

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: May 20, 2021**

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

Prepared by: Andrea Gonzalez

Applicant:	CalPlant I, LLC, and/or its affiliates	Amount Requested:	\$18,000,000
Project Location:	Willows (Glenn County)	Application No.:	950(SB)
		Initial Resolution No.:	21-07

Summary. CalPlant I, LLC, and/or its affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$18,000,000 to finance and refinance costs relating to the commissioning and startup of a newly-constructed plant that will use California-grown rice straw (a solid waste product) as feedstock for a manufacturing process to produce high-quality and competitively priced medium density fiberboard (MDF) (collectively, the “Plant”).

Borrower. The Company is a small business that currently has 100 employees, and at full operation it expects to have 140 employees. The Company has constructed and will operate the Plant using a patented method (US Patent 6,596,209) licensed to the Company to recycle California-grown rice straw (a solid waste product from the farming and harvesting of rice) into MDF in Willows, Glenn County (the “Project”). Construction of the Plant is mechanically complete, but it has not yet been commissioned.

CalPlant I, LLC was formed on January 24, 2008. CalPlant I, LLC, is owned by CalPlant I Holdco, LLC, which was formed on March 8, 2016.

The owners of CalPlant I Holdco, LLC are:

ZC CalAg LLC	30.66%
Occator Agricultural Properties, LLC ¹	29.94%
CalAg, LLC	19.85%
Columbia Forest Products, Inc.	14.64%
Siempelkamp Maschinen- und Anlagenbau GmbH	2.58%
CalAg Preferred Investor, LLC	<u>2.33%</u>
Total:	<u>100.00%</u>

Legal Questionnaire. The California Pollution Control Financing Authority (“CPCFA”) staff has reviewed the Company’s responses to the questions contained in the Legal Status Questionnaire portion of the Application. The information disclosed in the Legal

¹ Wholly-owned subsidiary of Teachers Insurance and Annuity Association of America.

Status Questionnaire portion of the Application does not raise concerns regarding the financial viability or legal integrity of this applicant. The Company has informed CPCFA that the January 2021 interest payments and sinking fund payments on the 2017 Senior Bonds (defined below) and the December 2020 interest payments on the 2019 Subordinate Bonds (defined below) have not been made, and that the June 2021 interest payments on the 2019 Subordinate Bonds are not anticipated to be timely made, all as anticipated by non-acceleration agreements that the Company entered into with the majorities of the holders of the 2017 Senior Bonds and 2019 Subordinate Bonds in 2020.

Project Description. The Plant construction is mechanically complete, and the facility has begun producing product. However, the Plant has not yet been fully commissioned. The original total Project budget was approximately \$315 million, to be funded with a combination of equity and debt. The Company completed an equity raise and Project finance bond sale in June 2017 (\$228,165,000, Solid Waste Disposal Revenue Bonds, Series 2017 (AMT) (Green Bonds) (“2017 Senior Bonds”). After experiencing substantial cost overruns and Project delays, resulting in a revised Project budget of approximately \$420 million, the Company raised additional equity and completed a sale of subordinate bonds in August 2019 (\$73,685,000 Solid Waste Disposal Revenue Bonds, Series 2019 Subordinate Bonds (AMT) (Green Bonds) (“2019 Subordinate Bonds”). Following the sale of subordinate bonds, the Company continued to experience hard-cost overruns as well as delays in the completion of the Project, resulting in additional cost overruns of at least \$57 million. In order to provide for the then anticipated cost of completing the Plant, the Company completed a sale of additional parity senior bonds in October 2020 (\$42,000,000 Solid Waste Disposal Revenue Bonds, Series 2020 (AMT) (Green Bonds)). Following the sale of the 2020 parity senior bonds, the Company experienced further delays in commissioning the Plant and additional cost overruns of at least \$18 million.

The total eligible tax-exempt costs for the Project are estimated to be at least \$40.7 million. The Company proposes to use all or a portion of the requested \$18 million of the tax-exempt allocation to fund additional eligible tax-exempt costs not previously paid or reimbursed from the proceeds of the prior bond issuances. In the event tax-exempt allocation is not available, the Company anticipates the possibility of a taxable bond issuance with a refinancing of the bonds at a future time if additional exempt facility bond allocation becomes available.

Volume Cap Allocation. If exempt facility bond allocation is available, the Company anticipates applying to the California Debt Limit Allocation Committee for a volume cap allocation in August 2021.

Financing Details. The Company anticipates the issuance of negotiated tax-exempt or taxable bonds through a limited public offering or a private placement.

Financing Team.

Underwriters/Placement Agents²:

Citigroup Global Markets Inc. and
Stifel, Nicolaus & Company, Incorporated
Orrick, Herrington & Sutcliffe LLP
Office of the Attorney General

Bond Counsel:

Issuer's Counsel:

Staff Recommendation. Staff recommends the approval of Initial Resolution No. 21-07 for CalPlant I, LLC, and/or its affiliates for an amount not to exceed \$18,000,000.

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

² Precise formal capacity of Stifel Nicolaus & Co. and Citigroup Global Markets Inc. (i.e., whether acting as placement agents, underwriters, or consultants) to be determined.

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

May 20, 2021

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, its Solid Waste Disposal Revenue Bonds (CalPlant I Project) Series 2019 Subordinate Bonds (AMT) in the aggregate principal amount of \$73,685,000 and its Solid Waste Disposal Revenue Bonds (CalPlant I Project) Series 2020 (AMT) in the aggregate principal amount of \$42,000,000 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 certain 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 that will serve the public of the State of California; 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 Initial Resolution, the Authority reasonably expects that debt obligations in an amount not expected to exceed \$18,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures associated with 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 associated with the Project with proceeds of a subsequent borrowing;

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 Initial Resolution, an “Affiliate” of the Company means any person or entity that meets the definition of “participating party” in the Act and 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.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$18,000,000 principal amount of bonds of the Authority for the Project, including for the purpose of reimbursing to the Company costs associated with the Project incurred 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 proceeds thereof to the Company; (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 or carried forward from the California Debt Limit Allocation Committee for any portion of the bonds that are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority has authority under Authority Resolution No. 21-01-001 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 Initial 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 Initial Resolution ceases to be effective for other purposes.

Section 7. This Initial Resolution shall take effect immediately upon its approval and remain in full force and effect thereafter; provided that, subject to Section 6 above, this Initial Resolution shall cease to be effective on the date three years after the approval date unless prior thereto the Authority or Executive Director specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation of the status of the project and any additional information requested by the Authority to supplement the Company’s application.

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EXHIBIT A

NUMBER: 21-07
LOCATION: 6101 State Highway 162, Willows, California (Glenn County)
TYPE: Solid Waste Disposal/Resource Recovery
AMOUNT: Up to \$18,000,000