

Investor's Circle: Providing Collaborative and Mission-Based Early-Stage Investment Support

Leigh Wood & Bonny Moellenbrock 19 October 2016

Summary

Investors' Circle (IC) is the largest and most active early-stage impact investing network, with a mission to facilitate investment in for-profit entrepreneurial companies that are addressing social or environmental challenges. Our common purpose at IC is to invest in entrepreneurial enterprises that offer the opportunity to make reasonable investment returns while promoting the growth of businesses that are making a positive difference in the world. IC Philadelphia is the oldest and largest local network, and has been a leader and model for the IC local network expansion. IC investors have the dual priority of measuring social impact as well as direct return on investment.

Do you think your investments should be able to make a reasonable return and make the world a better place?
Welcome to Investors' Circle.

Investors' Circle (IC) is the largest and most active early-

stage impact investing network, with a mission to facilitate investment in for-profit entrepreneurial companies that are addressing social or environmental challenges. The national organization cultivates a network of accredited investors, including individual angel investors, funds, foundations, and family offices; attracts and vets for-profit impact enterprises; and provides a support infrastructure bringing investors and entrepreneurs together to facilitate investment.

Our common purpose at IC is to invest in entrepreneurial enterprises that offer the opportunity to make reasonable investment returns while promoting the growth of businesses that are making a positive difference in the world. We do not specialize in any particular area of social impact and have backed companies that generate benefits across a wide spectrum of social needs, from education to environment, to health and to economic development for disadvantaged communities or populations. Since 1992, the network has invested over \$200 million in more than 330 enterprises.

The growth of IC local networks over the past five years has been an important development, as relationships are critical to social enterprise acceleration. Trusting relationships with customers and the community, employees, and investors can make a significant difference in a company's success. These relationships help the entrepreneur ensure the relevance and effectiveness of the product or service, refine the

business model, and access customers and other resources required to grow the company's impact. The local network model means IC members are available for mentoring and networking in addition to fundraising. Depending on the size of an investment and how much of it that IC is raising, IC generally will look for some participation in governance, either as a board director or board observer. Often, when a deal looks too early for broad IC participation, interested IC members might offer some seed funding and mentoring to help an entrepreneur move through to a more investable stage of development.

With over 40 members, IC Philadelphia is the oldest and largest local network, and has been a leader and model for the IC local network expansion. The IC Philadelphia network consists of individuals investing their own money, as well as some foundations and private investment funds. IC Philadelphia has invested over \$4 million into 19 companies over the last five years.

So how does it all actually work? How does an entrepreneur access IC network investment capital? Entrepreneurs apply online, providing basic information on their business and investment opportunity. The IC staff and Selection Committee members review the "deals," inviting the most promising opportunities to "pitch" to the network. Companies located in a local network region may be invited to present at a local network meeting, and all companies are considered for semi-annual venture fairs featuring the best-in-class enterprises from around the

country and the world.

In Philadelphia, the local network meets monthly and usually selects two entrepreneurs to make short presentations on their market opportunity, business model, financial projections and investment return potential. An important aspect of this initial presentation is a description and ideally a quantification of the company's social impact. After a question and answer period, the entrepreneur leaves and the IC membership discusses the opportunity, taking care to start with positive aspects as well as concerns. The purpose of this initial presentation is to spark enough interest around the table—both in terms of numbers of IC members interested as well as total potential dollar investment—to warrant an in-depth due diligence effort by a subgroup of the IC membership.

If the consensus is to move forward, a due diligence committee is formed, of generally three to five people, whose task it is to follow up with the entrepreneur and others as needed to validate the business assumptions, reference check the leadership and generally build a case for investment. The due diligence team must make a formal recommendation back to the group within 60 days. If the due diligence work substantiates the business and investment opportunity, it is expected that the IC members who expressed interest will then follow through with the investment at the dollar level they indicated. We try to be very respectful of the time entrepreneurs have to spend away from running their businesses to fundraise.

Hence, we work to make our process as quick as we can and, if we are moving forward with an investment, aim to deliver a meaningful combined investment from the IC group.

Finding companies that fit our social impact model is a key component of our investment philosophy. To that end, we are piloting a social impact model developed by a fellow Philadelphia organization, Good Company Ventures, which allows angel investors to benchmark the social return of companies across sectors using dollars as a common denominator, helping them determine where their investments at the early stage will bear the largest social return. We want to be able to measure both the potential for positive societal outcomes as well as downstream to an investment, the actual resulting impacts.

Some examples of businesses that the IC Philadelphia local network has invested in over the last couple of years include:

ULTRA Testing:

ULTRA provides high-quality, highly responsive software testing services for top-tier digital agencies, software development firms and enterprise clients. The company achieves impact through its workforce model. ULTRA delivers consistently superior results through exceptional teams that are made up primarily of individuals with

Asperger Syndrome and similar autism spectrum profiles. These individuals can have heightened abilities like pattern recognition and logical reasoning that make them particularly well-suited to perform quality assurance for digital sites and systems. However, they also have poor social sensibilities, which make it difficult for them to successfully navigate through typical job interview processes, resulting in an 80 percent unemployment rate despite high functioning skillsets. Over time, ULTRA aims to expand its offerings beyond quality assurance testing to analytics and artificial intelligence, and from U.S. firms to global enterprises. They aspire to become the largest employer of talent on the autism spectrum in the world while proving the commercial success of impact businesses.

KickUp:

Despite \$89 billion and 90 hours per teacher spent, professional development in the teaching profession is rated unproductive by 70 percent of teachers. States and districts spend millions of dollars on academic courses that are disconnected from the realities of classrooms. KickUp is a peer-to-peer matching and collaboration platform that allows teachers to earn professional learning credit for seeking and providing mentorship from and to other teachers. In addition to live, personalized instructional support for teachers, KickUp's data analytics tools provide K-12 school districts with the means to

measure and improve the efficacy of their professional learning initiatives. Additionally, the platform provides all these benefits at a fraction of the cost of other professional development solutions.

KickUp was selected for the fall 2015 class of Imagine K-12, an EdTech accelerator in San Francisco, where they focused on validating and adjusting their product to market fit. This resulted in an enhanced analytics dashboard targeted to help district administrators better measure their professional development outcomes. The team returned to Philadelphia in 2016 and is making steady progress with their commercial rollout.

Wash Cycle Laundry:

Wash Cycle Laundry provides fast, cost-competitive and sustainable inner city laundry service while creating upwardly mobile job opportunities for returning citizens, including formerly homeless, incarcerated, or welfare-dependent adults. The company won the 2014 Blackstone Launchpad competition in New York, in recognition of its innovative and capital-efficient business model that utilizes bikes to provide efficient, non-polluting, intra-city pick-up and delivery of laundry.

IC Philadelphia members invested initially in 2014 to support the company's growth in Philadelphia, and brought in IC members beyond Philadelphia to invest with them in a follow-on round in 2015 to fund expansion of the

company to Washington, D.C. A foundation member of IC has also provided an expansion loan with an innovative, adjustable rate debt instrument with interest decreasing with targeted job creation. The company has now created over 50 jobs, with over 50 percent of those filled by returning citizens. They have hauled more than 4 million pounds of cargo and saved more than 1 million gallons of water using their high-efficiency machines.

Membership in Investors' Circle provides access to quality deal flow and an experienced network of people committed to putting their capital to work to support positive social outcomes while generating positive investment returns. We welcome guests to our meetings who are interested in exploring membership. If you are interested, please contact IC's Director of Business Development, Jill Newbold, at jnewbold@investorscircle.net.

Author bios

Leigh Wood has been a member of IC Philadelphia since 2013 and serves on the Investment Committee of two of the Patient Capital Collaborative funds. She has extensive operational experience managing both startups and high growth communications businesses. Her career has included stints as Chief Operating Officer of NTL Inc., the largest cable company in the UK. NTL, now part of Virgin Media, is a full service telecommunications company offering

telephone, cable, Internet and broadband services to consumers and businesses across the UK and Ireland. Prior to NTL, Leigh was CEO for Cellular One of Ohio and Michigan, now owned by Verizon Wireless. More recently, Leigh was an investor, Board member, COO and CFO of RealWinWin Inc., a Philadelphia based startup which captures energy efficiency incentives for large corporate customers.

Bonny Moellenbrock is the Executive Director of Investors' Circle, the largest and most active early-stage impact investing network in the world. Since 1992, IC has propelled over \$200 million into 330+ for-profit enterprises dedicated to improving the environment, education, health, and community.

Bonny brings extensive entrepreneurial, venture capital, sustainable business, and nonprofit management experience to her role. Previously, Bonny was a Managing Director at SJF Ventures, a leading impact venture fund investing in high-growth, positive impact companies in the cleantech, sustainability, and technology-enhanced services sectors. Before joining SFJ in 2000, she served as COO and CFO of Preservation North Carolina, a nonprofit that promotes historic preservation and protects properties through its award-winning endangered properties acquisition and redevelopment program. She also served as VP of Administration for Orange Recycling Services, an entrepreneurial commercial recycling company.

Bonny serves on the GIIIRS Developed Markets Standards Advisory Council, the Advisory Board of AMCREF Community Capital, and the Board of the CAHEC Capital Loan Fund. Bonny holds an MBA, a Masters of Regional Planning, and a BA in Environmental Policy from the University of North Carolina at Chapel Hill, and is a graduate of the Venture Capital Institute. She enjoys gardening and making music with her family at their historic bungalow in Durham, NC.