ARE YOUR SOLUTIONS FOR IMPROVING WATER QUALITY AND REDUCING FLOOD RISK TOO COSTLY?

AN AGRICULTURE BASED PAY-FOR-SUCCESS (PFS) PROJECT OPPORTUNITY FOR INDIANA: ALTERNATIVE FUNDING SOURCE FOR COST-EFFECTIVE STRATEGIES

OVERVIEW

While Indiana is privileged with an abundant number of rivers, lakes and streams, the State faces challenges in managing its water resources. For example:

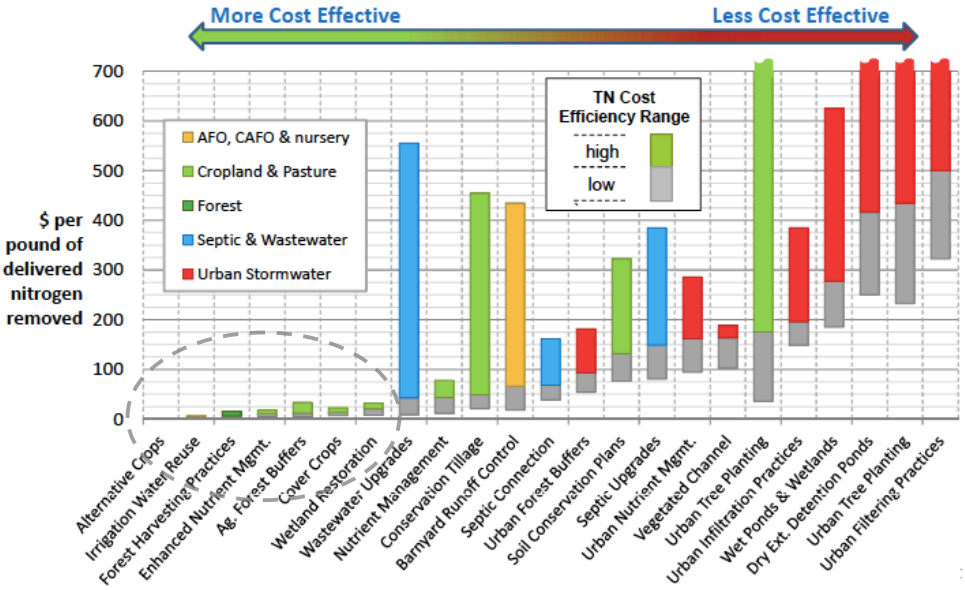
- *80% of Indiana water utilities say water pollution affects their ability to deliver the quality and quantity of water they need*[1]
- *Much of Indiana is now susceptible to severe flooding, as 24% of the state was historically covered by wetlands*[2]

Implementation of scientifically-proven on-farm management practices to mitigate runoff and improve water quality is often less costly than traditional grey infrastructure, while providing numerous environmental, economic, and health benefits. However, deployment has been limited due to perceived project risk and limited access to capital. **Pay for Success (PFS) transactions overcome these barriers by shifting downside risk from public entities to private investors, where repayment is based on achievement of desired outcomes like reducing nitrate levels in water.**

Land O'Lakes SUSTAIN and Quantified Ventures are seeking to partner with one or more municipalities in Indiana to design and implement a pay-for-success project that uses agricultural best management practices to address downstream water issues. The objective is to help leaders in the government and agricultural sectors **tap into the financial resources needed to address these issues in Indiana.** Quantified Ventures is a leader in PFS transactions and works with multiple stakeholders to design and execute PFS projects from start to finish. Land O'Lakes has been recognized as one of FORTUNE's 2017 "Change the World" organizations, due to measurable social impact created, and innovative and collaborative partnerships.

WHY FOCUS ON AGRICULTURE?

Certain on-farm management practices can address water pollution reduction more cost effectively than traditional interventions like wastewater and septic upgrades.



Source: Maryland Department of Environment Study, 2013

Some agricultural management practices can improve water quality and lower flood risk

Examples:
Wetland Restoration: Re-establishes or repairs the hydrology, plant communities and soils of a former or degraded wetland that has been drained.

Buffers: Planted in-field and on the contour, buffers provide runoff and erosion control close to the source.

Bioengineering: A method of construction combining live plants with dead plants or inorganic materials, to produce living, functioning systems to prevent erosion, control sediment and other pollutants, and provide habitat.

Source: Agricultural BMP Handbook for Minnesota, 2012

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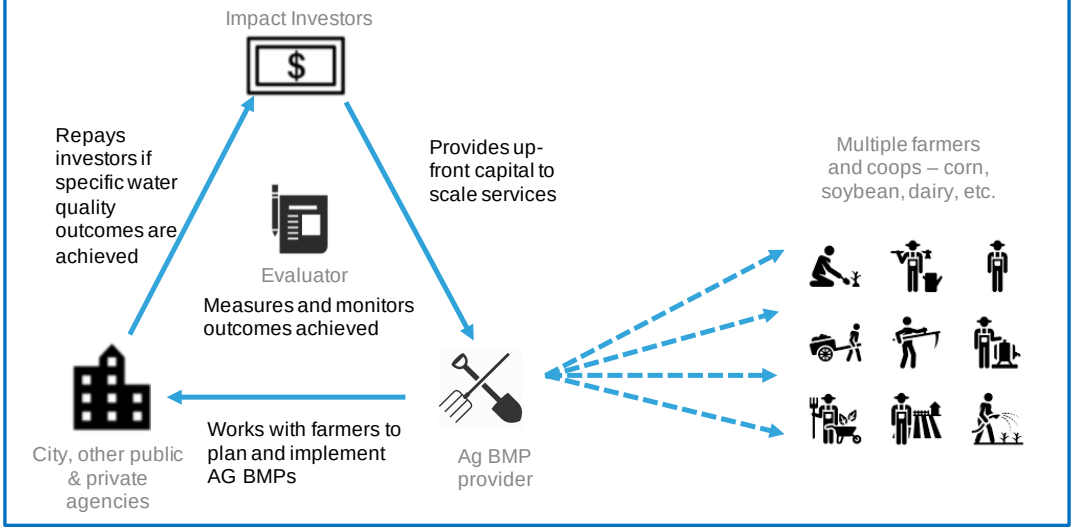
WHY IS THIS A GOOD OPPORTUNITY FOR YOUR CITY?

This opportunity presents significant advantages compared to traditional water quality management solutions:

- **Access to Impact Capital:** Private investors who are interested in the outcomes of the project provide the upfront capital and are willing to take on some of the risk.
- **Reduced Risk:** Private investors take on the downside risk of the effectiveness of the agricultural management practices, protecting your capital budget and ratepayers.
- **Cost Savings:** More economical solutions to traditional grey infrastructure for water quality and flood risk issues.
- **Link to Outcomes:** The Pay-for-Success model links payments to water quality outcomes (such as lower nitrate levels) which aligns incentives and reduces risk.
- **Improved Data Collection:** Through the evaluation process, you will gain valuable data on the cost-effectiveness and scalability of various water quality improvement solutions which can help in future planning and reporting.
- **Stakeholder Engagement Support:** This model requires stakeholder engagement across multiple entities and presents opportunities to engage new partners, including those willing to act as payors or loan guarantors. Quantified Ventures and Land O'Lakes will support stakeholder coordination and alignment.
- **Promote Sustainable Agriculture:** Through this process, more sustainable agricultural practices will be promoted for the benefit of the local community. Outreach to farmers will be supported by Land O'Lakes.

HOW DOES AN AGRICULTURE BASED PAY-FOR-SUCCESS MODEL WORK?

Ag BMP PFS transaction will provide upfront capital from a third party investor to scale evidence-based interventions, with repayment linked to achieving target outcomes



CONTACT INFORMATION

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ABOUT QUANTIFIED VENTURES

Quantified Ventures simplifies access to impact capital through Pay for Success, with strategies in the environment, education, economic development, and public health.

ABOUT LAND O'LAKES SUSTAIN

Land O'Lakes is committed to industry-leading approaches for improving agricultural sustainability across the dairy, crop and feed markets we serve.

[1]*Conservation Law Center*
[2]*The Indiana Geological & Water Survey*

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