

Bond Case Briefs

Municipal Finance Law Since 1971

Muni-Backed Rice Fiberboard Project Files for Bankruptcy.

- **CalPlant ranks among biggest recent muni high-yield defaults**
- **Senior bondholders commit to restructuring plan and fresh cash**

CalPlant I LLC, a muni-financed maker of rice-based fiberboard in California, filed for bankruptcy on Tuesday with plans to slash debt and sell itself.

The company cut a restructuring deal with senior bondholders and intends to pursue a sale in bankruptcy court, according to a statement from CalPlant. Certain senior bondholders have also committed to provide some \$30 million of fresh financing. The company will keep operating without disruption to stakeholders, including vendors and employees, according to the statement.

CalPlant has faced years of setbacks and dealt municipal-bond investors one of the biggest high-yield defaults in recent memory. But it recently had given reasons for hope: in 2020, the company finished building a plant that makes a unique type of fiberboard from rice cultivation debris called rice straw. Earlier this year, it won the ability from a California state agency to sell even more municipal debt to fully scale up operations.

The Chapter 11 filing allows CalPlant to continue operating while it works out a plan to repay creditors. The company listed assets and liabilities of as much as \$500 million each in its bankruptcy petition. It had issued \$344 million of unrated tax-free debt since 2017.

“The road to fully commissioning our plant has not been smooth,” Jeffrey Wagner, CalPlant’s executive chairman, said in the statement. The Chapter 11 filing will allow CalPlant to strengthen its finances and keep manufacturing its sustainable fiberboard, he said. The consulting team includes Morrison & Foerster as restructuring counsel, and Paladin as financial adviser and investment banker.

Spokespeople for top bondholders Franklin Resources, Invesco Ltd., and Sun Life Financial declined to comment. Spokespeople for Teachers Insurance & Annuity Association of America, which provided equity backing to the company, didn’t respond to a request for comment.

The office of California Treasurer Fiona Ma, who supported the project as a voting member of the agency granting the company access to tax-exempt financing, is reviewing the bankruptcy filing, said her chief of staff, Genevieve Jopanda.

The case is CalPlant I LLC, 21-11303, U.S. Bankruptcy Court District of Delaware.

Bloomberg Markets

By Jeremy Hill and Romy Varghese

October 5, 2021, 6:02 AM PDT Updated on October 5, 2021, 11:50 AM PDT

