

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: December 16, 2014
Request for Amendment of Final Resolution

Prepared by: *Deanna Hamelin*

Applicant: CalAg, LLC, CalPlant I, LLC and/or its Affiliates	Amount Requested: \$126,700,000
Project Location: Willows (Glenn County)	Application No.: 664(SB) Final Resolution No.: 511 Prior Actions: IR approved 04/26/00 Reinstated/Extended 05/01/01 Extended 05/30/02 & 05/25/04 Amended/Extended 10/24/06 FR Approved 03/20/07 Amended/Reinstated 07/24/07 IR Reinstated 09/22/10 FR Approved 11/17/10 Extended 02/22/11, 10/25/11, 05/15/12, 11/13/12, 06/18/13 & 12/17/13 Amended and Restated 6/17/14

Summary. CalAg, LLC and/or its Affiliates, including CalPlant I, LLC (the “Company”) requests an amendment and extension of Final Resolution No. 511 for an amount not to exceed \$126,700,000. The Final Resolution was amended and restated on June 17, 2014 to finance a facility to utilize waste rice straw to manufacture medium density fiberboard (MDF) (the “Project”) for an amount not to exceed \$126,700,000. The current Final Resolution is set to expire on December 31, 2014. The Company anticipates securing a private placement of fixed rate tax-exempt bonds and issuing these bonds during the second quarter of 2015. Therefore, the Company is requesting an extension of Final Resolution No. 511 to June 30, 2015.

The Project remains the same as was presented at the June 17, 2014 CPCFA meeting, however there is an update regarding the equity partner, the Fireside Group. Please see Attachment A for the June 17, 2014 staff report.

Current Project Financing Status. On October 6, 2014, the Fireside Group, which maintained the majority ownership of the Borrower, withdrew its equity support of the Project. The Fireside Group was comprised of approximately 70 investors. A small group of the investors from Fireside’s fund have confirmed a desire to remain in the deal for an amount totaling approximately \$40 million provided that additional equity commitments can be secured. The departure of the Fireside group has left a \$42.5 million gap in equity partners. The Company is continuously working with several equity investors, in order to fill this gap and obtain financing for the project. The Company will need additional time to finalize the financing structure of the transaction and anticipates returning to CPCFA for volume cap allocation by June 2015.

The Company anticipates a limited offering and private placement of fixed rate tax-exempt bonds with a restriction on transfer to Qualified Institutional Buyers. The Company will provide the Authority with a list of purchasers and interest rate prior to the sale of the bonds.

Agenda Item 4.B.

Staff Recommendation. Staff recommends approval of an Amendment to Restated Final Resolution No. 511 to June 30, 2015 for an amount not to exceed \$126,700,000 for CalAg, LLC and/or its Affiliates.

**AMENDMENT TO RESTATED FINAL BOND RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO FINANCING FOR SOLID WASTE DISPOSAL FACILITIES
FOR CALAG, LLC, CALPLANT I, LLC AND/OR THEIR AFFILIATES**

December 16, 2014

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has heretofore approved the application of CalAg, LLC, a California limited liability company (the “Applicant”), for financial assistance to finance the land acquisition, construction, improvement, renovation, rehabilitation and/or installation of buildings and related facilities and the acquisition of equipment for a plant to process waste rice straw into medium density fiberboard (the “Project”); and

WHEREAS, the Authority on June 17, 2014 approved a restated and amended final resolution (the “2014FR”) authorizing the issuance of revenue bonds from time to time in an amount not to exceed \$126,700,000 to assist in the financing of the Project by making a loan to an affiliate of the Applicant, CalPlant I, LLC (the “Borrower”); and

WHEREAS, the 2014FR by its current terms will expire on December 31, 2014;
and

WHEREAS, due to the complexity of the financing and the need for additional time to identify and negotiate with equity and debt investors, the Applicant and Borrower have requested that the 2014FR be extended to allow more time to complete the financing.

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The recitals set forth in the “Whereas” clauses of the 2014 FR are confirmed as if set forth in this resolution, except that the date “December 31, 2014” which appears in the Sixteenth, Nineteenth and Twentieth “Whereas” paragraphs shall be changed to “June 30, 2015.”

Section 2. Section 3 and Section 6 of the 2014FR are amended by replacing the date “December 31, 2014” with the date “June 30, 2015.”

Section 3. Except as previously amended and as otherwise amended in Sections 1 and 2 hereof, the 2014FR remains in full force and effect.

Attachment A

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM

Meeting Date: June 17, 2014

Request for Amendment and Restatement of Final Resolution

Prepared by: *Doreen Smith*

Applicant: CalAg, LLC, CalPlant I, LLC and/or its Affiliates	Amount Requested: \$126,700,000
Project Location: Willows (Glenn County)	Application No.: 664(SB) Final Resolution No.: 511 Prior Actions: IR approved 04/26/00 Reinstated/Extended 05/01/01 Extended 05/30/02 & 05/25/04 Amended/Extended 10/24/06 FR Approved 03/20/07 Amended/Reinstated 07/24/07 IR Reinstated 09/22/10 FR Approved 11/17/10 Extended 02/22/11, 10/25/11, 05/15/12, 11/13/12, 06/18/13 & 12/17/13

Summary. CalAg, LLC and/or its Affiliates, including CalPlant I, LLC (the “Company”) requests an amendment and restatement of Final Resolution No. 511 for an amount not to exceed \$126,700,000. The Final Resolution was originally approved on November 17, 2010 for an amount not to exceed \$175,300,000 to finance a facility to utilize waste rice straw to manufacture medium density fiberboard (MDF). The Final Resolution was then extended multiple times in 2011 and 2012 (see Prior Actions above), and most recently, on December 17, 2013. The current Final Resolution is set to expire on June 30, 2014.

The Company anticipates securing a private placement of fixed rate tax-exempt bonds and issuing these bonds during the third quarter of 2014. The project remains the same as was presented at the November 17, 2010 CPCFA meeting, however there are significant updates regarding the equity partners and financing details.

Project Financing Status. Since originally applying to the Authority, market conditions have impacted the financing terms for the project, and the expectations of the Company. The Company has identified additional sources of capital financing, including a term loan facility to be provided by Landesbank Baden-Wurttemberg, a financial institution organized under the laws of the Federal Republic of Germany. The Company now expects to finance the project with a combination of a cash equity investment in the approximate amount of \$87,500,000, proceeds of the bank loan in the approximate amount of \$103,760,000 (based on a Euro exchange rate of 1.35), and proceeds of the bonds in the approximate amount of \$103,760,000. The TEFRA hearing held on May 15, 2014 was for a bond issue of to \$126,700,000 to provide room for changes to the financial plan, and the final amounts for the bank loan and bonds may still be adjusted. The bank loan and the bonds will be secured on a parity basis.

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At the time of the 2010 Final Resolution approval, forms of the Loan Agreement, Indenture, a Private Placement Agreement and a Private Placement Memorandum were approved by the Authority. Due to the changes in the financing structure of the deal, revised forms of the Loan Agreement and Indenture have been provided to the Authority.

Stone and Youngberg, LLC was identified as the placement agent in the 2010 request. Since that time, the company has merged with Stifel, Nicolaus & Company, Incorporated (“Stifel”) and Stifel is currently serving as the placement agent on the deal. A draft of the Preliminary Limited Offering Memorandum (PLOM) has been submitted to the Authority. Stifel has begun discussions with potential bond purchasers and has distributed the draft PLOM in its marketing effort.

It is anticipated that final forms of the Loan Agreement, Indenture, Private Placement Agreement and Limited Offering Memo will be submitted to the Authority for approval at the July 15, 2014 board meeting.

The Company anticipates a limited offering and private placement of fixed rate tax-exempt bonds with a restriction on transfer to Qualified Institutional Buyers. The Company will provide the Authority with a list of purchasers and interest rate prior to the sale of the bonds.

Applicant and Borrower. The applicant, CalAg, LLC, was organized on January 16, 1997.

The ownership of CalAg, LLC is as follows:

MDM CalAg Limited Partnership	33.01%
Gerald R. Uhland	7.94%
Susan Boyd	7.20%
Victor M. Gallo	7.05%
Eleemosynary Limited Partnership	5.00%
Jupiter Partners	4.38%
Haas & Najarian LLP	3.01%
Milan Seulic	2.61%
Felix Hernandez	1.95%
Michael W. & Donna M. Engmann	1.81%
Karl Miller	1.48%
Kendu Partners Co.	1.40%
Tyler McClellan	1.31%
Irving Bookspan	1.17%
The Motley/Baltz Family Limited Partnership	1.16%
Eduardo Hernandez	1.15%
MDNH Partners, LP	1.13%
Various (less than 1% each)	<u>17.22%</u>
	<u>100.00%</u>

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The borrower, CalPlant I, LLC, was formed on February 8, 2008.

CalPlant I, LLC is currently owned by CalAg, LLC. At the time of bond closing, CalPlant I, LLC will be 100% owned by CalPlant Holdco, LLC, which in turn will be 100% owned by CalAg Holdco, LLC.

The major shareholders of CalAg Holdco, LLC are as follows:

Fireside CalAg LP & Fireside Affiliates	76%
CalAg, LLC	20%
Siempelkamp	<u>4%</u>
Total	<u>100%</u>

Legal Questionnaire. The Staff has reviewed the Company's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status Questionnaire that raises questions concerning the financial viability or legal integrity of this applicant.

TEFRA. A TEFRA hearing was held for the Project on May 15, 2014 for a bond issue of to \$126,700,000 to provide room for changes to the financial plan, and the final amounts for the bank loan and bonds may still be adjusted. and no comments were received. TEFRA hearings were previously held on October 26, 2010 and November 16, 2010. There were no comments received in support of or in opposition to this Project.

SBAF Assistance. The Company is a small business, but is not eligible for assistance from the Small Business Assistance Fund.

Prior Financings. None.

Project Description. CalAg is a small business which proposes to use its patented method (U.S. Patent 6,596,209) to manufacture medium density fiberboard (MDF) from rice straw—a waste product from the farming and harvesting of rice. According to the Company, its patented method of producing rice straw-based MDF results in an engineered composite panel which meets or exceeds all American National Standards Institute (ANSI) standards for wood-based MDF.

The proposed Project to be located on 273 acres outside the town of Willows in Glenn County will recycle approximately 210,000 tons of rice straw annually into MDF. The site will accommodate the storage of approximately 325,000 large rice straw bales (in sizes 3'x4'x8' and/or 4'x4'x8') at any one time. The location is within the Sacramento Valley region where the overwhelming majority of rice is grown in California (approximately 550,000 acres each year). The Company purchased the plant site in April 2008.

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CalAg represents that the plant will be contractually guaranteed to produce approximately 112 million square feet (MMsf) $\frac{3}{4}$ " basis of MDF per year; it has been designed to be capable of producing 140 MMsf $\frac{3}{4}$ " once in full operation. In addition to rice straw, which CalAg will obtain from Sacramento Valley rice producers, a formaldehyde free polymeric Methylene Diphenyl Diisocyanate (pMDI) resin binder will be used to manufacture the MDF.

CPCFA has contracted with Forest Economic Advisors, LLC, an independent consultant to conduct a review and verification of a 125-page feasibility study prepared by Stephen Vajda Consulting (SVC) for this project. Forest Economic Advisors, LLC conducted a review in 2013 that concluded affirmatively the reasonableness of SVC's findings. CPCFA anticipates receiving an updated report from SVC and will have FEA update its findings. A summary of the resulting CPCFA Report from FEA may be included in the offering memorandum for the proposed bond issue. The cost of the contract with FEA is \$40,000, of which \$26,400 has been spent to date, and will be paid by CalAg at closing.

Anticipated Timeline. The Company anticipates commencing construction in September 2014 with a completion date of March 2016. Equipment purchases will begin in September 2014 with a scheduled completion date of late 2015.

Local Government. Letters of Support were received from the following government representatives:

- Dan Logue, CA State Assemblyman, 3rd District
- Jim Nielsen, CA State Senator, 4th District
- Gavin Newsom, Lt. Governor
- Panorea Avdis, Chief Deputy Director, Governor's Office of Business and Economic Development
- Wally Herger, Member of Congress, United States House of Representatives
- Celeste Cantu, General Manager, Santa Ana Watershed Project Authority

Pollution Control and/or Environmental Benefits. The Company represents the Project will generate the pollution control and environmental benefits described below.

Waste Diversion. The objectives of the plant are to recycle rice straw—an annually renewable agriwaste.

Air Quality. The project will improve air quality by reducing the amount of open air burning of rice fields still allowed to eliminate plant and soil diseases. By reducing the amount of straw that is left in the fields to decompose after each year's harvest, a significant amount of free airborne methane gas will also be eliminated thus improving air quality.

Water Supply. The project will reduce the amount of water currently being diverted from area rivers for the practice of straw decomposition as an alternate disposal system to the now prohibited burning of the rice fields.

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Energy Efficiency. The Company estimates that CalPlant I will require approximately 15% less energy than a like sized wood-based MDF plant.

Recycling of Commodities. CalPlant I will recycle 210,000 tons of California grown rice straw annually. Of that collected material, approximately 99% of the straw will be utilized in the manufacture of MDF.

Jobs. During the 18-month construction period, the plant will employ an estimated 250 to 300 fulltime workers. Once completed, the plant will employ approximately 85 full-time employees.

Permitting and Environmental Approvals. The Company has provided staff with copies of applicable permits for the construction of the project.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in July 2014.

Financing Details. The Company anticipates a limited offering and private placement of fixed rate tax-exempt bonds with a restriction on transfer to Qualified Institutional Buyers as set out in Exhibit B of the Resolution. The Company has engaged Stifel, Nicolaus & Company, Incorporated as placement agent for these fixed rate bonds. The target date for financing is third quarter 2014.

Financing Team.

Placement Agent: Stifel, Nicolaus & Company, Incorporated

Bond Counsel: Orrick, Herrington & Sutcliffe, LLC

Financial Consultant: Capital Strategies, LLC

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Amended and Restated Final Resolution No. 511 for an amount not to exceed \$126,700,000 for CalAg, LLC and/or its Affiliates.

**AMENDED AND RESTATED FINAL RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO FINANCING FOR SOLID WASTE DISPOSAL FACILITIES
FOR CALAG, LLC, CALPLANT I, LLC AND/OR THEIR AFFILIATES**

June 17, 2014

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has heretofore approved the application of CalAg, LLC, a California limited liability company (the “Applicant”), for financial assistance to finance the land acquisition, construction, improvement, renovation, rehabilitation and/or installation of buildings and related facilities and the acquisition of equipment for a plant to process waste rice straw into medium density fiberboard (collectively, and as further described in Exhibit A hereto, the “Project”), and hereby desires to ratify and affirm its continuing approval of the Project in light of additional details with respect to the terms of such financial assistance, all as more particularly described in this Resolution and the term sheet attached hereto as Exhibit A (the “Term Sheet”); and

WHEREAS, the Authority on November 17, 2010 approved a final resolution (the “2010 Final Resolution”) authorizing the issuance from time to time of revenue obligations of the Authority designated, as such designation has been amended from time to time, as the “California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (CalAg LLC Project) Series 2014__” in an aggregate principal amount not to exceed \$175,300,000 (the “Bonds”) to assist in the financing of the Project by making a loan to an affiliate of the Applicant, CalPlant I, LLC (the “Borrower”); and

WHEREAS, due to the complexity of the financing, continued difficulties in the financial markets and the need for substantial additional time to identify and negotiate with equity and debt investors (collectively, the “Market Factors”), the Applicant and Borrower have requested that the 2010 Final Resolution be extended to allow more time to complete the financing; and

WHEREAS, the 2010 Final Resolution has been amended and extended previously, including as amended and extended pursuant to a resolution adopted on December 17, 2013, and by its current terms will expire on June 30, 2014; and

WHEREAS, the Authority adopted its Initial Resolution 00-06 on April 26, 2000, which was amended and extended several times, the most recent being on October 24, 2006, at which time the Authority expressed its intent to issue up to \$175,300,000 of bonds for the Company (the “Original Resolution”); and

WHEREAS, the Original Resolution (i) expired by its terms on October 24, 2009, (ii) was amended and reinstated pursuant to a Resolution adopted by the Authority on September

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22, 2010, and (iii) expired again pursuant to its terms on September 22, 2013, subject to the adoption and extension of the 2010 Final Resolution, as described herein; and

WHEREAS, the Market Factors have impacted the expectations of the Applicant and the Borrower with respect to the financing terms for the Project, and the Applicant and Borrower have adapted their capital and resource plans to accommodate such Market Factors by identifying additional sources of capital financing, including a term loan facility (as more described fully below, the “Bank Loan”) to be provided by Landesbank Baden-Württemberg, a financial institution organized under the laws of the Federal Republic of Germany (“LBBW”); and

WHEREAS, the Borrower therefore now expects to finance the Project with a combination of a cash equity investment in the approximate amount of \$87,500,000 (the “Equity Investment”), proceeds of the Bank Loan in the approximate amount of \$103,760,000, and proceeds of the Bonds; and

WHEREAS, the Applicant and the Borrower have communicated to the Authority that, as a result of the provision of the Bank Loan and the Equity Investment, they expect ultimately to request that the Authority issue the Bonds in an amount not to exceed \$126,700,000 pursuant to an Indenture (the “Indenture”) between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and lend the proceeds of such Bonds to the Borrower (the “CPCFA Loan”) pursuant to a Loan Agreement (the “Loan Agreement”) between the Authority and the Borrower; and

WHEREAS, the Bank Loan will be payable and secured pursuant to an Export Credit Facility Agreement (the “Credit Agreement”) among the Borrower and LBBW in its capacities as Original Export Credit Agreement Lender, Original Commercial Lender, Export Credit Agreement Facility Agent, Export Credit Agreement Security Agent and Mandated Lead Arranger; and

WHEREAS, LBBW and, potentially, other parties, will also make available to the Borrower two contingent loan facilities, each in an aggregate amount of \$6,000,000 (collectively, the “Contingent Facilities”) pursuant to the Credit Agreement, and

WHEREAS, the Bank Loan and the Contingent Facilities will be secured, pursuant to the terms of an Intercreditor and Collateral Agency Agreement (the “Intercreditor Agreement”) among the Borrower, the Trustee, LBBW, as administrative agent, and The Bank of New York Mellon, a New York Bank Corporation, as collateral agent, on a *pari passu* basis with the Bonds, by certain common collateral, which will include a security interest in the Project, certain additional facilities related to the production of medium density fiberboard, the site on which such facilities are located and 100% of the membership interests of the Borrower (collectively, and as further specified in the Intercreditor Agreement, the “Common Collateral”); and

WHEREAS, the Bonds will be additionally secured by certain funds deposited under the Indenture; and

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WHEREAS, in the 2010 Final Resolution, forms of the Loan Agreement, Indenture, a private placement agreement (the “Placement Agreement”) and a private placement memorandum (the “Private Placement Memorandum”) were approved by the Authority, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect the business terms agreed upon between the Borrower and the initial purchasers (the “Purchasers”) of the Bonds), in substantial conformance with the term sheet attached to the 2010 Final Resolution, as the officer(s) executing and/or delivering the same may require or approve; and

WHEREAS, certain revisions will be made to the Loan Agreement and Indenture in light of the Market Factors and to accommodate requirements relating to the Bank Loan, the Intercreditor Agreement and the Credit Agreement; and

WHEREAS, revised forms of the Loan Agreement and Indenture incorporating such changes will be prepared and presented to the Authority at a meeting no later than December 31, 2014; and

WHEREAS, the final Limited Offering Memorandum will replace the final Private Placement Memorandum approved in the 2010 Final Resolution; and

WHEREAS, in order to provide the Authority with a definitive list of Purchasers prior to the sale of the Bonds, Stifel, Nicolaus & Company, Incorporated, as placement agent for the Bonds (the “Placement Agent”), has begun discussions with potential Purchasers concerning the Project, operational models relating thereto, and the credit and security structure for the financing, including the Bonds and the Bank Loan and, in order to facilitate such discussions and comply with applicable securities laws, the Applicant, the Borrower and the Placement Agent have caused a draft Preliminary Limited Offering Memorandum to be prepared for distribution to potential Purchasers which describes the preliminary financing structure and the forms of certain financing and Project documents; and

WHEREAS, following identification of the expected Purchasers, the Applicant, the Borrower and the Private Placement Agent will cooperate with the Authority to prepare or cause to be prepared the final Limited Offering Memorandum describing the terms of the final financing structure and the terms and provisions of certain financing and Project documents, all in accordance with the Term Sheet and this Resolution; and

WHEREAS, the Applicant, the Borrower and the Placement Agent have informed the Authority that they expect to return to the Authority for subsequent approval of the final Limited Offering Memorandum at a meeting of the Authority no later than December 31, 2014; and

WHEREAS, the Applicant, the Borrower and the Private Placement Agent have informed the Authority that a revised form of Private Placement Agreement (the “Placement Agreement”) among the Placement Agent, the Treasurer of the State of California, the Authority

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and the Borrower will be prepared and submitted to the Authority for ratification and approval no later than December 31, 2014; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing; and

WHEREAS, the Applicant has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division; and

WHEREAS, the Authority hereby desires to ratify and affirm its continuing approval of the Project, the financing therefor and the issuance of the Bonds, subject to completion certain documentation relating thereto, and to amend and reinstate the Original Resolution, to the extent consistent with federal tax law;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority ratifies and confirms that the Project constitutes a “project” and the Applicant and the Borrower are each a “participating party” within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

Section 2. The Authority’s approval of the Project and authorization to issue the Bonds set forth in the 2010 Final Resolution is hereby ratified, confirmed and continued, subject to the terms and conditions set forth in the 2010 Final Resolution and in an aggregate amount not to exceed \$126,700,000. The Authority further declares its official intent to issue the Bonds for the Project, including for the purpose of reimbursing to the Applicant or the Borrower costs incurred for the Project prior to the issuance of the Bonds.

Section 3. The Authority expects to authorize the Treasurer of the State of California (the “Treasurer”) to sell the Bonds, subject to the terms and conditions set forth in Exhibit A and Exhibit B hereto, at one time or from time to time before December 31, 2014, by negotiated sale and private placement, at such price and at such interest rate or rates as he may determine, provided, however, that the sale and issuance of the Bonds shall be contingent upon future action of the Authority approving revised forms of the Loan Agreement, the Indenture, the final Limited Offering Memorandum and the Private Placement Agreement, as applicable.

Section 4. The provisions of the resolution of the Authority entitled “Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings” adopted by the Authority on January 21, 2014 (the “Delegation Resolution”) apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference. This

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Section 4 shall be deemed to refer to and incorporate any resolution of a similar nature adopted hereafter by the Authority which replaces or supersedes the Delegation Resolution.

Section 5. This Resolution shall not have the effect of superseding, nullifying or replacing any prior declaration of official intent by the Authority to issue the Bonds for the purpose of financing the Project or any official action taken toward the issuance of the Bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended. It is also intended, though, that this Resolution shall constitute "some other similar official action" towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 6. This Resolution shall take effect immediately upon its passage; provided that, this Resolution shall cease to be effective on December 31, 2014 unless the Authority specifically adopts a further resolution extending the effective date of this Resolution. To the extent consistent with federal tax law, this Resolution shall relate back to April 26, 2000 and shall amend and reinstate the Original Resolution. The adoption by the Authority of this Resolution for the Applicant shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project. Subject to Section 5, this Resolution supersedes the 2010 Final Resolution.

Attachment A

EXHIBIT A

TERM SHEET

Name of Issue:	California Pollution Control Financing Authority Solid Waste Disposal Revenue Bonds (CalAg Project), Series 2014A (the “Bonds”)
Maximum Amount of Issue:	\$126,700,000 (tax-exempt)
Issuer:	California Pollution Control Financing Authority (the “Authority”), Sacramento, CA
Applicant:	CalAg, LLC, a California limited liability company
Borrower:	CalPlant I, LLC, a California limited liability company; CalPlant I, LLC is an Affiliate of the Applicant.
Participating Affiliate:	“Participating Affiliate” means, with respect to any Person, each Person that directly or indirectly, through one or more intermediaries or other Persons, controls, or is controlled by, or is under common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person (i) possesses, directly or indirectly, power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, or (ii) owns at least fifty percent (50%) of the Equity Interests in such Person. A “Person” who is an individual includes the spouse, children or parents of such Person (collectively, “relatives”), and includes any trust of which such Person or his or her relatives is the trustee or a beneficiary. For the purpose of this definition, the “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of a majority of voting securities or membership interests, as trustee, by contract or otherwise. A Participating Affiliate shall also be a “participating party” within the meaning of the Act.
Trustee:	U.S. Bank National Association
Placement Agent:	Stifel, Nicolaus & Company, Incorporated
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP,

Agenda Item 4.B.

San Francisco, CA

Project:	Construction, rehabilitation, improvement and/or installation of buildings and related facilities and the acquisition of equipment for a plant to recycle waste rice straw or other agricultural wastes materials into medium density fiberboard, such plant and facilities to be located at 6101 State Highway 162, Willows, Glenn County, California.
Maximum Bond Term:	[Not to exceed 25 years]
Type of Sale:	Private placement; restriction on transfer to Qualified Institutional Buyers as set out in Exhibit B during Restricted Period as defined in the Indenture; should Restricted Period terminate upon approval of the Authority, which shall not be unreasonably withheld if the Borrower provides evidence that the Bonds have been rated at least "A3/A-" by Moody's Investors Service, Inc., Standard & Poor's Ratings Group or Fitch Ratings.
Description of Minimum Denominations:	\$250,000 or any integral multiple of \$5,000 above \$250,000 during Restricted Period as defined in the Indenture; should Restricted Period terminate as described above, \$5,000 or any integral multiple thereof.
Financing Structure:	Fixed rate bonds.
Maximum Interest Rate:	12% for tax-exempt bonds
Other Credit Enhancement:	Not applicable
Anticipated Bond Rating:	None
Type of Financing:	Solid waste disposal revenue bonds
Prepared by:	Margo Kairoff (310) 476-0996

Attachment A

EXHIBIT B

SALE AND REMARKETING GUIDELINES

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0003
(916) 319-2003
FAX (916) 319-2103
DISTRICT OFFICE
150 AMBER GROVE DRIVE, SUITE 154
CHICO, CA 95973
(530) 895-4217
FAX (530) 895-4219
EMAIL
Assemblymember.Logue@assembly.ca.gov

Assembly
California Legislature



DAN LOGUE
CHIEF REPUBLICAN WHIP
ASSEMBLYMAN, THIRD DISTRICT

COMMITTEES
BUDGET
BUDGET SUBCOMMITTEE #3 ON
RESOURCES AND TRANSPORTATION
ELECTIONS AND REDISTRICTING
TRANSPORTATION

May 9, 2014

Mr. Jerry Uhland
President & Co-Founder
CalAg, LLC
1719 County Road D
Willows, CA 95988

Dear Mr. Uhland,

I am writing to convey my support of CalAg, LLC's efforts to build a manufacturing plant for medium density fiberboard in Willows, California. The project meets the needs of Sacramento Valley rice farmers while providing much-needed jobs in our region which is still striving to recover economically.

The disposal of rice straw is a critical component of the rice farming industry, and this project offers a viable alternative while also creating cost savings that are estimated to be as much as \$25 million annually for farmers who are working with the Willows plant for a cleaner most cost effective means of rice straw disposal.

In addition, this project will employ an estimated 250 to 300 full-time workers during construction. Upon completion it will employ approximately 85 full-time employees with an annual payroll of about \$11 million. Another 400 to 450 workers will be employed by the baling and transportation companies during the five-month straw collection season. This single plant will translate into more income circulating in the local community and will benefit other businesses associated with the plant and its workers.

For these reasons, I am pleased to add my support to this endeavor and look forward to hearing about the project's progress after construction begins later this year and witnessing the plant in operation in early 2016.

Sincerely,

Dan Logue,
Assemblyman, 3rd District

Agenda Item 4.B.

1. Purchasers of the Bonds (in both primary and secondary markets) limited to “Qualified Institutional Buyers” (QIB), as QIBs are defined under SEC Rule 144A, promulgated under the Securities Act of 1933.
2. Bonds may be initially placed with and marketed to no more than 35 QIBs in any one offering.
3. Bonds must be issued in minimum denominations of \$250,000 or any integral multiple of \$5,000 above this amount, with the requirement that all Bonds must equal the chosen denomination.
4. All sale restriction information must be prominently printed on the cover and described in the body of any offering materials. The Indenture’s “Registration and Transfer of Bonds” section must clearly describe all sale and purchase restrictions, and the Bond certificates in their legends must note all sale and purchase restrictions.
5. Sinking fund maturities must match the Bond denomination.
6. Participatory shares of Bonds in trusts which include any of the Bonds may be sold only to QIBs, and such trust shares must be sold only in increments equal to the Bond’s minimum denomination unless (i) the participatory shares are credit enhanced to an “A-“ level or higher and purchasers of such shares are not exposed to credit risk of the borrower, or (ii) participatory shares are not directly made in the bonds, but are part of a diversified portfolio in a regulated investment company, where the bonds constitute not more than 5% of the total portfolio.
7. The initial purchasers shall provide the Authority with an Investment Representation Letter.

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94289-0003
(916) 319-2003
FAX (916) 319-2103
DISTRICT OFFICE
150 AMBER GROVE DRIVE, SUITE 154
CHICO, CA 95973
(530) 895-4217
FAX (530) 895-4219
EMAIL
Assemblymember.Logue@assembly.ca.gov

Assembly
California Legislature



DAN LOGUE
CHIEF REPUBLICAN WHIP
ASSEMBLYMEMBER, THIRD DISTRICT

COMMITTEES
BUDGET
BUDGET SUBCOMMITTEE #3 ON
RESOURCES AND TRANSPORTATION
ELECTIONS AND REDISTRICTING
TRANSPORTATION

May 9, 2014

Mr. Jerry Uhland
President & Co-Founder
CalAg, LLC
1719 County Road D
Willows, CA 95988

Dear Mr. Uhland,

I am writing to convey my support of CalAg, LLC's efforts to build a manufacturing plant for medium density fiberboard in Willows, California. The project meets the needs of Sacramento Valley rice farmers while providing much-needed jobs in our region which is still striving to recover economically.

The disposal of rice straw is a critical component of the rice farming industry, and this project offers a viable alternative while also creating cost savings that are estimated to be as much as \$25 million annually for farmers who are working with the Willows plant for a cleaner most cost effective means of rice straw disposal.

In addition, this project will employ an estimated 250 to 300 full-time workers during construction. Upon completion it will employ approximately 85 full-time employees with an annual payroll of about \$11 million. Another 400 to 450 workers will be employed by the baling and transportation companies during the five-month straw collection season. This single plant will translate into more income circulating in the local community and will benefit other businesses associated with the plant and its workers.

For these reasons, I am pleased to add my support to this endeavor and look forward to hearing about the project's progress after construction begins later this year and witnessing the plant in operation in early 2016.

Sincerely,

Dan Logue,
Assemblyman, 3rd District

Representing Tehama, Glenn, Butte, Colusa, Sutter and Yuba Counties

CAPITOL OFFICE
STATE CAPITOL
SACRAMENTO, CA 95814
(916) 681-4004

CHICO DISTRICT OFFICE
2653 FOREST AVE., STE. 110
CHICO, CA 95926
(530) 879-7424

CRESCENT CITY DISTRICT OFFICE
1080 MASON MALL, STE. 4
CRESCENT CITY, CA 95531
(707) 464-1288

ROSEVILLE DISTRICT OFFICE
2200A DOUGLAS BLVD., STE. 100
ROSEVILLE, CA 95769
(916) 772-0571

YUBA CITY DISTRICT OFFICE
409 CENTER ST., STE. C
YUBA CITY, CA 95993
(530) 781-8657

California State Senate

COMMITTEES
BUDGET & FISCAL REVIEW
HEALTH
INSURANCE
VETERANS AFFAIRS

SENATOR
JIM NIELSEN
FOURTH SENATE DISTRICT
May 5, 2014

Mr. Jerry Uhland
President & Co-Founder
CalAg, LLC
1719 County Road D
Willows, CA 95988

Dear Mr. Uhland:

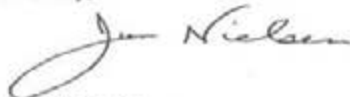
I am writing to convey my support of CalAg LLC's efforts to build a manufacturing plant for medium density fiberboard in Willows, California. The project meets the needs of Sacramento Valley rice farmers while providing much-needed jobs in this region that is still striving to recover economically.

The disposal of rice straw is a critical component of the rice farming industry, and this project offers a viable alternative while also creating cost savings that are estimated to be as much as \$25 million annually for farmers who use the Willows plant for rice straw removal.

In addition, this project will employ an estimated 250 to 300 full-time workers during construction. Upon completion it will employ approximately 85 full-time employees with an annual payroll of about \$11 million. Another 400 to 450 workers will be employed by the baling and transportation companies during the five-month straw collection season. This single plant will translate into more income circulating in the local community and will benefit other businesses associated with the plant and its workers.

For these reasons, I am pleased to add my support to this endeavor and look forward to hearing about the project's progress after construction begins later this year and witnessing the plant in operation in early 2016.

Sincerely,



JIM NIELSEN
Senator, Fourth District

JN:ln



GAVIN NEWSOM
LIEUTENANT GOVERNOR

June 19, 2013

Jerry Uhland, President
CalAg, LLC
PO Box 1338
Willows, CA 95988

Dear Jerry,

It is my pleasure to write in support of CalAg's proposal for a Medium Density Fiberboard (MDF) facility to be built in Willows, California. This project will bring strong economic benefits to the state, specifically creating a number of employment opportunities in high unemployment areas of northern California.

What is uniquely appealing about CalAg's efforts is that the proposed MDF facility's economic benefits do not come at the expense of the environment. The MDF facility will utilize disposed rice straw as its raw material. This solves a dilemma that farmers across California face every year by providing an environmentally, economically sound option for the disposal of the leftover rice straw, which is otherwise burned or improperly discarded. This facility not only brings these ample benefits to the local economies of California, but allows the state to compete with neighboring states' MDF facilities, furthering the potential economic growth that the project promises.

California has historically been a leader in innovative production of goods and sound environmental policies. A project such as CalAg's MDF facility will encourage environmentally friendly innovation in our state, and for this reason, I am in support of their efforts.

Sincerely,

A handwritten signature in black ink, appearing to read "Gavin Newsom".

Lt. Governor Gavin Newsom





GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT
STATE OF CALIFORNIA • OFFICE OF GOVERNOR EDMUND G. BROWN JR.

October 25, 2012

Jerry Uhland, President
CalAg, LLC
PO Box 1338 (or 1719 County Road D)
Willows, CA 95988

Dear Jerry,

On behalf of the Governor's Office of Business and Economic Development (GO-Biz), I am writing this letter in support of CalAg's efforts to secure private activity revenue bonds for a Medium Density Fiberboard (MDF) facility to be constructed in Willows, California. This project offers a robust jobs and economic impact as well as environmental benefits.

CalAg estimates the project will generate approximately 250 to 300 full time jobs during the 18-month construction of the facility and also support some 450 jobs during the annual 4-month rice straw harvest. As well as, approximately 85 full time, well-paying jobs in the high-unemployment rural region of Northern California. Because the project will have an inexpensive raw material source in rice straw, it will be extremely cost-competitive with other MDF facilities in the western U.S., which must use increasingly scarce wood byproducts as their raw material resource.

Our office serves as the single point of contact within state government for businesses that need assistance with site selection, expansion and relocation, permit streamlining, regulatory issues and more. As such, GO-Biz is actively engaged with several companies that are identifying environmentally-friendly methods for production of goods and we are supportive of CalAg and their efforts to build a facility in California that will provide jobs for the surrounding area.

Sincerely,

A handwritten signature in black ink, appearing to read "Panorea Avdis".

Panorea Avdis
Chief Deputy Director
Governor's Office of Business & Economic Development

WALLY HERGER

2nd DISTRICT, CALIFORNIA

PLEASE REPLY TO:
WASHINGTON OFFICE
42 CANYON HOUSE OFFICE BUILDING
(202) 225-3076

DISTRICT OFFICES
2635 FOREST AVENUE, SUITE 100
CHICO, CA 95928
(530) 893-8363

410 REMATED DRIVE, SUITE 115
REDDING, CA 96002
(530) 223-6888

herger.house.gov



Congress of the United States
House of Representatives
Washington, DC 20515-0502

October 15, 2010

COMP
WAYS

SUBC

NAME

Sherri K. Wahl, Deputy Director
CA Pollution Control Financing Authority
915 Capitol Mall, Suite 457
Sacramento, CA 95814

Dear Sherri,

I represent the Second Congressional District of California, and I am taking this opportunity to offer my support of CalAg, LLC in their efforts to secure private activity revenue bonds for a Medium Density Fiberboard project in my district. This project will utilize excess rice straw from California.

Rice farming has long been an integral part of Northern California's economy. However, rice farming presents several challenges to growers. In particular, the question of how to dispose of rice straw has been an ongoing challenge for many farmers. That is why I am pleased to be able to loan my support to CalAg, LLC. Not only does their program offer an alternative to farmers for rice straw elimination, it does so in an environmentally sensitive way that will create many jobs and better the economy of Northern California. Thank you for your careful consideration of this project.

Sincerely,


WALLY HERGER
Member of Congress

WH:rk



Santa Ana Watershed Project Authority

CELEBRATING 40 YEARS OF INNOVATION, VISION, AND WATERSHED LEADERSHIP

October 11, 2010

Mr. Michael Papanian
Executive Director
California Pollution Control Financing Authority
915 Capitol Mall, Room 457
Sacramento, CA 95814

Terry Catlin
Commissioner
Chair

RE: CalAg

Celeste Cantú
General
Manager

Dear Michael:

Eastern
Municipal
Water
District

As someone who has worked for many years to balance the economic and environmental concerns of Californians, I am pleased to support the California Pollution Control Financing Authority's approval for the allocation of solid waste private activity revenue bonds that would constitute part of the financing for the rice straw-based MDF plant to be built by CalAg, LLC in Willows, California. I am particularly pleased to support the project as an economically sustainable, cost-effective way of making an estimated 50,000 acre feet (16.3 billion gallons) of additional water available each year during the crucial fall season—a season when water flow is crucial to California's fisheries and its environment. Just as important, the project achieves water conservation while reducing, rather than increasing, production costs to California rice farmers.

Inland
Empire
Utilities
Agency

The CalAg project will result in many other environmental and economic benefits as well, among the most important of which are the following:

Orange
County
Water
District

- It will substantially reduce the methane emissions that result from current rice straw disposal methods. These reductions could be as much as 52,000 tons of methane a year—enough to constitute an important part of California's greenhouse gas reduction goals.
- It will provide a source of environmentally sustainable building products made from an annually renewable resource (rice straw), reducing the stress on California's forests.
- During construction, it will provide 250 well-paid, full-time jobs in one of the most economically depressed regions of the state.
- Once operating, the plant will provide 85 professional, full-time jobs in a disadvantaged community whose leaders are eager for the economic and community-building opportunities that the plant will provide.
- It will be a high-visibility project that will demonstrate California's leadership in building industries that are economically and environmentally responsible and sustainable.

San
Bernardino
Valley
Municipal
Water
District

Western
Municipal
Water
District

Thank you for this opportunity and the best to you.

Sincerely,

Celeste Cantú
General Manager

