

HIGHLAND PELLETS

Highland Pellets Brings Jobs and Investment to the Arkansas Delta

In 2009, Pine Bluff, Arkansas, small town in Jefferson County with about 45,000 residents nestled between the Arkansas Delta and the Arkansas Timberlands, was named by Forbes Magazine as one of the country's ten most impoverished cities. With a poverty rate well above 30% and a declining population (down from 57,400 in 1970), Pine Bluff was in need of a major investment to jump-start the economy.

As its name implies, the region surrounding Pine Bluff is rich in natural resources – particularly southern yellow pine trees. In 2015, Governor Asa Hutchison and Heartland Renaissance, saw an opportunity to bring a major bring the wood pellet industry to Pine Bluff. Wood pellets are a growing source of energy overseas.

To help realize this opportunity, Heartland Renaissance, a subsidiary of Arkansas Capital, provided \$8 million in NMTC financing in support of a new, 209-acre Pine Bluff plant for Highland Pellets, a Minnesota-based wood pellet supplier. River Gorge and Capital One provided an additional \$5 million and \$1.5 million in NMTC financing, respectively, with Capital One serving as the NMTC equity investor. The plant site allowed Highland to tap into the area's deep fiber basket and strong logistics chain to the Port of Greater Baton Rouge.

Highland worked with Astec Inc., a manufacturer of continuous and batch-process hot-mix asphalt plants, wood pellet plants and soil remediation plants and related equipment, for the manufacture and delivery of the plant. Astec delivers state-of-the-art facilities and best-in-class training for the employees.

The new plant, which opened in 2017, will use about 1.4 tons of wood feedstock annually, mostly southern yellow pine. Pellets produced at the facility are transported by Union Pacific on mainline rail to the Port of Greater Baton Rouge, Louisiana for export to Europe in support of the company's mission to be a preferred supplier of sustainably-sourced biomass to industrial markets in both Europe and Asia.

While Highland ships the pellets produced at the new facility overseas, the benefits remain in the community of Pine Bluff. Today, the new facility employs 68 people directly, but it has also generated nearly 1,000 indirect jobs in Jefferson County and surrounding communities. The direct financial impact on the Pine Bluff area is more than \$86 million annually, according to the Arkansas Economic Development Commission, which, along with the Economic Development Alliance of Jefferson County, worked closely with Highland Pellets on the project, providing additional tax incentives to help the company prepare the plant's industrial site infrastructure.

"We haven't seen anything this size since International Paper and Tyson," Lou Ann Nisbett, president and CEO of the Economic Development Alliance for Jefferson County, told the Pine Bluff Commercial.

The Highland Pellets facility delivered its first train of pellets in April 2017. The plant is now fully operational. According to Biomass Magazine, Southern Yellow Pine from managed forests serves as the plant's feedstock source, with most coming from forest thinnings, in addition to tree tops,

Pellets from southern yellow pine trees are shipped to Europe and Asia.



CDE: Heartland Renaissance
Co-Allocatees: River Gorge and Capital One
NMTC Allocation: \$14.5 million
Total project cost: \$229 million^[1]
Investor: Capital One

Community Profile

Pine Bluff, AR. Poverty rate of 30 percent, declining population

Project Highlights

Equipment and build-out of new pellet processing plant

68 full-time jobs, 1,000 indirect jobs in the transport and forest industries supply chain, and 150 construction jobs

Direct annual regional economic benefit of \$86 million per year according to the Arkansas Economic Development Commission

[1] Source: *Arkansas Business*, 2016.

low-grade trees without an end market, and mill residuals.

"This plant began with a simple economic goal but has evolved into producing sustainable fuel by producing sustainable outcomes for our employees,

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our community and our environment," Tom Reilley, chairman and co-founder of Highland Pellets, told the Pine Bluff Commercial at a ribbon cutting ceremony. "Our goal is to show our fellow citizens that respecting people is good business. Creating a stable platform around not just financial capital but social capital like trusted relationships, shared values of compassion, community outreach, education and economic development yields demonstrable returns. Together we are building a strong culture here at Highland, and I am confident that our workforce will be the safest, most motivated and most productive in the area because we will invest in their future."

Also on hand was Arkansas Governor Asa Hutchinson, who said, "Highland Pellets' leadership is passionate about this new facility and the impact it will have on Jefferson County's economy."

About Arkansas Capital and Heartland Renaissance

Arkansas Capital is a private, nonprofit lending corporation dedicated to empowering entrepreneurs in Arkansas through partnerships with the lending



community. Since 1957, Arkansas Capital and its affiliates have helped provide flexible financing products of over \$1.5 billion in capital through 1,300+ loans to help meet the needs of customers from small businesses to large scale operations. Its subsidiary, Heartland Renaissance Fund, LLC (HRF) is one of the largest Arkansas-focused community development entities (CDE) and multi-round recipient of the U.S. Treasury's New Market Tax Credit Allocation. Having received \$265 million in federal allocation since 2003, these NMTC credits have been monetized and invested in a variety of operating businesses as well as educational and commercial real estate projects in low-income communities. HRF provides flexible,

below-market rate financing to projects focusing on operating businesses, health care and education-related projects that create quality jobs and increase economic opportunities in their communities. HRF provides financing to projects with demonstrable community impacts and structures each investment to provide maximum benefit to the project.

Below: Senator John Boozman (R-AR) and Congressman Bruce Westerman (R-AR) visit the Pine Bluff facility.

