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Thank you for inviting me to participate in the discussion today. I appreciate the opportunity to provide a perspective on how capital is being deployed to develop controlled environment agriculture facilities and food system infrastructure.

I am the co-head of our firm's General Municipal and Structured Finance practice. Ziegler is an investment firm with an established reputation for financing projects in renewable energy, solid waste and wastewater treatment, and infrastructure. We serve public and private clients, and we have decades of experience and expertise in financing projects with debt securities including tax-exempt bonds. Over the past five years we have witnessed tremendous growth in our business to provide private capital for "green" and environmentally sustainable projects such as waste-to-clean energy, recycling, and—most recently—food system facilities.

I will address three topics this morning. Firstly, provide an overview, based on what we are seeing in the marketplace, of how food system infrastructure is being financed today; secondly, summarize the limitations and challenges that private investors face in deploying capital towards this asset class; and thirdly, suggest a path forward to unlock additional sources of capital based on our experience of what has worked successfully in the past and our knowledge of how such investments can be optimally structured.

It is clear that innovations in technology and processes are transforming food production and supply chain infrastructure. What was essentially a land centered platform has diversified into controlled environment agriculture. A confluence of recent technology and demand for food safety and sustainable production has put us at an inflection point where scalable food systems require large capital expenditures that ideally are financed the same way as other industrial projects—namely, with a combination of equity and debt. What we are seeing today is a significant flow of private and public equity being allocated to ag tech and controlled environment facilities. Private equity sources typically fund one hundred percent of the capital expenditures of an indoor facility. One of the largest indoor producers of leafy green vegetables recently announced a merger with a Special Purpose Acquisition Corp—a "SPAC"—which is a transaction that involves the sale of shares in the public equity markets. At this time there are virtually no sources of capital other than equity that are teed-up and willing to move into food system infrastructure.

Equity as the sole source of capital is an exceedingly expensive plan of finance for large scale projects. It is true there are a handful of traditional economic development tools utilized by local public and private authorities that support food system projects. They include tax increment financing, revolving loan programs, small manufacturing industrial development bonds and tax incentives. They have financed food arcades and farmer's markets, retail outlets, farm loan programs, and some food processing and cold storage businesses. But none of these tools are adequate to finance large scale food infrastructure projects. The heavy lifting is almost entirely done by equity. Private equity by itself cannot provide all the capital that is needed to build out all of the critical food infrastructure and essential services that will be needed. The same is true with the public equity markets, and SPACs in particular, as they have become subject to regulatory scrutiny that will likely curtail the formation of new SPAC entities going forward.

Financial institutions and the capital markets clearly envision the promise of modernizing our food system infrastructure. In addition to food safety and accountability, the production of food on an environmentally sustainable basis is directly in alignment with integrating ESG values (environmental, social and corporate governance values) into their investment portfolios. They want to participate in a systematic way. Why, then, are institutional investors—particularly fixed income debt investors—staying on the sidelines?

The reason for this is investors perceive the food system as a loosely defined jumble of food-related businesses. Institutional investors have difficulty organizing a credit framework because *the food system is not currently viewed as an asset class*. Industry participants and government can play a role to better define and empower the food system sector. The development of the clean energy and waste-to-energy sector is a good analogy. Fifteen years ago, this sector was viewed as fragmented, poorly defined, and risky. Today, investments in "renewables" are considered an established asset class. The same can be done for food infrastructure.

Designating Controlled Environment Agriculture as critical infrastructure is a good place to start. We can also identity a subset of investors within the fixed income capital markets that would be perfectly suited to be the lead investors in this new asset class. Certain mutual funds, managed accounts and insurance companies that invest in high yield tax-exempt bonds possess in-house expertise to evaluate and ultimately commit capital to non-governmental projects that qualify for tax-exempt financing under the tax code. Perhaps more importantly, many tax-exempt investment funds have specific mandates to support projects that have social impact, are consistent with ESG values, or finance facilities that are deemed to be publicly beneficial. This group of investors has access to deep pockets of capital and will commit their attention and money to projects that may not attract the attention of other bond investors. Here is an example: creditable investment candidates in the renewables space that are often too small to be of interest to corporate bond investors may be purchased by tax-exempt funds if the project qualifies for tax-exempt financing. Here is another common example: an otherwise well-structured deal with limited operating history that is viewed as a risky start-up by a corporate debt investor may be evaluated as a project financing by a tax-exempt fund. The tax-exempt marketplace serves as an economic development tool that is unique to the U.S. capital markets and provides a source of debt financing where other alternatives may not exist.

The United States Code designates a number of private activities as "Exempt Facilities" that qualify for tax-exempt financing. Such activities include solid waste recovery, small manufacturing facilities, multifamily housing, certain forms of mass transit, among others. Including Controlled Environment Agriculture as an Exempt Facility would define and formalize a new asset class, incentivize private capital deployment into a desired essential service and critical infrastructure, and diversity and expand the pool of affordable capital to project sponsors. It would also target the most obvious natural buyers of food system project finance debt—tax-exempt bond investors.

Exempt Facility bonds have been acknowledged as an economic development tool in the United States for decades. Bond financing of qualified projects under the United States Code involves no financial outlay by any governmental or public body, no additional tax burden of any kind, and does not create an administrative burden on public resources or time. It is also noteworthy to point out that the standards will be high. Qualifying projects that are ultimately underwritten and purchased by debt investors are likely to share these characteristics: they may include a public-private partnership component; the project sponsors will incur financial risk, so that their interests will be aligned with investors and other stakeholders; the projects will have fully documented contractual support with creditworthy suppliers and customers; the production process and specifications of the physical plant will be thoroughly vetted by qualified third-parties; the business model will be validated by independent industry experts; and best practices for initial and continuing disclosure will be implemented. We have seen time and again the success of tax-exempt financing as an economic development tool. It can be utilized to develop a modern food system infrastructure as well.

Amidst the ideas and plans of innovators, industry participants and government, at the end of the day it is the financing that makes it all happen. We can accelerate the development of food system infrastructure in this country by establishing a platform to attract and unlock capital suited to this sector by *designating* it as a critical asset class and *enabling* participation by sector-aligned investors to take a leading role.

Thank you for your interest and attention. I look forward to a continuing dialogue.