Accessing Capital is Crucial

Supply side:
- Reducing costs and increasing access to finance
  - Venture capital
  - Equity financing
  - Revolving funds
  - Producer crop credits
  - Financial instruments to mitigate risks (e.g., insurance for producers, ethanol futures and swaps)

Demand side:
- Government mandates
- Request for proposal
- Tax rebates
- Infrastructure (e.g., installing pumps)
- Consumer awareness

SOURCE: Milken Institute

Land

Feedstock (production/logistics)

Process/Refine

Transportation

Distribution

SOURCE: Milken Institute

Dr. Glenda Humiston  February 3, 2012  Partners for Smart Growth
CalFOR’s Working Groups seek to expand impact investing throughout California designed to capitalize on increased opportunities in:

- local/healthy foods
- development of green energy
- region-specific industry clusters.

GOAL: Jobs, economic development and healthy communities that will serve all Californians.
1: Traditional Financial Products
2: Emerging Funding Structures
3: Direct-Investment Options
4: Venture Capital, Angel, Philanthropic
5: Institutional Investors
6: Regional Tax-Advantaged Investment Vehicles
7: Business Mentoring and Technical Assistance
Community Development Financial Institutions
Business Development Corporation
Individual Development Accounts
Employee Stock Ownership
Direct Public Offerings
Institutional Investors
Local stock exchanges
Benefit Corporations
Crowd-Funding
Cooperatives

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Equity capital in rural areas is as successful as equity capital in tech-oriented metro regions.

A study of 18,000 investments found no statistical difference between rural and metro regions, using key variables such as jobs created, type of industry, length of investment, exit type, or investment performance.

Patricia Scruggs et al, “The Role of Equity Capital in Rural Communities,” March 2010,
Growing Awareness of Opportunities

Is “Ag Valley” the next Silicon Valley?

Moderator: Nicole Perlroth, Forbes Media

Dr. Spencer Maughan, Venrock

Stuart Rudick, Mindful Investors

Dr. Ron Meeusen, Cultivian Ventures

Joe Hudson, One Earth Capital

Craig Fourchy, Ultra Gro Plant Food
<table>
<thead>
<tr>
<th>Challenge: LACK OF EFFICIENT INTERMEDIATION</th>
<th>Challenge: LACK OF ENABLING INFRASTRUCTURE</th>
<th>Challenge: LACK OF SUFFICIENT ABSORPTIVE CAPACITY</th>
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</thead>
</table>
| Initiatives:  
A. Create industry-defining funds that can serve as beacons for how to address social or environmental issues  
B. Place substantial, risk-taking capital into catalytic finance structures  
C. Launch and grow dedicated impact investment banking capabilities  
D. “Pull” existing intermediaries into impact investing by making business commitments  
E. Create investment clubs focused on specific themes  
F. Support the development of backable fund managers  
G. Create financial products to increase accessibility  
H. Set industry standards for social measurement  
I. Lobby for specific policy/regulatory change  
J. Develop an impact investing network to accelerate the industry  
K. Develop risk assessment tools  
L. Coordinate development of a common language platform  
M. Create publicly available comprehensive benchmarking data  
N. Integrate social and environmental factors into economic and finance theory  
O. Launch a targeted public relations campaign to promote demonstrated successes  
P. Support effective and scalable management capacity development approaches for entrepreneurs  
Q. Provide tools to support research and development for innovative, scalable models |
Startup America Partnership, a nonprofit working with the Administration to deliver free software, free consulting and legal services to 100,000 startups over the next three years:

50+ private-sector partners delivering over $1 billion in value.

New Early Stage Innovation Fund through SBA’s existing Small Business Investment Company (SBIC) program will make $1 billion available over the next 5 years to match private capital in early-stage, high growth startups.
Rural Business Investment Companies (RBIC) will bring investment capital to rural America. Just as USDA has in the past helped create the National Rural Electric System and the Farm Credit System – this utilizes existing USDA authorities to create a new system to facilitate equity investment in rural America.

- Work with the major rural institutions, venture capitalists, pension funds, foundations, CDFIs and bankers to create these funds.
- Better utilize RD Business & Industry Loan Guarantee program.
- Amends the RBIC Authorities to allow investments in RBIC to be treated similar to SBIC for Community Reinvestment Act purposes.
USDA Secretary Vilsack signed a Memorandum of Understanding with the Council on Foundations expressing intent to work together so that federal and philanthropic investments in rural areas can be leveraged more effectively.

Activities will include information sharing of programmatic initiatives, available funding sources and joint funding of projects.
New packaging instruments can segment returns within a given deal or fund – enabling linkages between investors with different financial and impact return profiles.

EXAMPLE: foundations are prohibited from supplementing financial returns of other investors – this would allow them to invest in a project at a different interest rate, focusing on benefit to the fund/organization, so that the blended rate is affordable.
Local stock exchanges are embedded in U.S. law.

Stock exchanges have a two-tiered regulatory regime – a national system overseen by the SEC and state systems overseen primarily by state regulators. New financial intermediaries make it possible to evaluate the worth of shares and to exchange shares on smaller public stock markets.

New Mexico’s public law 27-J requires only a few simple forms, a $300 fee and you can sell stock to unaccredited residents of the state.
Powell, WY (pop. 5,200) lost its general store in 1999, residents created “The Merc”.

They sold stock door to door, for $500 a share to members of the community. The local newspaper contained testimonials from stock purchasers, whose ages ranged from 9 to 94.

$325,000 was raised from 328 investors; the store opened in 2002 selling clothing, shoes and accessories. The Powell Merc cleared $500,000 in the first year! Other communities replicating the model are in Torrington, Wyoming and Ely, Nevada.
Corporate Equities: $8 Trillion – 100% Wall Street
Corporate Bonds: $1.8 Trillion – 100% Wall Street

Almost entirely Wall Street:
• Life Insurance Reserves: $1.2 Trillion
• Pension Fund Reserves: $13 Trillion
• Mutual Fund Shares: $4.7 Trillion
• Treasuries: $1.1 Trillion
• Munis: $1.1 Trillion

TOTAL: $30.9 Trillion
over 95% invested in Wall Street
Capital held by California Citizens in Retirement Accounts

$ 858.5 Billion

SOURCE: Employee Benefit Research Institute, May 2010
SACOG Region
Brings 5% Home =
$2,737,997,662
San Joaquin Valley Brings 5% Home =

$ 4,695,295,270

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<tr>
<th>County</th>
<th>Total Est. among all account holders among all accounts</th>
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<td>Fresno</td>
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<td>Madera</td>
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<td>San Joaquin</td>
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<td>Stanislaus</td>
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<td>Tulare</td>
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<td>TOTAL</td>
<td>$93,905,905,396</td>
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NorTEC Region
Brings 5% Home =
$ 1,003,920,693

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<th>County</th>
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<td>Butte</td>
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<td>Siskiyou</td>
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<td>Tehama</td>
<td>$1,500,519,172</td>
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<td>Trinity</td>
<td>$325,956,184</td>
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<td>TOTAL</td>
<td>$20,078,413,868</td>
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Need to Capture “Intangible Capital”

Intangible Value as a % of Total Market Capitalization

Dr. Glenda Humiston  February 3, 2012  Partners for Smart Growth
YOU Provide the Intangible Capital!

- Human Capital
  - Competencies
  - Experience
  - Management skills

- Structural Capital
  - All captured info and knowledge
  - Processes
  - Intellectual Property

- Relationship Capital
  - Customers
  - Vendors
  - Partners
  - Brands
  - Reputation

However: Taken for Granted and Receives Little Investment
Committed to the future of rural communities

California Rural Development
U.S. Department of Agriculture
430 G Street, Agency 4169
Davis, CA 95616

www.rurdev.usda.gov/ca
530-792-5800

David Shabazian
916.321.9000
dshabazian@sacog.org

www.sacog.org/rucs