. Corporations don’t know anything about value. Can you by-pass the corporations and go straight to the consumer? For example, the Jamaican diaspora wants to invest and return to their countries. However, there is a high level of crime in their country. Would it be possible to find a way to link the diasporas’ concern about the crime rate to investments they would be prepared to undertake today?

“If we had made hip hop intellectual property we would be the richest people on earth.”

Participant

Guillermo commented that in his model he is creating a transaction plus a service. He hypothesized that the value of artists might be in lowering crime. If crime is lowered assets are worth more. In Qmarkets he would craft a different value proposition so that an investor would care about these attributes. You can give a promise and the money can be held in escrow, only given out if the outcome happens. In this manner one is creating all the different possibilities so that if people really care about something they can be willing to put their money into it. The idea is to craft all the possible solutions and associations. The artists are a resource, not a cost of charity.

The session wound up and moved into the final session of the day.

HYBRID STRUCTURES: LESSONS LEARNED

MARK CONVERY, Partner with Ogilvy Renault, LLP and Chair of the Business Law Group

BOB LANG, CEO of L3C Advisors, CEO of Fabrique Cosmetique Inc
and CEO of Mary Elizabeth and Gordon B. Mannweiler Foundation Inc.

STEPHEN LLOYD, Senior Partner of the Charity and Social Enterprise Department
of the Charity Law Association in the UK

BRIAN ILER, partner with Iler Campbell LLP

RICHARD BRIDGE, Barrister and Solicitor non-profit and charity law



Photo: Courtesy, Christie Spinkuk of MaRS Discovery District

Richard Bridge LLP; Brian Iler LLP; Bog Lang, CEO of L3C Advisors and Mark Convey, Ogilvy Renault, LLP.

HYBRID STRUCTURES: LESSONS LEARNED

This session posed the question: do we need a new legal structure for enterprises tapping into social finance? The US and the UK are both experimenting with new legal structures (Low Income, Limited Liability companies “L3Cs”, and Community Interest Companies “CICs”) to encourage investment in “hybrid organizations” - those that blend social and environmental purpose and financial return. The session focused on these international examples and explored how these ideas are being adapted in a Canadian context.

JOANNA REYNOLDS, the Coordinator of Causeway, introduced the panel, commenting about the opportunity to hear about legal structures, as in Canada legal issues are one of the barriers to scaling up social finance.

MARK CONVERY moderated the panel. A Partner with Ogilvy Renault, LLP and Chair of the Business Law Group, with a specialty in non-profit and charity law, he suggested that the day so far set the context for the current panel topic. While Canada has some legal structures through which we do good (e.g. charities, co-operative corporations, etc.), there are limitations to these, some rigid limitations that we have to try and overcome. As former PM Paul Martin recently said, we are at a place in our history where we can think about philanthropy to help us achieve our goal. The two legal structures we will consider on this panel may help us in our quest to achieve hybrid structures with the goal to expand the availability of capital, provide a better return on investment for social enterprises, and provide a vehicle that will allow the sort of innovation we see in entrepreneurship and other fields. He introduced the panelists.

BOB LANG, CEO of L3C Advisors, CEO of Fabrique Cosmetique Inc and CEO of Mary Elizabeth and Gordon B. Mannweiler Foundation Inc. (a foundation whose focus is akin to venture capitalism in the non-profit sector and whose project was to develop the L3C, a model based on the use of for-profit LLCs to perform socially beneficial services and use PRI funding as a source of capital, particularly equity), opened by reflecting on comments made early that day on the role of government. What can government do? Government can provide structure and this is the route they have been pursuing in the US. Whereas

“The legislation enabling Community Interest Companies came into effect 3 years ago and a great number of CICs have been established since then, well over 2,000. ”

Stephen Llyod

people have created hybrid structures using LLCs, they often describe their structure using narrative descriptions. So instead we created a name - L3Cs - that are a type of hybrid company that can be used for social enterprises. Note that social benefit comes before profit in the L3C, so always think this when you think L3C.

Volunteer for America, with 17,000 housing units around the country, is considering financing their housing through L3Cs. There is also the opportunity of mezzanine financing. For example, we are working on the creation of L3Cs for sanitation. If 50 million toilets go into India, who is the #1 beneficiary of the toilets? Procter and Gamble, who would increase the amount of toilet paper exponentially. Possibly Procter and Gamble should buy some of the mezzanine financing. Of course, social return is the goal, but it is important to think of who the potential investors might be and who could gain, similar to Guillermo's model.

STEPHEN LLOYD presented next, via teleconference via London, UK. He is the Senior Partner **Bates Wells & Braithwaite**, head of charity and social enterprise. He has been acknowledged as the UK's top charity lawyer.

Stephen and a friend of his invented the **Community Interest Company**, (CIC) based upon a combination of experience from the two of them. Given the legal structures in the UK, there were only two choices: you could become a charity or a for-profit business. Aside from co-operatives, there were no not-for-profit structures or not-too-much-profit structures.

The people I worked with were change-the-world entrepreneurs. They were told that if they set up a charity, they had to set up a voluntary board of trustees and report to them, and the board could sack you. The new criteria of "community interest" was needed to work for social entrepreneurs in England, where corporate law is reformed, refurbished, and cleaned up every 20 years.

The legislation enabling Community Interest Companies came into effect 3 years ago and a great number of CICs have been established since then, well over 2,000. The most common type of CIC is in social purpose services such as education and health. 35% of the company's profits can be distributed each



Photo: Courtesy, Christie Spinkukuk of ManS Discovery District

Hybrid Structures: Lesson's Learned. Is there a need for a new legal form in Canada?

year. The capital gain develops with a social purpose. The investors get a patient rate of return, but nothing spectacular. It's like investing in bonds.

Unlike the L3C, there is nothing in England similar to the PRI legislation system, which is a constraint on raising capital from foundations. Additionally we are lobbying the government to set up tax breaks for CICs.

A fellow panelist inquired whether there were abuses of the CIC legislation similar to the frequent abuse of charitable status seen in Canada.

Stephen replied that none have been seen so far. There have been a few attempts by companies to set up a CIC to attempt to get funding. The CIC regulator has the power to intervene if directors are paid too much, or the CIC operates in a way that the CIC brings the brand into disrepute.

Bob Lang noted that in the US they are advancing an initiative for federal L3C legislation in early 2009. Corporations are state-based in the US. The Vermont L3C is legal in all 50 states. As a condition of registration the L3C has to prepare an annual social report to demonstrate it has met its social benefit for the year. [Guidestar](#), the leading source of information on US non-profits, a searchable database of more than 1.7 million IRS-recognized non-profit organizations, has agreed that if Federal legislation passes, they will start a registration for the L3Cs and publish all the social annual reports. Small L3Cs will likely apply through the state and won't require federal registration. Larger organizations will register federally, and will need a federal registration number. It is possible that illegitimate activities will find their way into L3Cs, but they are still an advance over the current situation.

Brian Iler, A fellow panelist commented that there have been long discussions in the [Ontario Non-Profit Network](#) on the distribution of surpluses which will hopefully be addressed by the new act coming through next year. There may be problems with entrepreneurs controlling the CIC. He asked what structures are working for the CICs.

Stephen replied that there are many instances in classic charities where the founder wants to go in one direction but the board disagrees and wants to let them go. In this instance, the founder wishes they had a CIC; even though they wouldn't have the charitable tax breaks, they would still have control of their

“ If a social enterprise sees potential in seeking financing from the community it serves, it’s worth considering the use of the offering statement offered by a co-operative legal structure.”

Stephen’s Lloyd

initiative. The CIC allows the founder to have a socially focused business but without the constraints of charities. CICs have a regulator in the background, so there is confidence that the value in the CICs will not be taken away.

A fellow panelist asked if there has been any cannibalization. Stephen answered that he was unaware of any cannibalization, that is, funding being diverted into CICs that should have gone into charities. His unscientific view is that it has been funding-neutral, that funding hasn’t been taken away.

To the question “What would you like to see reformed?”, Stephen answered that by limiting yield to a maximum of 8% without tax breaks is very restrictive. He thought the investment return should be higher and there should be the availability of tax breaks to support investments in patient capital social purpose business.

Bob Lang commented that the L3C was structured in the US as a partnership with corporate protection. They also set up the legislation to allow for serendipity. Consider the example of a housing project drilling for water discovering oil. All the partners who put money in will get a return because this wasn’t the intention. Getting financing at the beginning stages is tough, but if a business gets this and progresses along very nicely, the social investors can take their profits and the L3C can be sold on the stock exchange.

BRIAN ILER spoke next. He is a partner with [Iler Campbell LLP](#), advises many of Ontario’s co-operatives and non-profit organizations, and has had a central role in crafting the regulatory environment for co-operatives and co-operative securities, while also developing the legal framework for [Options for Homes’](#) innovative affordable ownership housing model. He observed that the Forum has heard about some interesting hybrid structures, and that it’s obvious that the source of the capital is often the prime determinant in the structure that is ultimately chosen. In his remarks he will focus on another model: getting financing from the communities they serve, which co-operatives have been doing for quite some time.

Dairy Farmers’ Co-op is at one end of the spectrum which functions much like a company, and at the other might be a parent-run child care co-op, which is really indistinguishable from a non-profit. Many of our social enterprises

“ Social enterprise has no legal context in Canada.”

Richard Bridge

will have this characteristic, even if they aren't formally structured this way. Co-operatives primarily look for financing from members and the community they serve, and have a wide range of financial vehicles, from shares to debt instruments. For instance, at Toronto's wind turbine co-op, 400 member investors raised \$800,000+ over 8 weeks, in which prospective investors brought their cheque books to meetings. Projects tend to be successful if people know and trust the people they invest in, which reduces the risk premium.

A review of a co-op offering doesn't require expensive lawyers and can enhance the ability for volunteers to raise capital. If a social enterprise sees potential in seeking financing from the community it serves, it's worth considering the use of the offering statement offered by a co-operative legal structure.

There is a chance that with the upcoming non-profit legislative revisions in Ontario, the offering statement regime will be available to not-for-profits, and though we have not seen the legislation, we are hopeful that it is included.

RICHARD BRIDGE, a Nova Scotia based Barrister and Solicitor with a focus on non-profit and charity law, spoke to an example of a client, the BC Centre for Social Enterprise, which is engaged in a debate on the merits of establishing a new structure. Based on this recent experience and his work over the last number of years, Richard presented his view on the subject of legal structure.

He is very encouraged to see these new developments in the UK and the US, since Canada does look to these places for developments. Social enterprise has no legal context in Canada. One of our primary pieces of legislation dates back to 1917 and has barely been changed since then. We heard from Stephen that the UK cleans house every 20 years. In Canada we seem to do it every 90 years or so.

Not only is the federal legislation inadequate, at one end of the spectrum it's poor and at the other end it's merely adequate. Charity law is a dog's breakfast with divided jurisdictions. There have been bits and pieces of improvement and there have been steps forward over the years. He was encouraged to hear that of the progress in Ontario.

Brian Iler commented that the provincial government indicates they are not going to change the charity component. Moderating the charity element

“ Issuing shares to investors would be a very powerful development.”

Richard Bridge

would take unanimous agreement from the provinces, and would be very hard. The UK has simply left us in the dust. They have a new definition of charity that is more comprehensive; we may have this in Canada one day, it's a dream we all have.

Issuing shares to investors would be a very powerful development. If Ontario did this it would be significant. We are expecting some real innovation in a cap on returns, and the asset lock is quite unique as well. Ten years from now, we will look back and see that there are a lot of successes as a result. In some cases a charity may be doing very well, and in others a for-profit and not-for-profit may work together very well, and we shouldn't throw these options out. However, we want to be able to explore something new. We should also consider the tax exemptions of a labour-sponsored tax credit. Such an incentive could work very well to enhance capital raising.

Bob Lang observed that money knows no borders today. It's as easy to invest in London, Singapore, or wherever. Social investment banks should work the way they worked 20 years ago: they find players, they set up the deal, and then they sell off the financing. We are setting up this global facility which should be in place sometime next year. We are open to inquiries.

Stephen Lloyd indicated that in the UK we are also talking about setting up a social investment bank, though it is currently difficult trying to raise money from the banks in today's markets. However, legislation exists to force the banks to provide the financing, and the government will decide how the money should be spent, but it's with the goal of setting up social enterprises.

Brian Iler commented upon the co-operative model. Until the 1990s, there was a flat-out ceiling that the co-ops could pay on a return for their capital, which was removed. There is still a cap on the return rate of shares or mandatory membership loans (tied to prime). In a co-op capital is kept subservient to the membership's goals.

Stephen Lloyd replied that the company has always been a symbol of the capital theory of value, that money comes first. The co-op is the symbol of Marxist theory, that money serves labour. The CIC exists between the two.

To the question, how did the L3C pass in Vermont, Bob Lang answered that they hired a lobbyist. Lobbyists helped them keep on top of things, enabling them to strategize as new information came along. They spent substantial six figures on lobbyists, but to accomplish their goals, they used money, hired the right people, and got it done.

In answering the same question, Stephen Lloyd commented that things are done completely differently in the UK. Government picked up the idea. Eight civil servants came to his office and he passed on his ideas, some of which were reflected in legislation and some of which weren't. The government basically took the legislative initiative over.

CLOSING REMARKS

DR. TESSA HEBB, the Managing Director of the [Carleton Centre for Community Innovation](#), initiated the final session of the day by commenting that the social finance community has grown considerably since last year, given the nature of the questions raised. We are in the process of shaping the architecture, and there are some elements we need and others we don't need. For example, we need new, innovative models that we can take forward in discussion. Models will pave the way for social finance. We need scale and new partners and new players. We need to build networks and build on collaborators, and broaden beyond the usual suspects. This links to some of Tamzin Ractliffe's remarks on responsible investing from last evening at the joint reception with the Social Enterprise Summit.

We need intermediaries in this space who can bring the knowledge of the sector together to help us attract investors and partners. Metrics are absolutely critical. And we need supportive public policy.

As for what we don't need, we don't need silos, or incremental thinking. We don't need the usual suspects. When we look at the shift in our thinking between last year and this year, breaking out of the usual suspects is going to be a challenge.

There are implications for research. Research is not a campaign. Research arms a campaign: you cannot have an effective campaign without research. This is the role that research can play - arming a campaign going forward.

We still need definitions. Some of us may be surprised to discover that we aren't all talking about the same things. It's important to have these if we want to bring in, or broaden, our networks or collaborators.

We could use a clearinghouse of information. We've talked about mapping the sector a number of times, but we also need to map the capital sources. Demonstration models are very important to show what works and inform our success stories. We need to do further research on legal structures. We need to better understand our barriers and how they can be overcome.

AL ETMANSKI, Special Advisor of the PLAN Institute for Caring Citizenship, observed that everyone spoke with passion throughout the day. This brought us beyond technique, which alone can only sustain us for a day, week or month.

Gandhi once noted: if you want to appeal to people, you have to speak to their heart, so it's good to hear people speaking to issues of the heart.

He proposed a formula: Social finance = V + P + T, which means values + passion + talent = social finance. As an amateur historian he noted that there has been a whole succession of writers who understood that technology must be put in its place. Technology can not be value-less and must be subservient to values. This is a very important Canadian tradition that we cannot lose sight of, and which was evident over the course of the day.

Many of us have been working on the social side of the ledger for a long time, in social innovation. Many elements in social innovation serve social and economic justice, eliminating silos within sectors to make social innovation work, and looking at cross-scale collaboration. Lo and behold, we have these same elements in social finance. It was striking to notice the lack of bankers, lawyers and others from the finance and ratings industry. We should commit that next year nobody can come unless they bring a twin from the financial industry ... and young people should come for free! Al suggested the movement needs a colour and recommend purple because purple is the colour of the imagination.

Tim Draimin thanked the Forum speakers and the audience for attending and adjourned the Forum.

GUEST SPEAKERS & PANELISTS

JOHN ANDERSON

*Director, Government Affairs & Public Policy
Canadian Co-operative Association*

John Anderson is responsible for directing the work of CCA's Government Affairs and Public Policy unit, which is in charge of government relations and relations with all parties at the federal level, as well as public policy development, the social economy, agriculture, housing and homelessness, and other issues.

John was formerly Vice-President, Strategic Partnerships and Alliances and before that, of Research with the Canadian Council for Social Development. He developed the Community Social Data Strategy with Statistics Canada, which involves 15 community partnerships across Canada. He is a founding member and on the steering committee of the Make Poverty History Campaign. He is the author and co-author of a number of studies focusing on urban poverty (Poverty by Postal Code), pay equity and employment issues. John is the former Director of Research and senior economist for the Centre for Social Justice, in Toronto, where he was the author and editor of many studies. He co-edited (with Chris Schenk) two volumes of Re-Shaping Work, which looks at technological change and workplace restructuring.

DEREK BALLANTYNE

CEO of Toronto Community Housing

Derek Ballantyne has worked in the housing sector for about ten years. He has a background in the public and private sectors. Derek has worked with a variety of partners and with housing organizations to renew investment in housing and to garner support for households living in social housing. He is a Director of Family Services Toronto as well as the Social Housing Services Corporation and SHSC Financial Inc.

RICHARD BRIDGE

B.A. LL.B, Barrister & Solicitor, Non-profit and charity law

RichardBridge is a lawyer who recently relocated from Vancouver Island to Nova Scotia's Annapolis Valley. His primary area of practice is charity and non-profit law. His clients are a wide range of charitable organizations, foundations, non-profit organizations and philanthropists throughout B.C. and across Canada. Other areas of work include: co-operative development and public sector organizations and issues. Richard has worked internationally, most recently in China, and has created courses and taught in these areas at the University of Victoria Law School and BCIT.

TIM BRODHEAD*President and CEO, J.W. McConnell Family Foundation*

Tim Brohead who has served as president and CEO of the Montreal-based J.W. McConnell Family Foundation since 1995. Prior to joining the Foundation he was Executive Director of the Canadian Council for International Co-operation (CCIC), a national organization representing over 120 non-profit Canadian international development agencies.

Mr. Brodhead attended McGill University and subsequently spent five years in Africa with the Canadian organization CUSO. He went on to do international development work in Africa and South Asia and co-founded Inter Pares, an Ottawa-based non-government organization.

In a voluntary capacity he has served on a number of Boards, including currently Vartana, the Social Sciences and Humanities Research Council of Canada (SSHRC), the ETC Group (formerly Rural Advancement Foundation International) and the Calmeadow Foundation. He is past Chair of Philanthropic Foundations Canada, the national association of Canadian independent foundations.

In 2001 he was appointed an Officer of the Order of Canada and in June, 2002 received an honorary Doctor of Laws degree from Carleton University in Ottawa.

MARK CONVERY*Partner, Ogilvy Renault LLP*

Areas of Expertise: Cleantech; Corporate and Commercial; Corporate Finance and Securities; Governance and Directors' Liability; Mergers and Acquisitions; Private Equity

Mark Convery is Toronto Chair of our Business Law Group. Mr. Convery has extensive experience in business law generally and in corporate and securities law specifically. His areas of expertise include mergers and acquisitions, private placements, public offerings, private equity fund formation and investments, corporate governance and investment funds. Mr. Convery has considerable experience in cross-border transactions and has advised clients at all stages of development from start-up to mature public companies, multinational companies and private equity funds.

Mr. Convery is currently a member of the Securities Advisory Committee to the Ontario Securities Commission.

ÉTHEL CÔTÉ*Board member & Co-chair, Policy Council - CCEDNET**President - Économie solidaire de l'Ontario**North America Representant - RIPESS - Intercontinental Network of Promotion of Social Solidarity Economy*

Éthel Côté has been involved in the economic, social, cooperative and cultural fields for more than 25 years. As general manager for the Cooperation Council of Ontario (CCO) from 1994 to 2000, she revived this movement and fostered the implementation of some thirty work, services and production cooperatives in addition to supporting agricultural, agri-food, housing and child care cooperatives. She holds a Canadian university level certificate in Agricultural Leadership (CALL 2001) and obtained her Masters Degree in Community Economic Development from Concordia University.

In addition to teaching Community Economic Development at Concordia University between 2000-2008 and Hearst University since 2008, she has also mentored hundreds of communities and promoters of socio-economic development initiatives. She has been involved with the Canadian Community Economic Development Network for several years and Co-Chair the National Policy Council and member of the International Committee. She currently chairs the Ontario Solidarity Economy Network. She is now the Canadian representative on the Board of the Réseau intercontinental de promotion d'économie sociale et solidaire (RIPESS). Now she is responsible for social enterprise development at the center for Community Enterprise, member of the Social Enterprise Council of Canada and the Social Enterprise Ontario. She succeed to mobilized over than 16M\$ to support social enterprises throughout 20 years.

DEBORA DONCASTER*Executive Director, Community Power Fund*

Deborah Doncaster is the CPF Executive Director. She was the founding Executive Director of the Ontario Sustainable Energy Association formed in 2001. Under Deborah's leadership, OSEA accomplished the delivery of a Standard Offer Contract Program for Ontario. She was also one of three Project Developers with the Toronto Renewable Energy Co-operative and worked on their Exhibition Place turbine project on Toronto's waterfront. Deborah holds degrees in Philosophy, Law and Environmental Planning.

TIM DRAIMIN

*Executive Director, Social Innovation Generation (SiG)
Chair, Causeway Social Finance,
Senior Fellow, Tides Canada Foundation.*

Tim Draimin is the newly appointed Executive Director of Social Innovation Generation (SiG) and the Chair of CAUSEWAY Social Finance. A partnership between The J.W. McConnell Family Foundation, Toronto's **MaRS Discovery District**, the University of Waterloo and Vancouver's PLAN Institute, SiG unleashes the creativity of social innovators to tackle the profound social and environmental challenges facing Canadians. As Executive Director, Mr. Draimin will manage SiG's growing network of academics, field practitioners and entrepreneurs investigating ways to improve the health and resilience of our linked social, economic and environmental systems.

CAUSEWAY is a new collaborative initiative (including SiG plus Carleton University and the Canadian Co-operative Association) dedicated to enabling the accelerated development of "social finance" capital instruments in Canada.

A leader in the non-profit sector, Mr. Draimin was the founding CEO of Tides Canada Foundation, which focuses on the environment and social justice. During his time at Tides, Mr. Draimin guided the Foundation's expansion, established Canada's first national support system for social entrepreneurs - Sage Centre - and supported a world-renowned model of integrated conservation: BC's Great Bear Rainforest initiative. He will continue to serve Tides Canada as a Senior Fellow.

Tim Draimin brings to SiG 30 years of international career experience. He is the author of Canada's first national study of social entrepreneurship and a frequent advisor to government, as well as to non-profit associations and leaders. He is a past board member of the Social Investment Organization (SIO), Canadian Environmental Grantmakers Network (CEGN) and past member of the Voluntary Sector Forum's Finance Action Group.

AL ETMANSKI

*Special Advisor
Plan Institute for Caring Citizenship*

Al has been a leading advocate for people with disabilities and their families in Canada for more than two decades. He is widely recognized as a visionary thinker

in areas of social policy, community development and individualizing services for people with disabilities.

Al is an author, advocacy consultant and social inventor who specializes in finding innovative, non-governmental solutions to social problems.

In recent years, Al has become known for his expertise in fostering social enterprise within the civic sector, converting social capital to economic capital, the innovative use of non-profit, profit and public sectors as problem solving partners and creating alternatives to legal guardianship.

He is the author of *A Good Life - For You and Your Relative with a Disability* and *Safe and Secure - Six Steps to Creating a Personal Future Plan for People with Disabilities*. Al is a parent of 5 children.

DON FAIRBAIRN

President of DCF Consulting.

DCF Consulting provides strategic advice to public and private sector clients and is focused on achieving value through public private partnerships, mergers and acquisitions and effective strategic planning.

Don has extensive experience in the development, financing and operations of infrastructure projects. He has managed the successful development of independent power generation, light rail transportation, water treatment and natural gas utility assets. He has led over \$2 billion of mergers and acquisitions involving both corporate and pension fund investors. Don also assists governments and community organizations achieve successful outcomes for supportive housing and social financing initiatives.

He has been an active member of community organizations and is currently the Chair of the Board of Governors of Vancouver Community College and a Board Member of Streethome Vancouver Foundation. Don is married and has four children.

TESSA HEBB

*Director, Carleton Centre for Community Innovation
Carleton University, Ottawa, Canada
Senior Research Associate, Oxford University Centre for the Environment, UK
Senior Research Fellow, Initiative for a Competitive Inner City, US*

Dr. Hebb is the Director of the Carleton Centre for Community Innovation, Carleton University, Canada. Her research focuses on the financial and extra-financial impact of pension fund investment in Canada and internationally with particular emphasis on Responsible Investment and Corporate Engagement and is funded by the Social Sciences and Humanities Research Council, Government of Canada. The Carleton Centre for Community Innovation is leading knowledge producer on social finance tools and instruments.

Dr. Hebb is also a senior research associate with the Oxford University Centre for the Environment and the Initiative for a Competitive Inner City. IN 2008 she completed a multi-year research project revitalization funded by Rockefeller and Ford Foundations on the role of US public sector pension funds and urban revitalization, based at the Labor and Worklife Program, Harvard Law School.

Dr. Hebb has published many articles on pension fund investing policies and is the co-editor of the volume Working Capital the Power of Labor's Pensions. Her new book No Small Change: Pension Fund Corporate Engagement is available for Cornell University Press as of September 2008.

BRIAN ILER

Partner, Iler Campbell LLP

Brian is a partner in the Toronto law firm Iler Campbell LLP, and advises many of Ontario's co-operatives and non-profit organizations. For the Ontario Co-operative Association, he has had a central role in crafting the regulatory environment for co-operatives and co-operative securities. For Options for Homes, he developed the legal framework for its innovative affordable ownership housing model, and, for its now numerous successful projects, acted as development counsel. As a founding director of Toronto Renewable Energy Co-operative, which incubated the wind turbine at Exhibition Place, and as a director of both the Ontario Sustainable Energy Association and The Co-operative Fund for Community Power, he has been a principal contributor to the development of community-owned green energy generation in Ontario.

BRENT KOPPERSON

Executive Director, Windfall Ecology Centre, Chair, Community Power Fund

Brent is founder and Executive Director of the Windfall Ecology Centre, a non-profit environmental organization dedicated to climate change mitigation and ground

water protection. Brent is also a founding director and current Chair of the Ontario Sustainable Energy Association (OSEA), and Chair of the Community Power Fund.

A keen observer and participant in the Kyoto process, Brent has served for two years as an NGO advisor to the Canadian government at United Nations climate change treaty negotiations. He lectures frequently on environmental stewardship and is an outspoken community activist. Brent is currently working with the Chippewas of Georgina Island First Nation on the development of a 10 megawatt wind farm.

JESSICA JACKLEY FLANNERY

Co-Founder & Chief Marketing Officer of Kiva

Named as one of the top ideas in 2006 by the New York Times Magazine and called "revolutionary" by the BBC, Kiva (www.kiva.org) is the world's first online micro-lending marketplace for the working poor. Kiva lets internet users lend as little as \$25 to specific developing world entrepreneurs, providing affordable capital to help them start or expand a small business. Kiva has been one of the fastest-growing social benefit websites in history, with thousands of people lending millions of dollars to entrepreneurs in over 50 developing countries.

In the midst of these successes, Kiva remains focused on a very simple idea: bringing people closer to each other. Kiva's mission, "to connect people through lending to alleviate poverty," and the idea that relationships are a powerful force for positive change, remain foundational for the organization's strategy - and for Jessica Jackley Flannery's life work.

Jessica has worked in a variety of other organizations across the public, nonprofit, and private sector, including World Vision, Potentia Media, the International Foundation, Amazon.com, and others, and serves as an active board member with nonprofits in the Bay Area and internationally. She graduated from the Stanford Graduate School of Business with her MBA in 2007, including Certificates in Public Management and Global Management.

ROBERT M. LANG

Mary Elizabeth & Gordon B. Mannweiler Foundation Inc., 3C Advisors L3C

Robert (Bob) Lang is CEO of the Mary Elizabeth & Gordon B. Mannweiler Foundation, Inc., CEO of L3C Advisors L3C and CEO of Fabrique Cosmetique Inc. He has a BA in Economics with a minor in English from Miami University in Oxford, Ohio. The foundation's focus is akin to venture capitalism in the nonprofit sector. One of the major projects has been the L3C, which is based on the use of for profit LLCs to perform socially beneficial services

and use PRI funding as a source of capital, particularly equity. With the passage of the L3C law in Vermont on April 30, 2008, he intends through the very first L3C - L3C Advisors L3C to work extensively with his partners and staff to develop L3Cs all over the US. He is leading an international group in a project to develop social finance structural harmonization around the world to facilitate investment in L3C type structures worldwide. He is also an active board member of the Naumburg Orchestral Concerts, which presents free classical music concerts at the Naumburg Bandshell in Central Park in NYC. He is also a cosmetic chemist and designs and develops cosmetic systems and machinery. He lectures frequently and participates in seminars and on panels worldwide. He has been published in trade publications, popular magazines, on the web and newspapers.

RON LAYTON

Founder and Chief Executive, Light Years IP

Ron Layton has chosen to combine successful careers in economic development and Intellectual Property (IP) business to design the Light Years IP vision of engaging IP business techniques to alleviate poverty and secure higher export income for low-income producers, particularly in Least Developed countries. Since forming LYIP as an NGO in 1999, Ron Layton has been creating mechanisms for poor producers in developing countries to improve the amount and security of export income from all types of distinctive products, including primary and finished products. This process utilizes various forms of IP to assert the right to income from intangible values created and owned by poor countries. LYIP also assists producers with the products of innovation, including inventions, tribal names and all forms of designs, some traditional and mostly modern.

Ron has acted as IP consultant to producer groups, exporters and tribal groups, to businesses in fair trade and sustainable development, to the World Bank and the USPTO, and to Governments as different as Ethiopia, Niue and Bermuda. In 2004, the World Bank published a book titled "Poor People's Knowledge" that included coverage of his work on IP and Poverty Alleviating Trade. In February 2004, Ron was elected as a Global Fellow by the Ashoka Foundation, recognition as a leading social entrepreneur working on a global level. In June, the Light Years IP publication "Distinctive Values in African Exports" was launched by the UK Secretary of State for International Development at the World Economic Forum in Cape Town. The US State Department proposed to the G8 that Ron address the G8 committee on Intellectual Property at an event in France in November, 2008.

Ron is educated in economics and mathematics and worked as lead economist on numerous development projects in more than 25 developing countries for UNDP, AusAID, SPC, the Commonwealth and many governments. He has specialized in Intellectual Property for 30 years and in Intellectual Property for Development for 20 of those years. He began in 1977-80, originating and implementing jurisdictional Intellectual Property solutions in small developing countries which are uncompetitive. He led a project covering analysis and development of jurisdictional Intellectual Property sector in several countries where IP produced over 60% of government income and over 80% of export income. To acquire direct understanding of the role of branding and other Intellectual Property in Trade, he added ten years of commercial experience in earning export income, successfully distributing film product and derivative consumer products to over 100 world markets. Now, the focus of LYIP is on countries like Ethiopia, with 80 million people aiming to overcome competitiveness constraints due to location by using IP business strategies in exporting distinctive products. In 2008, the Ethiopian Ministry of Trade and Industry reported that export income from fine coffee had been raised by around \$100m per year due to the LYIP-assisted Ethiopian Fine Coffee Trademarking and Licensing Initiative.

STEPHEN LLOYD

*Senior Partner and Head of Charity & Social Enterprise Department
Stephen Lloyd is Senior Partner and Head of the Charity and Social Enterprise Department and formerly Chairman of the Charity Law Association.*

He has been acknowledged for a number of years as the top charity lawyer in the UK. He is especially appreciated for his business acumen, can do approach and knowledge of charity and social enterprise law. He is the author of numerous books on law including Charities Trading and the Law, the Fundraiser's Guide to the Law and Keeping It Legal. He is also the originator of the concept of the Community Interest Company (CIC) which came into force on 1st July 2005, since when over 2000 CICs have been formed. He is Chairman of the Centre for Innovation in Voluntary Action; a trustee of the Charities Aid Foundation (CAF) Common Investment Funds; Chairman of Lifehaus Plc, an environmental building company, and Chairman of CaSE - Charity & Social Enterprise Insurance Management LLP a specialist provider of insurance solutions to charities and social enterprises.

ROD MACGILLIVRAY

Vice Chair, Board of Roots of Empathy

Before retiring two years ago, Mr. Macgillivray had 40 years experience in the investment industry during which he was based in Europe, the United States and Canada. Throughout

most of his career, he advised governments and their Crown Corporations. With governments this initially involved debt financing in domestic and foreign capital markets as well as considerable work on deficit and debt reduction strategies through the 1990s. Most recently, he advised governments regarding the changes happening in the electricity industry. Over this time Mr. Macgillivray also developed a very close relationship with the publicly owned utilities in this sector.

Mr. Macgillivray was a Managing Director with CIBC World Markets and a member of its Power and Utilities Group where he led this group's activities with public sector utility clients and their government owners. In this respect, he worked, on a wide variety of assignments with virtually every public sector entity in this industry in Canada. These assignments included the development of government policies and corporate strategies, mergers and acquisitions, divestitures and disaggregations as well as corporatizations and privatizations.

In the Toronto community, Mr. Macgillivray is currently Chair of the Board of the George Brown College Foundation as well as being a Board Member of Roots of Empathy.

GUILLERMO MACLEAN

Vice President, Deutsche Bank, Quality of Life Markets

Guillermo is a Vice President in Deutsche Bank's Global Markets and leads the development of the Deutsche Bank Quality of Life Markets.

Prior to joining Deutsche Bank, Guillermo developed the "Quality of Life Markets" concept and others as part of his own innovation consulting firm and business incubator, Santeandro Creations Boutique - Innovative Technologies for Human Capital Development. In total, Guillermo spent 15+ years in a variety of roles, from Mergers & Acquisitions, to Equity Research, Investment Portfolio Management, Corporate Development (crossing many functional and business areas) and Equity Derivatives at firms such as the International Finance Corporation (The World Bank Group), Morgan Stanley, Merrill Lynch, Credit Suisse, Putnam Investments, AllianceBernstein and Deutsche Bank.

Guillermo holds an MBA from Tuck School of Business at Dartmouth and a BA in economics from Georgetown University. He enjoys the outdoors and graduated three times from Outward Bound Wilderness Expeditions

ROBERT MARUS

Robert Marus, Manager, Community Business Banking, Vancity & Citizen's Bank

Robert has over 20 years experience in the financial industry with the last eight years focused on banking services for the Not-For-profit community. He brings to the table a breadth of experience garnered over his tenure at Vancity since 1984. In 2000, Robert moved from a commercial account manager role to one of specializing in lending to Not-for-Profits. In 2004, Robert was the architect of Vancity's Community Business Banking department, a specialized area of Vancity/Citizen's Bank which serves both the individual and organizations needs of the "under-served" and the "under-banked".

Over the years, Robert has been led the credit union in its credit and product development as well as the manner in which it provides its NFP banking products and services. This attention to the needs of Not-For-Profits has resulted in the growth of Vancity's NFP Portfolio to almost \$600 Million.

Robert focuses his time on the development, improvement and implementation of a variety of Social Finance mechanisms within the Not-For-Profit sector. He also manages a number of key community member relationships and is an active member of many of the credit union's internal committee's focused on NFP's.

Robert leads Vancity's Financial Sustainability Workshops series, an educational component aimed to increased the financial well-being, long-term sustainability and increased capacity for the not-for-profit sector.

Robert brings to the community his extensive expertise including board involvement, international studies and participation on local, provincial & federal committees.

NANCY NEAMTAN

President and Executive Director, Chantier de l'économie sociale

Nancy Neamtan is President/Executive Director of the Chantier de l'économie sociale, a non-profit organization administered by 30 representatives of various networks of social enterprises (cooperatives and non-profits), local development organizations and social movements.

The mission of the Chantier de l'économie sociale, a Quebec-wide organization that emerged from the Quebec Summit on Economy and Employment in 1996, is the promotion and development of collective entrepreneurship.

She is the President of the Board of Directors of the Chantier d'économie sociale Trust, a \$53 million investment fund offering patient capital to collective enterprises. She was founder and President of the Board of Directors of Réseau d'investissement social du Québec (RISQ), a \$10 million investment fund dedicated to the non-profit and cooperative sector from 1997 to 2006. Since 1999 she has been Co-Director of the Community-University Research Alliance in the Social Economy (ARUC-ÉS).

Prior to this, Neamtan was Executive Director of RESO (a community economic development corporation devoted to the economic and social renewal of southwest Montreal) from 1989 to 1998. She was Executive Director of IFDEC (Training institute in community economic development(1986-87), and Director for Community-Development at the Point St. Charles YMCA (1984-1986).

AMY STEIN

Director of Finance, Evergreen

Amy is responsible for the financial stewardship of Evergreen's growth, focusing on financing for Evergreen Brick Works, risk management, systems development, leasing and licensing, and cost controls. Before she joined Evergreen, Amy was Director of Investments at Social Capital Partners, providing growth financing to employment-based social enterprise businesses. Prior to that, she served as a financial consultant, advisor and board member to numerous social enterprises, and worked for several years as an investment banker with one of Canada's leading financial institutions. Amy has an MBA in Finance and Accounting from the Wharton School, an MA in Economics and an Honours BA in Environmental Studies and Economics, both from the University of Toronto.

DR. MICHAEL SWACK

Research faculty and professor economics and management in the Whittemore School of Business and Economics, University of New Hampshire

Michael Swack, a pioneer in the field of community development lending and investment joins the University of New Hampshire as research faculty and professor of economics and management in the Whittemore School of Business and Economics.

As the founder and Dean of the School of Community Economic Development, Southern New Hampshire University. Michael Swack wrote the legislation that led

to the creation of the Community Development Finance Authority. In 1983, he was the founding president of the New Hampshire Loan Fund.

Michael Swack received a Ph.D in Community Development and Management from Columbia University, a master's degree from Harvard University, and a bachelor's degree from the University of Wisconsin-Madison.

Dr. ILSE TREURNICHT

CEO of the MaRS Discovery District

Dr. Ilse Treurnicht joined MaRS from her role as President & CEO of Primaxis Technology Ventures, a start-up stage venture capital fund focused on the advanced technologies sector. Prior to Primaxis, Ilse was an entrepreneur with senior management roles in a number of emerging technology companies. She serves on a number of Boards, including the Canadian Institute for Advanced Research (CIFAR), BIOTEC Canada and Aggregate Therapeutics. Ilse holds a DPhil in chemistry from Oxford University, which she attended as a Rhodes Scholar.

ARTHUR WOOD

Social Financial Services Ashoka, UK

Arthur Wood brings over twenty years of experience in the finance sector to his work on social investing. He heads the Social Financial Services (SFS) at Ashoka, engaging global financial service firms in investing in the social sector. He creates strategies and delivers insight into how investors can use their capital to increase the flow and efficiency of financing to the social sector, prior to joining Ashoka,

Arthur worked with a number of banks - both institutional and private - creating product models and services that have been widely accepted and replicated across the sector. At Coutts, the UK's most prestigious private bank, Wood conceptualized and managed a project for the innovative use of Offshore Insurance products which has now been adopted across the private banking industry as a key planning tool.

As a Director of another leading UK bank, Kleinwort Benson Private Bank, Wood re-engineered and headed the teams associated with Product Development across the entire range of financial instruments. The group was voted the most innovative product team in an award by Private Asset Management magazine. Arthur was also head of e-commerce for the private bank, and he pioneered a model which McKinsey & Co. described as the

cutting-edge of strategic web development. He attended the London School of Economics, HEC in France, and Bocconi School of Management in Italy. As an accomplished debater and innovative thinker on finance, Arthur brings a valued perspective on financing the citizen sector.

BILL YOUNG

President and CEO Social Capital Partners

Bill Young is the President of Social Capital Partners (“SCP”) a company he founded in 2001. SCP is a social venture capital company whose primary goal is to prove that businesses with both a financial and a social purpose can succeed at both. It provides attractive financing to a variety of businesses that employ disadvantaged populations as part of their human resources strategy. SCP facilitates the recruitment of these individuals and ensures they have the appropriate skills to be successful employees.

Before founding SCP, Bill worked for approximately twenty years in the private sector primarily as CEO of Hamilton Computers, and Optel Communications Corp. He began his career as a Chartered Accountant and holds an Honours BA from the University of Toronto and an MBA from Harvard. Bill currently sits on the boards of Inner City Renovations, Vartana, Renaissance and a number of Advisory Boards.