

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 25, 2007**  
**Executive Summary**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN**  
**EXEMPT FACILITY PROJECT**

*Prepared by Walter Akiyama.*

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**Applicant:** California Pollution Control Financing Authority

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**Allocation Amount Requested:** \$175,000,000

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\$100,000,000 private activity bond allocation was awarded to the California Pollution Control Financing Authority (CPCFA) on March 21, 2007 for the Project. The Project was credit enhanced by Union Bank of California in a public offering. Subsequently, the Project Sponsor changed to a private placement purchaser, Deutsche Bank. CPCFA could not issue the tax-exempt bonds for the Project specified in CDLAC Resolution No. 07-6. The bond allocation was reverted to the Committee.

The amount of allocation requested is a new request for the Project. According to the Project Sponsor, Deutsche Bank has committed to purchase the tax-exempt bonds for the Project.

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**Project Name:** CalPlant I  
**Project Address:** 6101 State Highway 162  
**City, County, Zip Code:** Willows, CA 95988\

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**Project Sponsor Information:**

**Name:** CalAg LLC  
**Address:** P.O. Box 1338  
Willows, CA 95988  
**Principals:** Jerry, Uhland, Susan Boyd and James Boyd,III  
**Contact:** Jerry Uhland  
**Phone:** (530) 639-2190

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**Project User Information:**

**Name:** Same as Project Sponsor  
**Address:** Same as Project Sponsor  
**Contact:** Same as Project Sponsor  
**Phone:** Same as Project Sponsor

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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Well Fargo Institutional Securities LLC  
**Credit Enhancement Provider:** Not applicable  
**Private Placement Purchaser:** Deutsche Bank  
**TEFRA Hearing:** February 13, 2007

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**Project Sponsor's principal activity:** According to the application, the proposed Project consists of the purchase of 276 acres of land and the construction of a 300,000 square feet facility that will recycle 265,000 tons of grown rice straw, an annually renewable agriwaste, which will be used to manufacture a highly competitive formaldehyde free medium density fiberboard (MDF) to substitute wood based products. The primary raw materials are grown rice straw and a polymeric Methylene Diphenyl Diisocyanate resin binder. The Project Sponsor has executed a 15 year material supply and service contracts. In addition, the Project Sponsor has executed a 15 year agreement with a forest products company to purchase and distribute 100% of the Project's 150 million square feet of MDF manufactured

annually. The equipment will be purchased from Metso Panelboard, the world’s leading technology and equipment supply-company within the forest products industry. Such equipment includes straw handling, defibrator system, wax system, drying, ducts/cyclones, storage, fiber cleaning, mat forming, forming conveying/prepressing, press infeed, saw and sanderdust transport, fuel handling/thermal fluid and steam, high voltage distribution, fire protection, press outfeed, sanding, sawing, packaging and rolling stock. Each production element associated with converting raw material into fiber, blending it with resin binder, forming it into mats, pressing it into boards, and sanding and sawing into finished panels will be done with established machine designs configured in a well-accepted process arrangement. Installation and construction contract has been executed with CH2M Hill Lockwood Green. The Project will serve the Counties of Butte, Colusa, Glenn, Sacramento, Sutter, Tehama, Yolo and Yuba.

**First Tier Business (Yes/No):** Yes

**Regulatory Mandate (Yes/No):** No

**Sources of Funds:**

Tax-Exempt Bond Proceeds	\$175,000,000
Other Sources	<u>\$ 66,800,000</u>
Total Sources	\$241,800,000

**Uses of Funds:**

Acquisition of Land	\$ 1,600,000
Site Preparation and Improvements	\$ 28,000,000
Construction of New Building(s)	\$ 15,000,000
New Equipment Purchase & Installation	\$151,500,000
Engineering/Architecture	\$ 5,000,000
Legal Permits	\$ 12,100,000
Cost of Issuance (including discount)	\$ 3,700,000
Letter of Credit or Bond Insurance Fee	\$ 4,400,000
Interest During Construction	<u>\$ 20,500,000</u>
Total Uses	\$241,800,000

**Environmental impact:**

- 1) Air Quality: According to the application, the proposed Project will improve California’s air quality by reducing the need and amount of open air burning of rice fields; and the reduced free-borne methane gas produced by rotting rice straw in the farm fields.
- 2) Water Quality: According to the application, the proposed Project will reduce the waste of approximately 120,000 acre feet of water (over 35 billion gallons) per year currently being diverted from rivers for the practice of rice straw decomposition as an alternative disposal system to burning in the Sacramento Valley rice fields.
- 3) Energy Efficiency: According to the application, the proposed Project will require 15% less energy use than a like size wood based MDF plant.
- 4) Recycling of Commodities: According to the application, the proposed Project will recycle 265,000 tons of the state’s grown rice straw. Over 99% of the straw is utilized in the manufacture of MDF.
- 5) Consumer Cost Savings of Efficiencies: According to the application, the Project Sponsor has developed a business model that will provide the lowest cost producer status. These savings can be passed onto the consumer.

***Other public benefits provided by the project:*** According to the application, the proposed Project will reduce the need to clear-cut over 6,600 acres of mature growth forest each year. The Project will create approximately 115 full-time jobs as well as 450 temporary jobs. An additional 1,200 ancillary jobs will be created by the proposed Project.

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**Legal Questionnaire:** No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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**Recommendation:** Staff recommends that the Committee approve \$100,000,000 in tax-exempt bond allocation due to the demand of exempt facility allocation.