

# The Bonnefield Story

## Keeping Farms in Families While Increasing Long-Term Value

### The Start

In 2005, when two brothers and a friend were trying to get an agricultural business back on its feet, they realized the path to financial success was in restructuring the balance sheet. While the business' income statement was reasonably healthy, cash flow was always dangerously tight due to an inefficient capital structure. If they could sell some of their land, and lease it back on a long-term basis, they could unlock their equity in land, and finance their business appropriately. They would re-invest in the operations and enjoy doing what they knew and loved most, which was running the business well.

While they believed a sale-and-leaseback could effectively restructure their balance sheet, they could not find a company anywhere in Canada to provide lease financing. This challenge became the impetus for the launch of a new company that became known as Bonnefield.

### The Business Called Bonnefield

Bonnefield was established to become financial partners with progressive farmers. Our business is to provide an alternative source of capital to farm families to give them the freedom to focus on and grow their farming business, without compromise; without interference; without an end date.

For the past decade Bonnefield has worked with farmers to understand and meet their real estate needs and in doing so, we provide them the opportunity to invest in a cornerstone of Canada's natural wealth. With the first fund we helped 10 farm families; the second fund added 10 additional families and as this piece goes to print in August 2018, we are working with 100 farm families in eight provinces across the country.

"Every farmer I've met understands that his or her greatest challenge is access to capital," said Wally Johnston, Bonnefield's Vice President of Business Development, who in his first year put thousands of kilometers on his truck while talking to farm families across Canada. "Farming is a capital-intensive business and without it, it's hard to reach the scale required to be successful."

Farmers and economists alike have long understood the requirement for economies of scale – and there's no doubt that farmers who invest in technology and who have appropriate access to capital generally have higher capacity utilization and subsequent greater profitability. (*Rightsizing the Farm: A Bonnefield Research Paper*)

Wally, who comes from a farming background, has witnessed first hand the changes in the sector and summarizes it well, "In previous times, money was made through the land, and farming was a lifestyle that also allowed you to raise a family and pay the bills. Most of today's farmers, and certainly tomorrow's farmers, see it differently. While farming is still a lifestyle, running a profitable business is critically important, and the limiting factor for many excellent farmers is access to capital."



Our mandate is to give farmers the freedom to grow their farming businesses.

### Controlling Their Own Destinies

As the adage goes, not all money (or capital) is created equal. Some capital partners offer equity investments whereby a farmer gives up equity and control over operations in exchange for capital. Under this model, decisions on equipment purchases, day-to-day operations and other matters are shared. For many sophisticated farmers who want to control their own destinies, this model does not work for them.

Bonnefield recognizes that the nature of farming requires leadership at the farm, and so through our lease financing model, we leave the farming decisions to the talented professionals who know how to farm sustainably and profitably. Those farmers who are attracted to our model tend to value independence and perpetual farmland tenure as well as growth.

### Sustainability

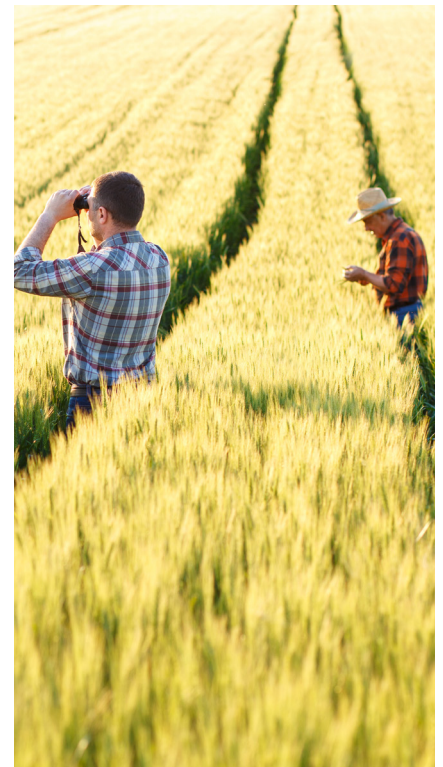
Sustainability can mean many things but at Bonnefield it's about developing long-term partnerships with farm families to support their futures, which inherently means protecting and enhancing the integrity of the land. And, although we don't tell farmers how to operate their farms, we are an active owner. Our dedicated property management team is in regular contact with farmers discussing how we can help. In some cases, we may simply remove a fence line to ease the movement of machinery, while on other farms we are installing tile draining or irrigation. On an annual basis we contract agrologists to meet with our farm partners to assess the land and provide another perspective. Farmers appreciate this support because through our long-term, rolling leases they are in "as-if-owned" positions and so are also concerned with soil health.

In 2014, Bonnefield became the first farmland investment management company in Canada to become a signatory to the United Nations-supported Principles for Responsible Investment (UN-PRI), a network of global investors committed to working together to put principles of responsible investing into practice.

Although we became a signatory five years after being founded, Bonnefield's approach has always been one of responsible investing. Bonnefield is dedicated to preserving farmland for farming: to promote sound farmland management, help improve operator efficiencies and protect the integrity of farmland, which we believe are core to protecting and enhancing long term returns for our investors. It's a mutually beneficial business model.

Through our lease financing program, Bonnefield has been enormously successful in helping the 100 farm families with whom we work, and we believe this partnership model will continue to unlock the enormous potential of the next generation of farmers to create wealth, value, and prosperity.

Through our model, we leave the farming to the talented professionals who know how to farm sustainably and profitably.



FARMLAND *for* FARMING

Bonnefield is Canada's foremost provider of land-lease financing for farmers, dedicated to preserving "farmland for farming". We partner with progressive, growth-oriented farmers to provide farmland leasing solutions to help them grow, reduce debt and finance retirement and succession. Our investors are individuals and institutional investors who are committed to the long-term future of agriculture.

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