

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: June 12, 2017**

Consideration of Borrower’s Request to Amend the Sale & Remarketing Guidelines for the Bonds Approved on May 16, 2017

Prepared by: *Andrea Gonzalez*

Applicant: CalAg, LLC, CalPlant I, LLC and/or its Affiliates	Amount Requested: \$235,000,000
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 /Reinstated 6/17/14 Amended 12/16/14 Amended /Reinstated 6/16/15 Amended/ Reinstated 5/17/16 Amended/ Reinstated 12/06/16 Amended/Reinstated 5/16/17

Summary. CalAg, LLC and/or its Affiliates, including CalPlant I, LLC (the “Company”) is requesting the Authority to amend the Authority’s May 16, 2017 final resolution which limits the number of Qualified Purchasers to 35.

Background. On May 16, 2017, CPCFA approved an amended and restated Final Resolution (“Resolution”) authorizing the issuance of revenue bonds and tax-exempt volume cap allocation in an amount not to exceed \$235,000,000. The Company 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. The project has not changed since the Authority’s approval of the final resolution and allocation.

The Company anticipates a limited offering of fixed rate tax-exempt bonds with a restriction on sale and transfer to Qualified Institutional Buyers and Institutional Accredited Investors pursuant to Sale and Remarketing Guidelines specified in Exhibit B of the Resolution during the offering and the “Restricted Period” as defined in the Indenture. The Borrower had previously requested that CPCFA allow the sale and transfer to Institutional Accredited Investors to enhance the initial bond sale. CPCFA staff included additional requirements in the Indenture to ensure the dealer confirms the qualification of original and subsequent purchasers as Institutional Accredited Investors, and the Authority granted that request and approved the Resolution with these additional terms and conditions.

Each initial investor will deliver an Investor Representation Letter stating that it is a Qualified Institutional Buyer (as defined in SEC Rule 144A promulgated under the Securities Act of 1933) or an Institutional Accredited Investor (which is an entity described SEC Rule 501(a)(1), (2), (3)

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or (7) under the Securities Act of 1933)(together, “Qualified Purchasers). The bonds will be sold in minimum denominations of \$250,000 or any integral multiple of \$5,000 in excess thereof during the Restricted Period and \$5,000 or any integral multiple thereof upon termination of the Restricted Period. The bonds may be sold with an original issue discount. UMB Bank, N.A. will serve as the bond trustee and collateral agent. The target date for financing is June 14, 2017.

Current Request. The Sale and Remarketing Guidelines set a maximum limit of thirty-five (35) on the number of Qualified Purchasers in the initial bond sale. Stifel, Nicolaus & Company, Incorporated, and Citigroup Global Markets Inc., as co-underwriters of the bonds (collectively, the “Underwriters) have informed the Authority that they anticipate that the bonds will be sold to 33 investors, each of whom is a Qualified Purchaser. However, it is unclear whether the requirement that the bonds be sold to no more than 35 Qualified Purchasers has been satisfied because several of those investors are investment companies who are purchasing the bonds for more than one of its family of investment funds, each of which could arguably be construed as a separate purchaser. Each of the individual investment funds will be signing the investor letter pursuant to which it will certify that it is a Qualified Purchaser.

To address the potential ambiguity of this requirement, the Borrower has requested that the Authority remove the limitation on the number of Qualified Purchasers in the Resolution. Additionally, the Underwriters have provided a list of each of the investors and investment funds which will be providing an investor letter prior to close, as set forth in Exhibit A to the proposed Resolution attached hereto (the “2017 Purchasers”), and have suggested that the Authority ratify the sale of the bonds to those investors, each of whom is a Qualified Purchaser, and to delete any limitation on the number of Qualified Purchasers to whom the Bonds can be sold.

Staff Recommendation. Staff recommends approval of CalAg, LLC and/or its Affiliates, including CalPlant I, LLC request to amend the sale & remarketing guidelines for the bonds approved on May 16, 2017 by deleting the maximum number of allowable Qualified Purchasers and ratifying the 2017 Purchasers identified in Exhibit A to the proposed Resolution.

**AMENDMENT TO 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 12, 2017

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, the “Project”); and

WHEREAS, the Authority, on May 16, 2017, approved an amended and restated final resolution (the “2017 Final Resolution”) authorizing the issuance from time to time of revenue obligations of the Authority (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, the 2017 Final Resolution provided limitations on the sale of the Bonds which included the requirement that the Bonds be sold only to “Qualified Institutional Buyers” (“QIB”) as defined in Securities and Exchange Commission (“SEC”) Rule 144A, promulgated under the Securities Act of 1933 (the “Securities Act”) or an “Institutional Accredited Investor” described by SEC Rule 501(a)(1), (2), (3) or (7) under the Securities Act (“IAI” and, collectively, “Qualified Purchasers”);

WHEREAS, in addition to the limitation on sales only to Qualified Purchasers, the Final Resolution included a limitation that the Bonds be sold only to 35 Qualified Purchasers;

WHEREAS, Stifel, Nicolaus & Company, Incorporated, and Citigroup Global Markets Inc., as co-underwriters of the Bonds (collectively, the “Underwriters”), the Treasurer of the State of California (the “Treasurer”), the Authority and the Borrower have entered into a bond purchase agreement, dated May 24, 2017 (the “Purchase Agreement”), with respect to the sale of the Bonds; and

WHEREAS, the Underwriters have informed the Authority that they anticipate that the Bonds will be sold to 33 investors, each of whom is a Qualified Purchaser, but it is arguably unclear whether the requirement in the 2017 Final Resolution that the Bonds be sold to no more than 35 Qualified Purchasers has been satisfied because several of those investors are investment companies who are purchasing the Bonds for more than one of its family of investment funds, each of which could arguably be construed as a separate purchaser;

WHEREAS, each purchaser who is purchasing Bonds at the closing of the transaction is delivering a letter to the Authority pursuant to which it certifies that it is a Qualified Purchaser;

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WHEREAS, to address the potential ambiguity of this requirement, the Authority desires to ratify the sale of the Bonds to those investors set forth on Exhibit A hereto (the “2017 Purchasers”), each of whom is a Qualified Purchaser, and to delete any limitation on the number of Qualified Purchasers to whom the Bonds can be sold;

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

Section 1. The Authority hereby ratifies, affirms and authorizes the issuance of the Bonds and the sale thereof to the Underwriters pursuant to the Purchase Agreement, including the Underwriters’ anticipated sale thereof to the 2017 Purchasers set forth in Exhibit A hereto, and Section 2 of the Sale and Remarketing Guidelines in Exhibit B of the 2017 Final Resolution is hereby deleted.

Section 2. Except as amended in Section 1 hereof, the 2017 Final Resolution remains in full force and effect.

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EXHIBIT A

LIST OF PURCHASERS

\$228,165,000

**California Pollution Control Financing Authority
Solid Waste Disposal Revenue Bonds
(CalPlant I Project)
Series 2017 (AMT)**

1. Alpine Woods Cap Inv.
2. American High-Income Municipal Bond Fund: Capital Research and Managed Company, for and on behalf of American High-Income Municipal Bond Fund
3. ASA Managed Account Managers on behalf of Compass High Yield
4. BlackRock Strategic Municipal Opportunities Fund
5. BlackRock MuniAssets Fund, Inc.
6. BlackRock High Yield Municipal Fund
7. BlackRock National Municipal Fund
8. BlackRock Long-Term Municipal Advantage Trust
9. BlackRock California Municipal Opportunities Fund
10. BlackRock Allocation Target Shares: Series E Portfolio
11. Cedar Ridge Partners, LLC
12. Citigroup Global Markets
13. City National Rochdale Municipal High Income
14. Concordia Institutional Multi-Strategy Fund
15. Concordia Municipal Opportunities Master Fund
16. Delaware Investments
17. Duane Park Credit Master Fund LP
18. Franklin High Yield Tax Free Income Fund
19. Franklin California High Yield Income Fund
20. Fundamental Credit Opportunities
21. Good Hill Master Fund LP
22. Good Hill Municipal Bond Opportunity Fund LP
23. Green Square Capital Advisors on behalf of Advantage Advisers Tax Exempt Income Fund I
24. Kendall Capital Markets, LLC
25. Mackay Shields LLC
26. MFS High Yield Municipal Trust (CMU)
27. MFS High Income Municipal Trust (CXE)
28. MFS Municipal Income Trust (MFM)
29. MFS Series Trust III
30. MFS Municipal High Income Fund (MMH)
31. Neuberger Berman Intermediate Municipal Fund Inc.
32. Neuberger Berman California Intermediary Municipal Fund Inc.
33. Neuberger Berman Municipal High Income Fund
34. Next Wave Capital Partners LLC
35. Old Orchard Capital Management

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36. Oppenheimer Rochester Short Term Municipal Fund
37. Oppenheimer Rochester California Municipal Fund
38. Oppenheimer Rochester High Yield Municipal Fund
39. Philadelphia Indemnity Insurance Company
40. Pimco
41. Pine River Master Fund Ltd.
42. Preston Hollow Capital
43. Prudential Muni High Income Fund
44. Prudential Short Duration Muni High Income Fund
45. Safety National Casualty Corporation
46. SIG Structured Products, LLLP
47. Standish Mellon Asset Management on behalf of Dreyfus High Yield Municipal Bond Fund
48. VanEck Vectors ETF Trust
49. VanEck Vectors Short High-Yield Municipal Index ETF
50. VanEck Vectors High-Yield Municipal Index ETF
51. Watermill Asset Management Corp
52. Wells Capital Management Inc.
53. Whitebox Advisors, LLC
54. Whitehaven Credit Opportunities Master Fund, Ltd. & United Insurance Company
55. Williams Jones & Associates