Growing Jobs in Rural America through collaboration

John Monson
Vice President
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A new reality

• Agriculture remains a pillar in the rural economy, but it is becoming more dependent on rural communities for off-farm income, healthcare services, technology, infrastructure, transportation, telecommunications, education, innovation, workforce, etc.

• The overall economy continues to diversify

• The number of farms depending solely on agricultural income is decreasing
Topline on Rural America and Capital

- Rural America needs investment capital
- Lenders need to share capital risk with each other and utilize USDA guarantee programs
Rural Communities Still Struggle

• Economic and quality of life issues
• Need capital for job creation, infrastructure, facilities ...
• Renewable energy and Bioscience opportunity

but

• Access to debt and equity capital is limited:
  – Wealth below urban levels
  – Limited liquidity
  – VC fly-over zone
AgStar’s goal

• Our goal is not to just make transactional investments, our goal is to make regionally strategic investments that enhance life in rural communities.

• We intend to do it innovatively, connecting new opportunities and acting collaboratively in our regional investments.
AgStar’s Mission Realized

• Rural Capital Network unit formed in 2007
• Purchase bonds as mission-related investments
• Focuses on:
  – Health care facilities
  – Manufacturing / business expansions
  – Multi-unit housing
• Work closely with all parties involved
• Establish network of community banks
AgStar Rural Investments

• 27 community bank relationships in MN and WI – 150 nationwide
• $127mm in rural investments in last 3 yrs
• Over $200 million in managed assets

Investments focused on aging rural healthcare facilities, rural businesses, and multi-family rural rental housing.
New Approach to Regional Collaboration

Imagine a world where rural economic opportunity was tied to economic research, common regional perspective, and sustained private leadership.

Imagine a rural region’s economy focused on global competitiveness rather than survival.

We organized a group to hire RUPRI and research a new regional investment plan.
- 38 counties. 988,000 people

- Ag-intensive, strong manufacturing base region, with world-renowned medical research facilities.

- Self-funded project led by 16 partners from the private sector, led by a financial institution, two philanthropies, and others.
**Southern Minnesota Regional Competitiveness Project**

What were the project goals?

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<td>1.</td>
<td><strong>Strategy.</strong> Compete in the global economy with critical mass based on what the Region does best.</td>
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<td>2.</td>
<td><strong>Partnership.</strong> Build a better way for the Region to think and act as one region.</td>
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<td>3.</td>
<td><strong>Investment priorities.</strong> Identify public investments critical to being a world-class competitor.</td>
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<td>4.</td>
<td><strong>Increase innovation capacity.</strong> Enhance the Region’s capacity to innovate, grow entrepreneurs, and create wealth.</td>
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Southern Minnesota Regional Competitiveness Project

**Partnership**

- **Project Partner Team Formed**
  - Summer 2008
- **10 Local Roundtables**
  - 520 + Leaders
  - Sept/Oct 2008
- **3 Regional Roundtables**
  - 300 Leaders
  - November 2008
- **Futures Summit**
  - 250 Leaders
  - March 2009
- **Strategy Summit**
  - May 2009

**Analysis**

- Assemble regional data sets
- First look at specializations

- In-depth look at “bests”:
  - Structural Analysis
  - Cluster Analysis
  - Roundtable Findings
  + Innovation Analysis

- Impact analysis
Bioscience is the epitome of this Game Plan.
The Southern Minnesota Capital Fund

- A region-wide fund to re-cycle wealth, spur new business, and create more wealth *in Southern Minnesota*.

- Design the Fund over the next 12 months:
  1. Identify the best equity fund model—community foundation, network, or community fund
  2. Develop debt capital regional network – community banks, farm credit associations, placement agents and regional consultants
Regional Capital Network - Results

• 180 new jobs created, 240 saved
• 44 rural communities in 38 counties in new debt capital network
• $98 million in debt capital network
• Financed 6 projects so far for $19.2mm using this network in the 38 county region ($6.5 mm USDA guaranteed – creating 95 new jobs)
• 23 new companies in 19 communities funded with seed funds, SBA funds and Rev loan fund
Regional Debt Capital Fund Objectives in 2010 and beyond

• Reach $150 million in debt capital network
• Reach 60 communities in 38 counties through the network
• Identify $50 mm for high risk, high reward ventures
• Leverage USDA RD Loan Guarantees to spread capital capacity
• Begin new investments in at least two new high risk, high reward ventures
Regional Equity Fund

• Attract outside seed and venture capital to Southern MN Region
• Interviewing multiple equity fund investors
• Creating a new regional equity fund that potentially “shadows” other venture capital funds – made up of community funds and high net investors
Southern MN Business Accelerator

- Entrepreneurs and researchers are looking to develop business models which capture synergy between key sectors of opportunity
- Business expertise, business development, pro-forma development, business management perspective often times lacking
- Business Accelerator connects and develops regional business capacity – leveraging region’s best business consultants
- Replication of business accelerator necessary
AgStar’s Interest in Regional Competitiveness

• Analytics drive decisions in connection with Region’s assets and leaders
• Privately-led collaboration with Public and Non-Profits
• Rural regional investments are necessary to support agriculture
• Region’s assets, opportunities and leaders are driving the strategy – not tax dollars
• It is OUR stimulus package
AgStar’s role – this was hard work!

• Convened the process, led the investment, coordinated the partners, identified RUPRI as the research engine
• Led investment in rural communities by example
• Leading the formation of the region’s capital funds
• Assisting in the development of the Business Accelerator
USDA Rural Development programs are the key!

- Loan guarantees serve as a key to spreading capital investment
- Loan guarantees serve as a capital management tool for lenders
- Loan guarantees serve to lower interest rates and lengthen lending terms for borrower
- Direct money for essential community facilities makes privately funded portion manageable – easier to find investors
Key USDA loan program recommendations

• Business and Industry Direct Loans
• Loan Guarantees during construction for Business and Industry and Essential Community Facilities
• Extension of direct loan funds for essential community facilities
• Equity Investment guarantees
• Direct Loans give guarantee loan portion opportunity to find investors
Thank You

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