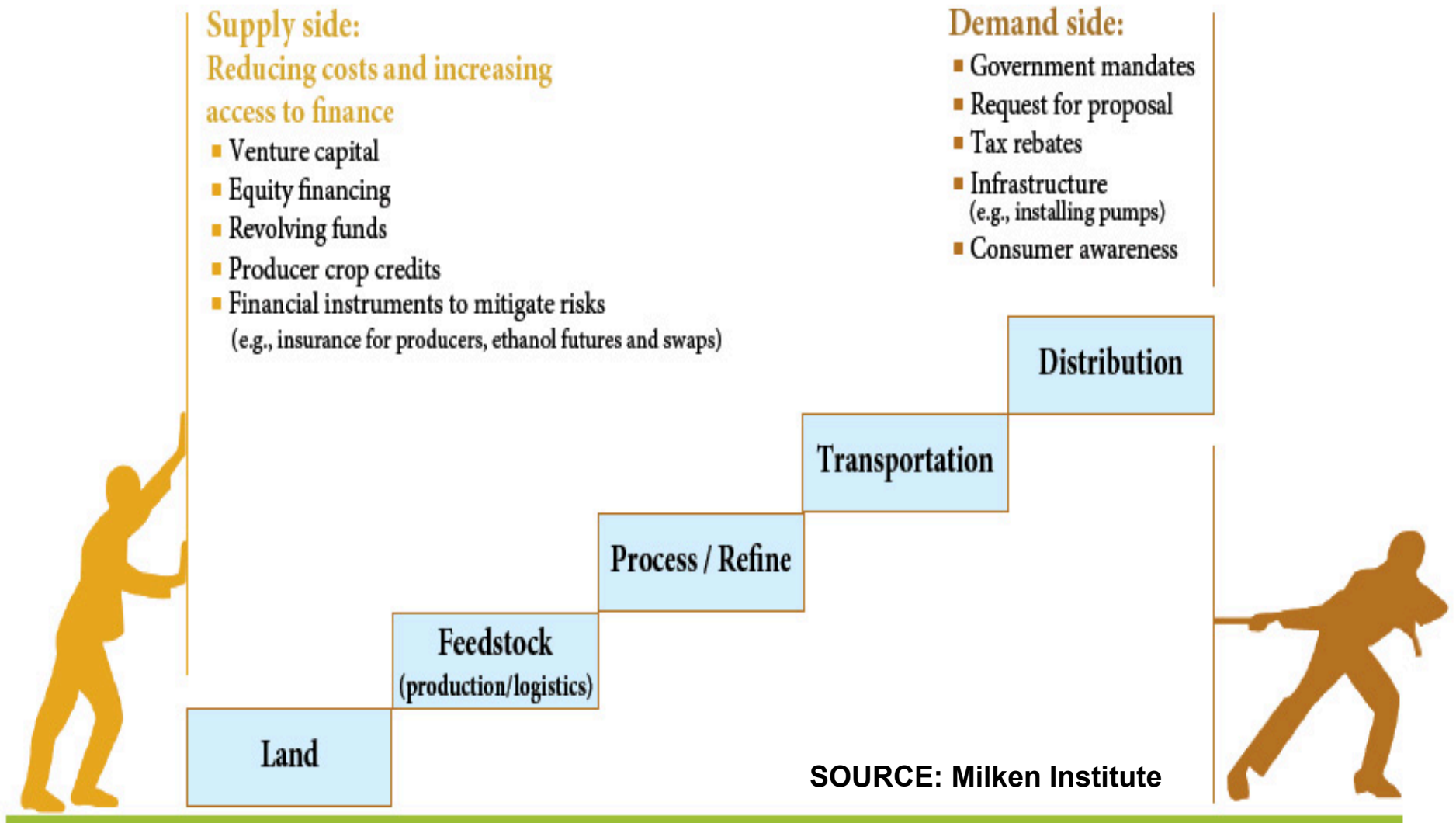


Accessing Capital is Crucial





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

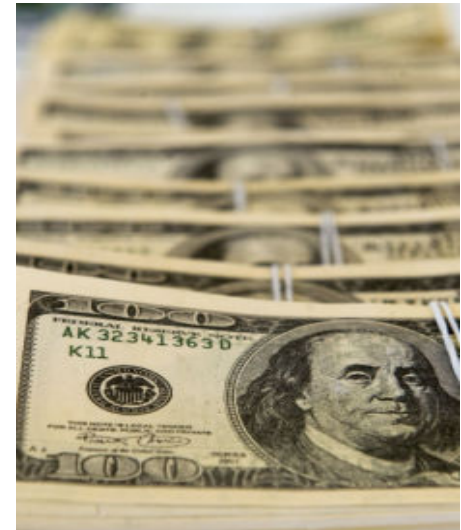
3: Direct-Investment Options

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



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



The GAMEchangers:
GROWCalifornia's 2011 Conference Series

AGRICULTURE INNOVATION

UC Davis  July 20 & 21



Is “Ag Valley” the next Silicon Valley?

Moderator: Nicole Perloth,
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

Challenge:	LACK OF EFFICIENT INTERMEDIATION	LACK OF ENABLING INFRASTRUCTURE	LACK OF SUFFICIENT ABSORPTIVE CAPACITY
Platform:	Unlock Latent Supply of Capital By Building Efficient INTERMEDIATION	Build Enabling INFRASTRUCTURE for the Industry	Develop the ABSORPTIVE CAPACITY for Investment Capital
Initiatives:	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> P. Support effective and scalable management capacity development approaches for entrepreneurs Q. Provide tools to support research and development for innovative, scalable models

SOURCE: "Investing for Social & Environmental Impact", Monitor Institute, 2009

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 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

FEDERAL RESERVE Statistical Release: Flow of Funds Accounts of the U.S., Second Quarter 2011

Capital held by California Citizens in Retirement Accounts



\$ 858.5 Billion



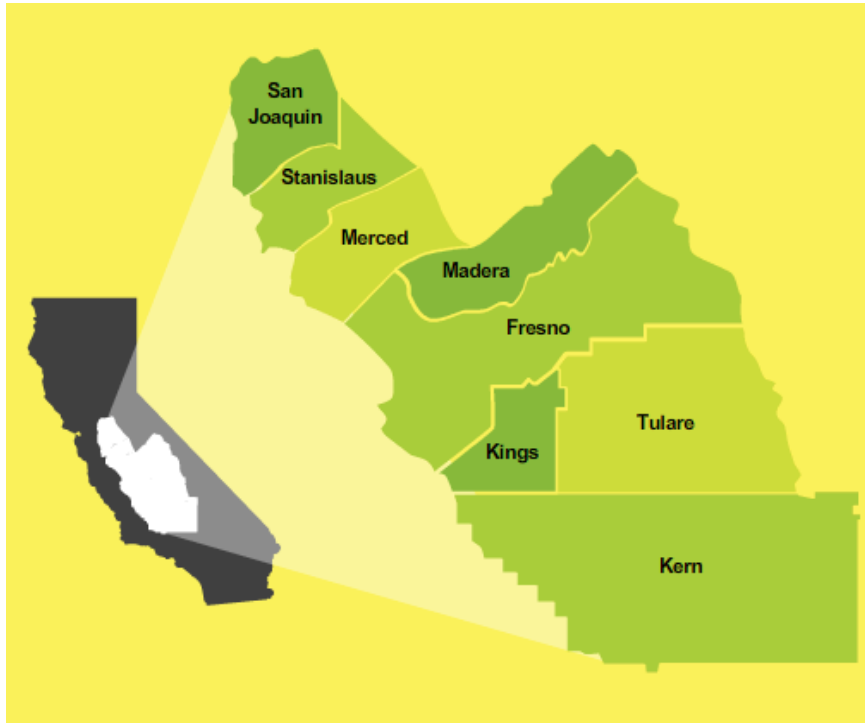
SOURCE: Employee Benefit Research Institute, May 2010

Sacramento Metropolitan Area



County	Total Est. among all account holders among all accounts
El Dorado	\$4,280,935,352
Placer	\$8,238,326,208
Sacramento	\$33,545,823,472
Sutter	\$2,239,961,628
Yolo	\$4,748,873,756
Yuba	\$1,706,032,820
TOTAL	\$54,759,953,236

**SACOG Region
Brings 5% Home =
\$ 2,737,997,662**



County	Total Est. among all account holders among all accounts
Fresno	\$21,999,559,800
Kern	\$19,852,235,364
Kings	\$3,617,106,408
Madera	\$3,567,052,060
Merced	\$6,047,969,692
San Joaquin	\$16,203,375,064
Stanislaus	\$12,163,726,732
Tulare	\$10,454,880,276
TOTAL	\$93,905,905,396

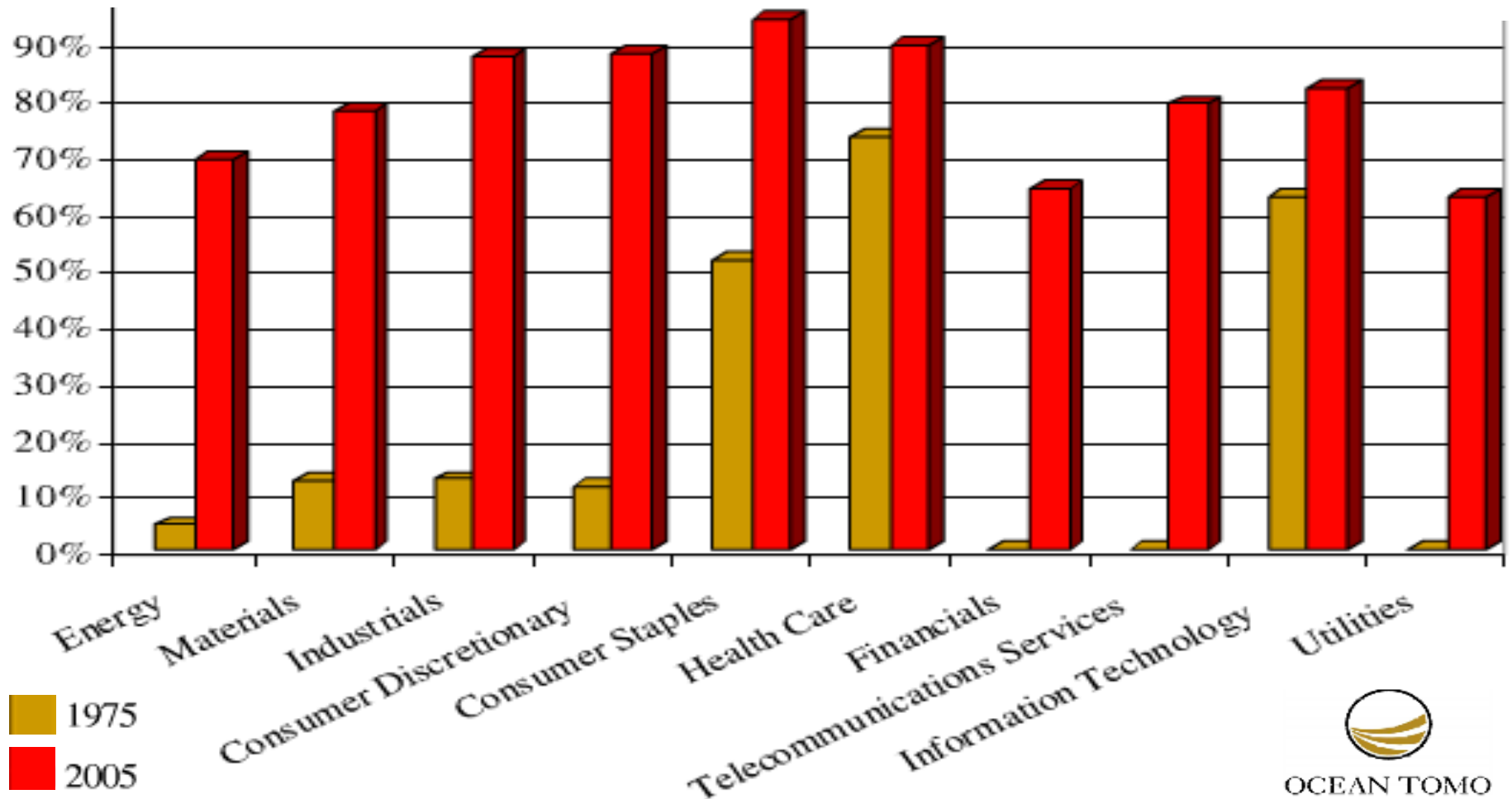
**San Joaquin Valley
Brings 5% Home =
\$ 4,695,295,270**



County	Total Est. among all account holders among all accounts
Butte	\$5,201,680,000
Del Norte	\$676,454,840
Humboldt	\$3,183,026,212
Lassen	\$825,057,380
Modoc	\$229,015,784
Nevada	\$2,335,176,016
Plumas	\$473,045,508
Shasta	\$4,190,260,612
Sierra	\$76,606,560
Siskiyou	\$1,061,615,600
Tehama	\$1,500,519,172
Trinity	\$325,956,184
TOTAL	\$20,078,413,868

**NorTEC Region
Brings 5% Home =
\$ 1,003,920,693**

Need to Capture “Intangible Capital”



Intangible Value as a % of Total Market Capitalization

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



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