

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: March 28, 2019**

Request to Approve Initial Resolution Reflecting Official Intent to Issue Revenue Bonds

Prepared by: *Alison French-Tubo*

Applicant:	CalPlant I, LLC and/or its affiliates	Amount Requested:	\$80,000,000
Project Location:	Willows (Glenn County)	Application No.:	927(SB)
		Initial Resolution No.:	19-01

Summary. CalPlant I, LLC and/or its affiliates, including CalPlant I Holdco, LLC (the “Company” or “CalPlant”) requests approval of an Initial Resolution for an amount not to exceed \$80,000,000 to finance and refinance additional costs relating to the construction of facilities for treatment and disposal of solid waste consisting of a plant for the recycling of waste rice straw (collectively, the “Plant”).

Borrower. The Company is a small business with 24 employees. CalPlant is constructing the Plant to use its patented method (US Patent 6,596,209) to recycle waste rice straw (a waste product from the farming and harvesting of rice) into medium density fiberboard (MDF) in Willows, Glenn County.

CalPlant I, LLC was formed on February 8, 2008. CalPlant I, LLC is owned by CalPlant I Holdco, LLC.

The owners of CalPlant I Holdco, LLC are:

Occator Agricultural Properties, LLC ¹	32.95%
Columbia Forest Products, Inc.	18.53%
Other Investors	16.47%
Siempelkamp Maschinen- und Anlagenbau GmbH	4.12%
CalAg, LLC	<u>27.92%</u>
Total:	<u>100.00%</u>

¹ A wholly-owned subsidiary of Teachers Insurance and Annuity Association of America

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

Project Description. On June 14, 2017, the California Pollution Control Financing Authority issued its Solid Waste Disposal Revenue Bonds (CalPlant I Project) Series 2017 (AMT) (Green Bonds) in an aggregate principal amount of \$228,165,000 (the “2017 Bonds”) to finance the acquisition and a substantial portion of the costs of construction of the Plant. Construction of the

273-acre Plant is well underway and production is expected to commence by the fourth quarter of 2019. The total project budget was approximately \$315 million to be funded with a combination of equity and debt. Following the issuance of the 2017 Bonds, the supplier of equipment for the Plant proposed additional material upgrades and additions to the manufacturing process. The costs of the upgrades and additions are anticipated to exceed \$60 million. In order to cover these costs, CalPlant I Holdco, LLC (the sole member of CalPlant I, LLC) secured a mezzanine debt facility in the par amount of \$35 million, contributed additional equity of approximately \$15 million, and the equipment supplier agreed to defer approximately \$8.5 million for a period of three years from the date bondholders consented to the new construction and financing arrangements. Total qualifying tax-exempt costs for the project are estimated to be at least \$300 million. The Company proposes to use all or a portion of the requested \$80 million of tax-exempt allocation to finance or refinance additional costs associated with the project.

Volume Cap Allocation. The Company anticipates applying to the California Debt Limit Allocation Committee for volume cap allocation in July of 2019.

Financing Details. The Company anticipates the issuance of tax-exempt bonds through a private placement.

Financing Team.

Underwriters: Stifel, Nicolaus & Company, Incorporated and
Citigroup Global Markets Inc.

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 19-01 for CalPlant I, LLC and/or its affiliates for an amount not to exceed \$80,000,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
CALPLANT I, LLC AND/OR ITS AFFILIATES**

March 28, 2019

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (the “Act”) to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, the Authority has previously issued its Solid Waste Disposal Revenue Bonds (CalPlant I Project) Series 2017 (AMT) in the aggregate principal amount of \$228,165,000 to finance the acquisition and construction of facilities for treatment and disposal of solid waste consisting of a plant for the recycling of waste rice straw (collectively, the “Plant”) to be owned and operated by CalPlant I, LLC, a California limited liability company (together with its affiliates, including CalPlant I Holdco, LLC, known collectively as the “Company”); and

WHEREAS, the Company has submitted an application requesting that the Authority assist in financing and refinancing additional costs related to the construction of the Plant, as more fully described in the Company’s application (the “Project”), to be owned and operated by the Company, and have presented an estimate of the maximum cost of such Project, as shown in Exhibit A attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal facilities and equipment which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Project be constructed at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance the Project; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this Resolution, the Authority reasonably expects that debt obligations in an amount not expected to exceed \$80,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Project; 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, Authority Resolution No. 19-01-001 delegates to the Executive Director the authority to approve initial resolutions related to bond financings;

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

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Company means any person or entity which controls, is controlled by, or is under common control with, the Company, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise. An Affiliate shall also be a “participating party” as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$80,000,000 principal amount of bonds of the Authority for the Project; including for the purpose of reimbursing to the Company costs incurred for the Project prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Project. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the bond proceeds to finance the Project; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee for any portion of the bonds which are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority has authority under Authority Resolution No. 19-01-001 to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Project, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and to meeting all other requirements of the Authority.

Section 6. It is intended 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 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6 above, this Resolution shall cease to be effective on March 28, 2022, unless the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution. The Authority will consider such extension upon receiving a specific request for such action from the Company, accompanied by any additional information requested by the Authority to supplement the Company's application, and an explanation of the status of the Project.

EXHIBIT A

NUMBER: 19-01
LOCATION: 6101 State Highway 162, Willows, CA (Glenn County)
TYPE: Solid Waste Disposal/Resource Recovery
AMOUNT: Up to \$80,000,000