

Bond Case Briefs

Municipal Finance Law Since 1971

Rice-to-Fiberboard Plant in Default Seeks to Sell More Muni Debt.

- **CalPlant plans to seek California approval for \$18 million**
- **Company has run into many problems constructing plant**

A company that defaulted on municipal bonds sold to build a novel recycling factory in California is seeking to sell as much as \$18 million of additional debt.

CalPlant I LLC, constructing the world's first facility converting rice cultivation debris into fiberboard, has already made one preliminary application to sell the debt through the California Pollution Control Financing Authority and will make a final request by Friday, according to a company filing.

It would mark the company's second return to the market since the default. It sold \$42 million of unrated tax-exempt debt in October after skipping payments earlier in the year on a \$228 million issue sold in 2017 and a \$74 million deal in 2019.

Elizabeth Whalen, a spokesperson for CalPlant, didn't return an email and phone call seeking comment. Bill Ainsworth, a spokesperson for the financing agency, confirmed it received the initial application but had no further comment.

The company may be able to take advantage of investors' demand for high-yielding bonds. Over the past 10 weeks, municipal-bond funds devoted to the riskiest of securities have raked in \$5.8 billion, according to Refinitiv Lipper US Fund Flows data.

Especially for unrated deals, demand has been "intense," said Terry Goode, a senior portfolio manager at Wells Capital Management, which doesn't hold CalPlant debt.

"The persistent low yields in AAA and AA bonds have pushed investors down in credit quality to find incremental yield," he said. "Most high-yield deals are heavily oversubscribed, leading to yields being reduced."

CalPlant has fielded many problems during construction and trial production runs and has repeatedly pushed back its opening date. In the latest report to bond holders, it said "with the continued struggles getting to a quality fiber and longer consistent runs, we do not expect Plant Acceptance to occur until July at the earliest, pushing commercial operations back accordingly."

Bloomberg Markets

By Romy Varghese

May 18, 2021, 4:15 PM MDT

