

# **Bond Case Briefs**

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## **The Municipal Market is Getting Riskier. Is Anyone Paying Attention?**

**There's so little new muni debt coming to market that bondholders snatch anything they can get, and relaxed standards are spreading**

When CalPlant, a northern California manufacturer of fiberboard from rice farming waste, filed for bankruptcy in October, it may not have come as a complete surprise.

The company had issued \$344 million of municipal bonds since 2017 in order to build a factory and start manufacturing, but faced construction overruns even before the COVID-19 pandemic hit, according to various reports. It defaulted on a payment in 2020, but just months later tapped existing bondholders for more cash.

CalPlant is hardly the first specialty project to go bust in the municipal market. A monorail running around Las Vegas has been bankrupt twice, and the American Dream mall in New Jersey has struggled for years to get off the ground. CalPlant's initial bond offering, with an 8% interest rate and investments from high-yield asset managers, make it very different than the tax-backed, tax-exempt bonds sold to wealthy households who simply want to preserve their capital.

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### **MarketWatch**

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Dec. 17, 2021