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## An Exodus Of Skilled Immigrants

The term “immigrant worker” tends to conjure up images from the lower end of the spectrum in terms of skill and pay – farm labor, construction, hospitality and food services. But the reality is far more complex. Foreign-born workers have, in fact, been a vital source of innovation and entrepreneurship in the U.S. economy. Nearly half of Fortune 500 companies were founded by immigrants, along with a quarter of all new small businesses.

But the United States may be losing ground as a magnet for entrepreneurs from other parts of the world.

In a new book, “The Immigrant Exodus: Why America is Losing the Global Race to Capture Entrepreneurial Talent,” author Vivek Wadhwa argues that increased competition from countries like China and India and more restrictive U.S. immigration policies are driving the most educated and talented entrepreneurial immigrants elsewhere.

Wadhwa argues that, with overall growth conditions remaining very weak in the broader economy, the country should be doing everything it can to encourage skilled foreign workers to stay here. *OUTLOOK* recently interviewed Wadhwa about immigrant entrepreneurs and how their flight is impacting the economy.

***OUTLOOK: Give us an overview of the role of immigrant entrepreneurs in America and the problem you see today.***

**Vivek Wadhwa:** Over the last 15 to 20 years immigrant entrepreneurs have dominated the American technology scene. From 1995 to 2005 they made up 52 percent of Silicon Valley startups. As their numbers increased, so did America’s competitiveness.

That’s all great news – except while we have brought so many great people on temporary visas, we never expanded the number of permanent residency visas and green cards.

And it’s not only in technology. Many of the leading medical researchers in the U.S. are immigrants as are college professors, doctors, and even motel owners.

Today, you can name great company after great company – eBay, Google, Intel, Yahoo, Sun Microsystems, PayPal – and they all have foreign founders.

#### About this article



Vivek Wadhwa is the author of “The Immigrant Exodus: Why America is Losing the Global

Race to Capture Entrepreneurial Talent.” He also serves the director of research at Duke University’s Center for Entrepreneurship and Research Commercialization; is vice president of Innovation and Research at Singularity University; and is a fellow at the Arthur & Toni Rembe Rock Center for Corporate Governance at Stanford University.

The Indian-born Wadhwa immigrated to the United States from Australia in 1980 and started two tech companies. In 2012, he was named by Foreign Policy Magazine as one of the Top 100 Global Thinkers.

We currently have a million skilled workers and their families stuck in line for their permanent visas. Many have been in this holding pattern for the last 10 or 15 years. They’re working for American companies, filing patents, and starting their own ventures, but because we won’t give them visas, they’re getting frustrated and they’re leaving. What’s worse, they’re starting companies outside the United States.

The United States is losing a key growth engine right at the moment its economy is stuck in a deep ditch.

#### ***OUTLOOK: Give us some examples of successful immigrant entrepreneurs.***

**VW:** In the United States immigrant entrepreneurs have been legendary. There’s Andrew Carnegie from Scotland, who started Carnegie Steel Co., Alexander Graham Bell, also from Scotland who created AT&T and Charles Pfizer, who was born in Germany and created the pharmaceutical giant Pfizer.

Today, you can name great company after great company – eBay, Google, Intel, Yahoo, Sun Microsystems, PayPal – and they all have foreign founders. These companies are creating wealth. A 2011 study shows that first-generation immigrants or their children had founder roles in more than 40 percent of the Fortune 500, accounting for \$4.2 trillion in revenue and 10 million employees worldwide.

Now you’re seeing a lot of companies in India and China and also Brazil that are founded by returnees who have left the United States. This is a lesson. Give these countries five more years and we’ll be sitting here wondering what we were smoking back in 2012.

#### ***OUTLOOK: What countries currently dominate in terms of skilled labor here in the U.S.? What industries are they concentrated in?***

**VW:** The top five immigrant groups that have been founding companies originate from India, China, United Kingdom, Canada, and Germany. Some of the top industries for skilled labor include computers and software, higher education, engineering and health care.

“Immigrant entrepreneurs are important because they are twice as likely as native-born Americans to start a business.

**OUTLOOK: Why are immigrants critical to America's economic development and intellectual capital?**

**VW:** They bring in energy and diversity that in turn creates innovation, and they take risks and boost the economy, driving jobs. In 2011, immigrants created one quarter of all U.S. startups, they started nearly half of America's 50 top venture-funded companies and they contribute to more than half of the international patents filed by companies like Qualcomm, Merck and General Electric.

**OUTLOOK: Do you see any differences between immigrant entrepreneurs and homegrown entrepreneurs?**

**VW:** They are the same. They come over here and assimilate very rapidly. They learn how to network and integrate. But immigrant entrepreneurs are important because they are twice as likely as native-born Americans to start a business, and we need immigrants to drive job growth and to drive innovation in America.

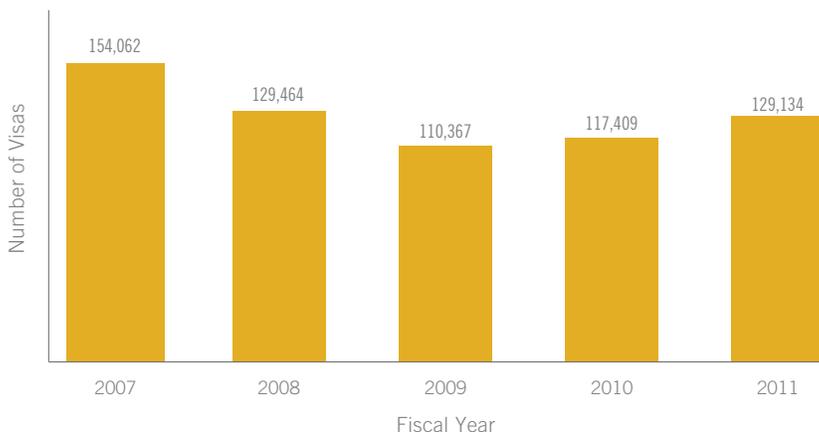
**OUTLOOK: Is it easy to attract immigrant entrepreneurs to the United States?**

**VW:** There is no shortage of people who want to come. They spend their own money to come here, and they'll bring their life savings with them. When they start their companies, they call up their friends and families back home and get them to invest in their startups. We're talking about transfer of wealth, tens of millions of dollars from all over the world and boosting our entrepreneurship.

**OUTLOOK: What is the main difficulty facing foreign-born skilled workers who want to come to the United States and pursue their careers or start companies?**

**VW:** Very simply, they can't get visas. There is a visa category for skilled workers, the H-1B visa, but the numbers of these visas are very limited and often get exhausted as soon as they become available. The greatest irony is that an H-1B holder can start a company in the United States, but can't legally work for it.

**NUMBER OF H1-B VISAS APPROVED**



Source: U.S. Department of State

Right now, we allocate 130,000 green cards to people who are working in this country, and those documents allow people to go from working within a company to starting their own business.

**OUTLOOK: Is the visa system broken?**

**VW:** It's worse than broken; it's brain dead. We bring people in to study and to work but then when they want to become permanent residents and start companies, we tell them, "Sorry, we don't have visas for you; go back home and do it in your home country." They become our competition.

**OUTLOOK: What can make the situation better?**

**VW:** Increase the number of visas and bam – you fix the problem. Right now, we allocate 130,000 green cards to people who are working in this country, and those documents allow people to go from working within a company to starting their own business. But the law requires that no nationality can claim more than 7 percent of these cards.

In 2005, Indian entrepreneurs accounted for about a quarter of all immigrant-founded companies, and the Chinese about 6.9 percent. Those Chinese and Indian engineers dominate the ranks of H-1B visa holders, and those people

who entered on high-skilled H-1B visas are stuck with their sponsoring company, unable to switch jobs unless they can secure another sponsor. They also cannot start their own companies.

Many immigrants would gladly remain in the United States to start and grow companies. So it's crucial that our government create a startup visa for these entrepreneurs and that we expand the number of green cards for skilled foreign workers. But we are not. We're just being stupid.

**TOP 10 H1-B VISA SPONSORS**

RANK	H1-B VISA SPONSOR	NUMBER OF PETITIONS	AVERAGE SALARY
1	Tata Consultancy Services	5,416	\$63,502
2	Microsoft	4,251	\$97,256
3	IBM	3,906	\$88,555
4	Deloitte Consulting	3,632	\$96,876
5	Wipro	3,024	\$80,553
6	Larsen Toubro Infotech	2,746	\$59,343
7	Cognizant Technology Solutions	2,738	\$66,640
8	Intel	1,951	\$98,545
9	HCL Technologies America	1,701	\$70,123
10	Ernst & Young	1,430	\$97,144

For the year 2012  
Source: [myvisajobs.com](http://myvisajobs.com)/U.S. Department of Labor

**OUTLOOK: How has increased competition from countries like China and India affected this problem?**

**VW:** Not long ago, America was the only place you could see success. Now you can go back to China and India and do better there than you can do here. In 2010, we did a study of foreign students who had studied in the United States for at least a year and later returned to their home country to open a business. More than 60 percent of Indian respondents and 90 percent of Chinese said the economic opportunities in their home countries were an important factor in their return. Many people are doing better back home than they are here. We don't have a monopoly on opportunity anymore.

**OUTLOOK: How many immigrants are leaving America?**

**VW:** We are losing tens of thousands each year. Huiyao Wang, who is the director general of the Center for China and Globalization in Beijing, has studied the trend. He says he has seen dramatic increases over the past decade in the numbers of entrepreneurs returning home. He estimates that 180,000 Chinese students returned to their home country in 2011, up from 50,000 in 2008. Many of them are starting companies and helping China become more competitive.

**TOP 10 INDUSTRIES FOR H1-B VISAS**

RANK	INDUSTRY	AVERAGE SALARY
1	Computer Systems Design and Related Services	\$72,398
2	Colleges, Universities, and Professional Schools	\$64,439
3	Management, Scientific, and Technical Consulting Services	\$84,989
4	Architectural, Engineering, and Related Services	\$73,324
5	Software Publishers	\$93,643
6	Scientific Research and Development Services	\$75,108
7	General Medical and Surgical Hospitals	\$97,122
8	Semiconductor and Other Electronic Component Manufacturing	\$95,308
9	Securities and Commodity Contracts Intermediation and Brokerage	\$112,607
10	Elementary and Secondary Schools	\$48,676

For the year 2012  
 Source: [myvisajobs.com](http://myvisajobs.com)/U.S. Department of Labor

**TOP 10 COUNTRIES REQUESTING GREEN CARDS**

RANK	CITIZENSHIP COUNTRY	GREEN CARD PETITIONS	AVERAGE SALARY
1	India	35,555	\$91,327
2	South Korea	4,052	\$64,346
3	China	4,029	\$84,918
4	Mexico	3,663	\$45,795
5	Canada	3,467	\$105,540
6	Philippines	2,790	\$59,055
7	Pakistan	1,070	\$93,850
8	Taiwan	1,028	\$73,281
9	Japan	1,025	\$70,208
10	United Kingdom	1,022	\$107,278

For my book, I also interviewed hundreds of smart, talented technology entrepreneurs from Brazil, China, England, France, India, New Zealand, and other countries – people who wanted to launch ventures in the United States. Immigration officials had denied their visas. In fact, there was no differentiated status for startups aside from the existing EB-5 visa class, which required significant capital investments to obtain the right to work in America. The EB-5 is a visa for people who invest a million dollars or more in U.S. companies.

*For the year 2012  
Source: myvisajobs.com/U.S. Department of Labor*

They had the option of returning home for business and career opportunities that were often better than those available to them in the United States. So why would they put up with the frustrations of waiting a decade or longer for a green card?

Many people I spoke with said their treatment by the U.S. government was “insulting” or “humiliating,” but yet most really wanted to stay here and build a company.

***OUTLOOK: How is this issue different than the standard debate over immigration?***

**VW:** The immigration debate focuses on two things. There are the undocumented workers, those who supposedly jumped over the fence. That's caustic because some groups argue that we should not tolerate anyone getting amnesty. Then there's the H1-B visa debate that centers on skilled workers and there's a fear that foreign people will take American jobs. Some natives say, “We don't want any more to come in.”

Let's leave those two debates aside for now. Let's look at people who are looking to develop startups here. Those startups are starving for talent. If you bring in people with green cards and visas who can work in these startups and then create more companies, you're going to get more people paying taxes, more innovation, more Googles of the world. It will be a dream for America.

Chile has launched a program essentially bribing immigrants. They say, “Here is \$40,000 to stay there for six months” with the hope that they’ll make it their permanent home.

***OUTLOOK: What rules need to be changed?***

**VW:** It’s about a lack of green cards and permanent visas. Simple, direct, and obvious changes to our existing immigration laws and policies can stop the entrepreneur and talent shift and secure America’s place as the world leader in innovation. And it wouldn’t cost U.S. taxpayers a dime. It would deliver billions of dollars in taxes into the U.S. Treasury, drive a renewal in U.S. hegemony over global patent filings, and create new jobs at the scale we need in order to revive our economy.

***OUTLOOK: How is the rest of the world trying to copy America’s past success of using immigrants to drive innovation and the economy?***

**VW:** A number of countries – Australia, Canada, Chile, China, and Singapore – offer stipends, labor subsidies for employees, expedited visa processes, and other perks to bring in startups. Chile has launched a program essentially bribing immigrants. They say, “Here is \$40,000 to stay there for six months” with the hope that they’ll make it their permanent home. Australia and Canada have been the most aggressive about this, revamping their visa systems.

***OUTLOOK: What does this mean long-term for the United States and its economy?***

**VW:** It means that unless we get our act together, we are screwed. We are basically holding ourselves back. ■

# Interest Rates and Economic Indicators

The interest rate and economic data on this page were updated as of 12/31/12. They are intended to provide rate or cost indications only and are for notional amounts in excess of \$5 million except for forward fixed rates.

## KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP) measures the change in total output of the U.S. economy. The Consumer Price Index (CPI) is a measure of consumer inflation. The federal funds rate is the rate charged by banks to one another on overnight funds. The target federal funds rate is set by the Federal Reserve as one of the tools of monetary policy. The interest rate on the 10-year U.S. Treasury Note is considered a reflection of the market's view of longer-term macroeconomic performance; the 2-year projection provides a view of more near-term economic performance.

## ECONOMIC AND INTEREST RATE PROJECTIONS

Source: Insight Economics, LLC and Blue Chip Economic Indicators

### US Treasury Securities

2012	GDP	CPI	Funds	2-year	10-year
Q4	1.20%	2.50%	0.17%	0.26%	1.66%
2013	GDP	CPI	Funds	2-year	10-year
Q1	1.60%	1.60%	0.15%	0.27%	1.77%
Q2	2.10%	1.90%	0.14%	0.32%	1.88%
Q3	2.50%	2.20%	0.15%	0.36%	2.02%
Q4	2.80%	2.10%	0.16%	0.43%	2.17%

## PROJECTIONS OF FUTURE INTEREST RATES

The table below reflects current market expectations about interest rates at given points in the future. Implied forward rates are the most commonly used measure of the outlook for interest rates. The forward rates listed are derived from the current interest rate curve using a mathematical formula to project future interest rate levels.

## IMPLIED FORWARD SWAP RATES

Years Forward	3-month LIBOR	1-year Swap	3-year Swap	5-year Swap	7-year Swap	10-year Swap
Today	0.31%	0.33%	0.50%	0.88%	1.34%	1.89%
0.25	0.28%	0.34%	0.55%	0.97%	1.43%	1.96%
0.50	0.33%	0.37%	0.62%	1.07%	1.53%	2.05%
0.75	0.36%	0.41%	0.70%	1.17%	1.63%	2.13%
1.00	0.38%	0.45%	0.78%	1.28%	1.73%	2.21%
1.50	0.48%	0.56%	0.99%	1.50%	1.93%	2.38%
2.00	0.58%	0.70%	1.22%	1.74%	2.12%	2.55%
2.50	0.77%	0.95%	1.49%	1.97%	2.32%	2.71%
3.00	0.96%	1.20%	1.76%	2.21%	2.53%	2.86%
4.00	1.58%	1.76%	2.25%	2.64%	2.90%	3.14%
5.00	2.14%	2.34%	2.73%	2.96%	3.20%	3.37%

## HEDGING THE COST OF FUTURE LOANS

A forward fixed rate is a fixed loan rate on a specified balance that can be drawn on or before a predetermined future date. The table below lists the additional cost incurred today to fix a loan at a future date.

## FORWARD FIXED RATES

### Cost of Forward Funds

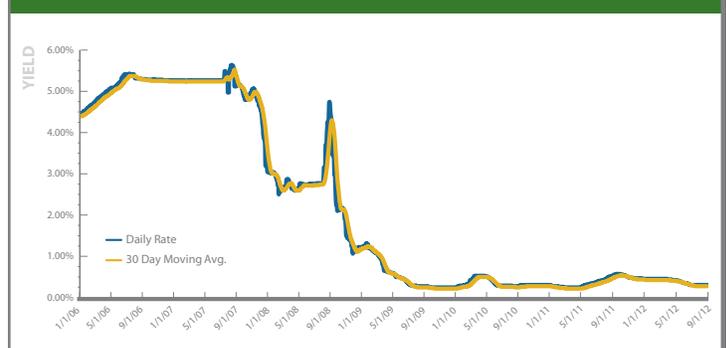
Forward Period (Days)	Average Life of Loan			
	2-yr	3-yr	5-yr	10-yr
30	5	5	5	5
90	5	10	11	11
180	5	15	19	19
365	17	32	41	38

Costs are stated in basis points per year.

## SHORT-TERM INTEREST RATES

This graph depicts the recent history of the cost to fund floating rate loans. Three-month LIBOR is the most commonly used index for short-term financing.

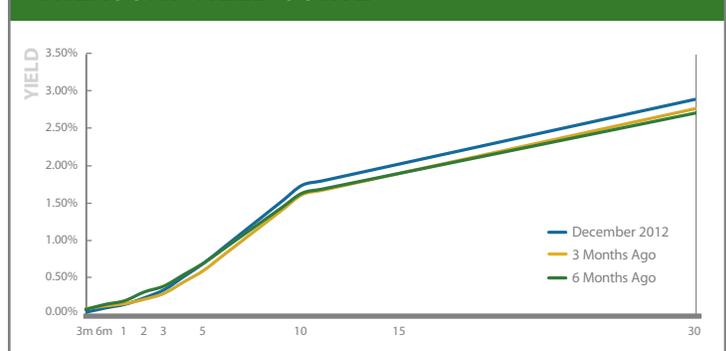
## 3-MONTH LIBOR



## RELATION OF INTEREST RATE TO MATURITY

The yield curve is the relation between the cost of borrowing and the time to maturity of debt for a given borrower in a given currency. Typically, interest rates on long-term securities are higher than rates on short-term securities. Long-term securities generally require a risk premium for inflation uncertainty, for liquidity, and for potential default risk.

## TREASURY YIELD CURVE





## CoBank Enhances Patronage Program

CoBank this month announced changes to its patronage program that will result in higher cash payments to cooperatives and other eligible borrowers.

Under the bank's cooperative capital plan, cooperatives and other eligible customers receive patronage equal to 100 basis points of their average eligible loan balance for the year. Of that amount, 65 basis points have previously been paid in cash, with the remaining 35 basis points paid in the form of bank equity. Now, customers will receive 75 basis points in cash and 25 basis points in equity.

### About CoBank

CoBank is a \$90 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 70,000 farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy.

Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit the bank's web site at [www.cobank.com](http://www.cobank.com).



Everett Dobrinski

The enhancement to the patronage program was approved recently by the CoBank board of directors. The change will be effective for the 2012 fiscal year, meaning eligible customers will see the higher cash payout in their March 2013 patronage distributions.

"We're delighted to be in a position to make this change, which we expect will deliver real value to our customer-owners in 2013 and beyond," said Everett Dobrinski, chairman of the CoBank board.



Robert B. Engel

Bob Engel, CoBank's president and chief executive officer, noted that this is the latest in a series of improvements to the bank's patronage program adopted over the past decade. Since 2003 the bank has significantly increased the total amount of patronage and the percentage of cash patronage paid, while lowering target equity requirements.

"Stable, reliable patronage is a fundamental part of the overall CoBank value proposition," Engel said. "Patronage effectively lowers the net cost of borrowing for our customers and also provides them with equity that gives them a voice in the governance of our business. We're thankful that our board has approved this new enhancement to our program, which is especially meaningful in the current low interest rate environment."

The bank has separate patronage plans for its affiliated Farm Credit associations and certain other customers, which remain unchanged.

Total patronage amounts for 2012 will be announced as part of the bank's year-end financial results. Last March, CoBank distributed \$341 million in cash and equity patronage. Over the past five years, patronage payments have totaled almost \$1.5 billion. ■

*Commentary in Outlook is for general information only and does not necessarily reflect the opinion of CoBank. The information was obtained from sources that CoBank believes to be reliable but is not intended to provide specific advice.*

## CoBank Schedules Year-End Financial Conference Call and Webcast

CoBank will hold a conference call and webcast at 12 p.m. Mountain Standard Time on Tuesday, February 26, 2013 to discuss year-end financial results.

The call will feature remarks from CoBank President and Chief Executive Officer Bob Engel, Chief Financial Officer David Burlage and Board Chairman Everett Dobrinski. Customer-owners and other participants will be able to submit questions during the call.

### **Joining via phone:**

Dial-in number: 866-314-9013

Passcode: 48135420

### **Joining via the Internet:**

To register, go to [www.media-server.com/m/p/kojfnr2r](http://www.media-server.com/m/p/kojfnr2r)

Instructions will be provided on how to submit questions during the webcast. In addition, you can submit questions in advance by emailing them to **[corp.comm@cobank.com](mailto:corp.comm@cobank.com)**.

If you have additional questions, please contact CoBank Corporate Communications at 800-542-8072 x 32239. ■