CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: June 21, 2022

Request to Approve a Final Resolution Authorizing the Issuance of
Tax-Exempt and/or Taxable Water Furnishing Revenue Bonds for
New Money and Refunding Purposes

Prepared by: Solomita Malko

<table>
<thead>
<tr>
<th>Applicant:</th>
<th>Poseidon Resources (Channelside) LP and/or its affiliates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Location:</td>
<td>City of Carlsbad (San Diego County) and the Pond 15 Restoration Site within the San Diego Bay National Wildlife Refuge and the Otay River Floodplain Restoration Site</td>
</tr>
<tr>
<td>Total Final Resolution Amount Requested:</td>
<td>$722,965,000</td>
</tr>
<tr>
<td>New Money Amount Requested:</td>
<td>$200,000,000</td>
</tr>
<tr>
<td>Refunding Amount Requested:</td>
<td>$522,965,000</td>
</tr>
<tr>
<td>Application No.:</td>
<td>884</td>
</tr>
<tr>
<td>Final Resolution No.:</td>
<td>22-01-616</td>
</tr>
<tr>
<td>Prior Actions:</td>
<td>Original IR approved on 2/16/2016; Amendment, Restatement and Extension, to IR approved 12/19/2018; Amendment, Restatement, and Extension, to IR approved 12/17/2021</td>
</tr>
</tbody>
</table>

Summary. Poseidon Resources (Channelside) LP, and/or its affiliates (the “Borrower”) requests approval of a Final Resolution for a total amount not to exceed $722,965,000 in the California Pollution Control Financing Authority Water Furnishing Revenue Bonds (Poseidon Resources (Channelside) LP) tax-exempt and/or taxable bonds (the “Series 2022 Plant Bonds”), of which $522,965,000 will be used to refinance the costs of the acquisition, construction and installation of the Desalination Plant (as defined herein) including refunding the Water Furnishing Revenue Bonds, Series 2012 (Poseidon Resources (Channelside) LP Desalination Project) (the “Series 2012 Plant Bonds”) previously issued by the California Pollution Control Financing Authority (the “Authority”). The new money amount of $200,000,000 will be used to finance costs and expenses (including previously expended amounts and funding one or more debt service reserve accounts, capitalized interest, or working capital) related to the acquisition, construction, improvement, renovation, rehabilitation, and/or installation of the intake improvements necessary to comply with the Ocean Plan Amendment and install 1 mm screens with an approach velocity of 0.5 foot per second in the Agua...
Hedionda Lagoon to provide raw seawater for the Desalination Plant (as defined below) (the “Permanent Intake System Modifications). The Permanent Intake System Modifications will also include connecting and rerouting the pipeline with the new screens and demolition and removal of Cabrillo Power I LLC assets that are currently being used during interim operations of the desalination plant such as tunnels and travelling screens. Bond proceeds will also be used for a portion of the Otay River Estuary Restoration Project involving the creation, restoration, and enhancement of 125.5 acres, in the aggregate, of coastal wetlands to benefit native fish, wildlife, and plants species and to provide habitat for migratory seabirds, shorebirds, and salt marsh-dependent species within the South San Diego Bay Unit of the San Diego Bay National Wildlife Refuge (“Refuge”) (the “Wetlands Restoration Project”) and other facilities functionally related to the intake, outflow, production, and treatment of water by the 50-million gallon per day reverse-osmosis seawater desalination plant, and facilities and equipment functionally related thereto, Claude “Bud” Lewis Carlsbad Desalination Plant (the “Desalination Plant”).

**Borrower.** The Borrower was organized in Delaware on August 13, 2010. The Borrower is the owner of a reverse-osmosis seawater desalination project located in Carlsbad, California, providing potable water to the water distribution system of the San Diego County Water Authority (“SDCWA”).

The principal stockholders of the Borrower are as follows:

<table>
<thead>
<tr>
<th>Stockholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poseidon Resources Channelside Holdings LLC</td>
<td>99.90%</td>
</tr>
<tr>
<td>Poseidon Resources Channelside GP, Inc.</td>
<td>00.10%</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

The Borrower, Poseidon Resources (Channelside) LP, is 100% owned by Poseidon Resources Channelside Holdings LLC (99.9% directly and 0.1% indirectly through Poseidon Resources Channelside GP, Inc.) which is a direct subsidiary of funds managed by abrdn plc.

**Legal Status Questionnaire.** The Authority staff has reviewed the Borrower’s responses to the questions contained in the Legal Status Questionnaire portion of the Application. The information disclosed in the Legal Status Questionnaire portion of the Application does not raise concerns regarding the financial viability or legal integrity of this applicant.

**Tax Equity and Fiscal Responsibility Act (TEFRA).** The TEFRA hearing was held on May 20, 2022. There were no comments received in support of or in opposition to this Project.

**Fees.** The Borrower has paid an application fee of $10,000 ($5,000 for the initial application and $5,000 for the refunding application) and will pay an administrative fee up to $1,435,930 at closing based on the total new money and refunding amounts.
Small Business Assistance Fund (SBAF). The SBAF, established in Section 8041 of Division 11 of Title 4 of the California Code Regulations, is funded by fees collected from large-business borrowers with more than 500 employees to help offset the costs of issuance for small businesses that participate in the Authority’s bond program. The SBAF assistance is available on a sliding scale to small-business borrowers, defined in Section 8020(l) of Division 11 of Title 4 of the California Code of Regulations as those who employ no more than 500 employees, unless the par amount of the bond issue is above $13,750,000.

The Borrower is a large-business borrower and will contribute up to $1,320,000 to the SBAF at closing.

Prior Financings. Prior financings of the Borrower and its affiliates through CPCFA are listed below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Date of Bond Issue</th>
<th>Original Amount</th>
<th>Amount Outstanding as of June 1, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poseidon Resources (Channelside) LP Series 2012</td>
<td>12/24/2012</td>
<td>$530,345,000</td>
<td>$526,250,000*</td>
</tr>
<tr>
<td><strong>TOTALS:</strong></td>
<td></td>
<td><strong>$530,345,000</strong></td>
<td><strong>$526,250,000</strong></td>
</tr>
</tbody>
</table>

*Principal payment of $3,285,000 is due on July 1, 2022, this payment will bring the balance down to $522,965,000.

Project Description. Bond proceeds will be used to refinance the costs of the acquisition, construction and installation of the Desalination Plant including refunding the Series 2012 Plant Bonds and finance costs and expenses (including previously expended amounts and funding one or more debt service reserve accounts, capitalized interest, or working capital) related to the acquisition, construction, improvement, renovation, rehabilitation, and/or installation of the Permanent Intake Modifications and a portion of the Wetlands Restoration Project and other facilities functionally related to the intake, outflow, production and treatment of water by the Desalination Plant, all of which are located at the Desalination Plant in San Diego County, except for the Wetlands Restoration Project which is located at the Pond 15 Restoration Site within the Refuge and the Otay River Floodplain Restoration Site.

All financed assets, except for the Wetlands Restoration Project, will be owned and operated by the Borrower and/or an affiliate thereof. The Wetlands Restoration Project will be developed, operated, maintained, and monitored by the Otay River Estuary Restoration (“ORERP”) Project, a partnership between the Borrower, the U.S. Fish and Wildlife Service and Refuge.

The Desalination Plant provides San Diego County with a locally controlled, drought-proof supply of high-quality potable water that meets or exceeds all state and federal drinking water standards. In 2020, the Desalination Plant accounted for approximately ten percent of the total regional drinking water supply.
The anticipated project costs are listed below:

<table>
<thead>
<tr>
<th>Project and Issuance Costs</th>
<th>To Be Paid from Bond Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Preparation</td>
<td>$21,313,456</td>
</tr>
<tr>
<td>Utilities Connection</td>
<td>$64,639,381</td>
</tr>
<tr>
<td>Acquisition and Installation of New Equipment</td>
<td>$23,429,340</td>
</tr>
<tr>
<td>Engineering/Architecture</td>
<td>$10,981,889</td>
</tr>
<tr>
<td>Legal, Permits, etc.</td>
<td>$8,302,866</td>
</tr>
<tr>
<td>Bond Issuance Expenses</td>
<td>$7,124,058</td>
</tr>
<tr>
<td>Interest During Construction</td>
<td>$12,067,116</td>
</tr>
<tr>
<td>Interest Income During Construction</td>
<td>-$162,657</td>
</tr>
<tr>
<td>Refinancing of Existing Loan</td>
<td>$42,762,654</td>
</tr>
<tr>
<td>Reserve Account Funding</td>
<td>$9,541,897</td>
</tr>
<tr>
<td>Subtotal Project Costs:</td>
<td><strong>$200,000,000</strong></td>
</tr>
<tr>
<td>Refinancing of Series 2012 Bonds</td>
<td>$522,965,000</td>
</tr>
<tr>
<td>Total:</td>
<td><strong>$722,965,000</strong></td>
</tr>
</tbody>
</table>

Note: The Project costs reported in the Borrower’s application and shown here in the Authority’s staff’s report are estimated costs. At transaction closing, the estimated Project costs will be finalized and stated in the Tax Certificate and will comply with all requirements applicable to the use of tax-exempt bond proceeds, including the IRS 2% limitation on costs of issuance, and the expectation is that any amount shown above that is in excess of such limitation would be allocated to one or more of the other cost categories. Variations from the costs shown in the application and in this report may occur prior to the closing due to the increased costs of certain components of the project from original estimates, and other reasons. In addition, those costs may vary after closing also due to increased costs, as well as design and equipment modifications during construction differences in equipment due to future changes in statutes and regulations or for other reasons. However, the Borrower confirms, through the submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets financed with tax-exempt bond proceeds will qualify for tax-exempt financing, they will be used to complete the Project as described, and the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.

**Anticipated Project Timeline.** The project has been initiated, and the desalination plant project is expected to be completed in 2024 and the wetlands mitigation project is expected to be completed in 2026.

**California Debt Limit Allocation Committee (CDLAC) Volume Cap Allocation.** The Authority has applied on the Borrower’s behalf to CDLAC for an exempt facility allocation in an amount not to exceed $200,000,000 to be considered at its July 20, 2022, meeting.
Local Government. The Borrower received a letter of support from Sandra L. Kerl, General Manager of the SDCWA. (see Attachment A).

Pollution Control and/or Environmental Benefits. The Borrower represents the project will generate the pollution control and environmental benefits described below:

Reliable Water Supply. The Borrower states, “With an annual operating capacity of 56,000 Acre-Feet per Year (AFY) (50 MGD), the Carlsbad Desalination Plant (CDP) achieves the goals of the City of Carlsbad, Valley Center Municipal Water District, Rincon del Diablo Municipal Water District, Sweetwater Authority, Rainbow Municipal Water District, Vallecitos Water District, Santa Fe Irrigation District, Olivenhain Municipal Water District, and the City of Oceanside (Water Agencies) to strengthen the economic base of their respective service areas and the communities they serve. The CDP provides the Water Agencies with a reliable, drought-resistant water supply that provides high technology, biotechnology, agriculture, tourism, and other water-dependent industries the reliable water supply necessary to maintain their operations and attract new businesses. It provides San Diego with approximately 10% of the county’s drinking water supply and serves 300,000 San Diegans annually. The stability created by this reliable water source is an extraordinary benefit given the realities of the political and regulatory variability of water supply.”

Higher Quality Drinking Water. The Borrower states, “The CDP provides and will continue to provide, with the new permanent intake system, a higher quality drinking water supply than can be purchased from the San Diego County Water Authority (SDCWA). The CDP delivers a drinking water supply that meets all State and Federal health standards, as well as a 30 to 50 percent reduction in the total dissolved solids (TDS) compared to imported water from the Colorado River and Sacramento- San Joaquin Delta provided by the SDCWA. Desalinated water is supplied at a TDS of 250-350 mg/L compared to imported water that has a TDS of 500-700 mg/L. The higher quality desalinated water assists in facilitating water conservation and recycling programs and provide extraordinary economic and aesthetic benefits for residents and businesses through avoided industrial water treatment costs and reduced maintenance, repair, and replacement costs of end-user appliances and equipment.”

Water Supply Redundancy. The Borrower states, “The CDP provides, and will continue to provide with the new permanent intake system, water supply redundancy for the Water Agencies, strengthening security and reliability of water supply for residents and businesses. The Water Agencies maintain their membership in and right to purchase water at the SDCWA, while receiving some or all of their potable water supply needs from the CDP, thereby creating a redundant supply of water available in the event of catastrophe or unforeseen circumstances.”

Acquisition of Land for Public Purpose. The Borrower states, “The CDP has achieved the South Carlsbad Coastal Redevelopment Plan and Coastal Act goals of developing new beach and coastal recreational opportunities. The CDP and the new
permanent intake system are consistent with and include elements specifically intended to advance the goals of the State of California and the City of Carlsbad related to the protection, maintenance, and enhancement of the overall quality of the coastal zone environment, while maximizing public recreational opportunities along the coast. The project includes the extraordinary dedication of nearly 20 acres of ocean and lagoon front property to the public for recreation and access to coastal amenities."

**Restore and Enhance the Marine Environment:** The Borrower states, “As a wholesale water supplier regulated by the California State Water Resources Control Board and California Coastal Commission, the CDP operator is subject to the provisions of the federal Safe Drinking Water Act that require restoration, protection, and enhancement of watersheds upstream of a source of drinking water supply. As a result, the CDP owner (Poseidon Resources (Channelside) LP) and the CDP operator are actively involved in activities aimed at protecting, restoring, and enhancing the health and vitality of Agua Hedionda Lagoon, the surrounding 30 square mile watershed upstream of the Lagoon and the near shore environment. In addition, the owner has committed to the creation, restoration, and enhancement of 125.5 acres of coastal wetlands to benefit native fish, wildlife, and plant species and to provide habitat for migratory seabirds and shorebirds and salt marsh-dependent species within the South San Diego Bay Unit of the San Diego Bay National Wildlife Refuge. Poseidon Resources (Channelside) continues to preserve the 400-acre Agua Hedionda Lagoon and its recreational and marine life resources and has planted 5,000 trees in areas damaged by 2007 wildfires."

**Increased Revenue to City and Redevelopment Agency.** The Borrower states, “The CDP provides an extraordinary benefit to the residents and businesses of Carlsbad by generating approximately $4.6 million per year in property tax revenue, 85% of which will remain in the City of Carlsbad to support schools, municipal services, and the Redevelopment Agency. Among other things, this revenue can be used to support the proposed public improvements identified in the Redevelopment Plan. Additionally, the CDP generates substantial sales tax revenue that goes to the general funds of Carlsbad and other San Diego County cities to support police, fire, health, welfare, and transportation."

**Economic Activity Generated by Project.** The Borrower states, “Construction of the new permanent intake system and wetlands mitigation project will infuse millions of dollars into the local economy while creating new jobs in the desalination, engineering, construction, and other service industries."

**Facilitate Conservation and Recycling.** The Borrower states, “The Water Agencies are recognized leaders in the area of water conservation and water recycling. The combined effect of the lower TDS and reduced water softener brine discharges to the local wastewater collection system results in significant improvement in the quality of the recycled water produced at local water recycling facilities. Higher quality recycled water lowers the cost of production and improves customer acceptance and utilization of recycled water."
Reduced Health Risks. The Borrower states, “The higher quality water supply produced by the project can result in reduced health risk. The desalinated water has significantly lower concentrations of disinfection byproducts (TTHM and HAA) than other water supplies for the County of San Diego. Disinfection byproducts are suspected carcinogens, and reduced concentrations of these constituents in the drinking water are considered to be a public health benefit.”

Affordable Price & Future Savings. The Borrower states, “The desalinated water produced by the CDP is delivered to the Water Agencies under a long-term agreement at a price not to exceed the price that the Water Agencies would have otherwise paid for their water, ensuring a cost-effective supply for the businesses and residents served by the project. In addition, due to the structure of the Water Purchase Agreement and the expected inflation of the price of imported water to San Diego County, the CDP is anticipated to potentially save the contracting Water Agencies hundreds of millions of dollars on the cost of water over the 30-year life of the Water Purchase Agreement. These are savings that will be passed through to San Diego County ratepayers.”

Equitable Access to Benefits. The Borrower states, “Water from the CDP serves over 300,000 San Diego County households annually, thereby ensuring residents and businesses equitable access to all of the CDP’s benefits described above. The residents and businesses in Valley Center Municipal Water District, Rincon del Diablo Municipal Water District, Sweetwater Authority, Rainbow Municipal Water District, Vallecitos Water District, Santa Fe Irrigation District, Olivenhain Municipal Water District and the City of Oceanside will gain equitable access to the water supply reliability and pricing benefits.”

Improved Air Quality. The Borrower states, “Through its Energy Minimization and Greenhouse Gas Reduction Plan Poseidon Resources (Channelside) has committed to offset the net indirect GHG emissions associated with the CDP’s operations, thus improving air quality. Poseidon Resources (Channelside) has been heralded for building and managing the first large-scale infrastructure project in California to voluntarily commit to being net carbon neutral.”

Avoided Cost of TDS-Related Damages. The Borrower states, “High concentrations of Total Dissolved Solids in water supply can cause corrosion of pipes, scaling, and spotting; reduce the useful life of water-using appliances; require greater use of cleansers; impair taste; and damage vegetation and reduce crop yields. Industrial users can incur extra treatment costs for uses in cooling towers, boilers and manufacturing processes. High TDS water is also a primary water quality constraint to water recycling and groundwater replenishment. The Carlsbad Desalination Plant has significant economic benefits related to lower TDS in the desalinated water it supplies. These benefits include the life-cycle savings for major water using appliances and the value residential customers may place on better tasting water. The estimated savings to the commercial and industrial customer segments consist primarily of avoided softening and demineralization costs.”
Permitting and Environmental Approvals. The Borrower provided a signed letter from Sachin Chawla, President, articulating that the Project is consistent with its existing zoning and permitting requirements. The Borrower represents that the Project neither requires a new California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) process nor does it require any additional discretionary permits.

Financing Details. The Borrower anticipates the issuance of negotiated, tax-exempt Series 2022 Plant Bonds through a limited public offering to Qualified Institutional Buyers (QIBs) as defined in Rule 144A under the Securities Act of 1933 (the “Securities Act”), in denominations of $250,000 and multiples of $5,000 in excess thereof and restrictions on transfers to QIBs. In addition, the Borrower anticipates that the issuance of negotiated, taxable Series 2022 Plant Bonds privately placed with the Initial Purchasers, may be necessary, including to the extent that the full, requested tax-exempt allocation is not received. The Initial Purchasers expect to offer and resell the taxable Series 2022 Plant Bonds to QIBs in conformance with Rule 144A of the Securities Act, in denominations of $250,000 and multiples of $5,000 in excess thereof and with additional restrictions on transfers to QIBs pursuant to Rule 144A of the Securities Act. The target date for financing is anticipated to be in October 2022.

As part of the marketing effort, a draft Preliminary Limited Offering Memorandum (PLOM) has been prepared and is also being presented to the Authority for approval. A link to the PLOM can be found here:

![Adobe Acrobat Document](Adobe Acrobat Document)

Given that the financing structure for the transaction depends upon, among other factors, the amount of exempt facility volume cap allocation received from CDLAC, and that the issuance is anticipated to be in October 2022, the Borrower anticipates needing to update the PLOM prior to issuance. The Borrower may also separate the offering of the tax-exempt Series 2022 Plant Bonds from the taxable Series 2022 Plant Bonds and produce a separate offering memorandum for the taxable Series 2022 Plant Bonds. In either case, the Borrower will return to the Authority for approval of an updated PLOM prior to its posting and/or the approval of an offering memorandum for the taxable Series 2022 Plant Bonds.

**Financing Team.**

**Underwriters/Initial Purchasers:** BofA Securities, Inc., and Morgan Stanley & Co. LLC  
**Bond Counsel:** Orrick, Herrington, & Sutcliffe LLP  
**Issuer’s Counsel:** Office of the Attorney General  
**Trustee:** U.S. Bank National Association
**Staff Recommendation.** Staff recommends the approval of Final Resolution No. 22-01-616 in a total amount not to exceed $722,965,000 for Poseidon Resources (Channelside) LP and/or its affiliates.

*Note: Any information related to the Borrower, including any data or analysis related to the Borrower’s financial condition or ability to repay the financing, described in this staff report was prepared solely for members of the CPCFA Board and to satisfy certain provisions of Division 27 of the Health and Safety Code § 44500 - 44563. Investors should not rely on information in this staff report and prospective investors must read the entire PLOM and Limited Offering Memorandum to obtain information essential to the making of an informed investment decision with respect to the tax-exempt and taxable Series 2022 Plant Bonds.*
May 11, 2022

Shela Tobias-Daniel, Executive Director
California Pollution Control Financing Authority
P.O. Box 942809
Sacramento, CA 94209-0001

RE: 2022 Carlsbad Desalination Project Plant Bond Issuance – Statement of Local Government Support

Dear Shela:

I am pleased to provide this statement of local government support for the Carlsbad Desalination Project (CDP) in conformance with Section 5434 of the California Debt Limitation Allocation Committee regulations. The Water Authority supports the CDP as an important regional asset for San Diego County. Ocean water desalination remains a valuable tool, diversifying water supply and ensuring safe and reliable water production no matter the weather. Its value is highlighted by the ongoing megadrought. Poseidon’s additional capital investment in the Project is required by law and necessary for continued operation.

We appreciate your attention to this matter and would be pleased to discuss this issue further.

Sincerely,

Sandra L. Kerl
General Manager

cc: Nancee Robles, Interim Executive Director, California Debt Limit Advisory Corporation
    Aaron Epstein, Poseidon Resources (Channelside) LP
WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has received the application of Poseidon Resources (Channelside) LP, a Delaware limited partnership (the “Borrower”), for financial assistance to: (a) refinance the costs of the acquisition, construction and installation of certain water furnishing facilities, located in San Diego County, and all as more particularly described under the heading “Existing Plant” in the Term Sheet attached hereto as Exhibit A (the “Term Sheet”) and incorporated herein (the “Existing Plant”); and (b) to finance the costs of the acquisition, construction, improvement, renovation, rehabilitation and/or installation of intake piping, outflow piping, certain wetlands, and other facilities functionally related to the intake, outflow, production and treatment of water by the Existing Plant, and all as more particularly described under the heading “2022 Project” in the Term Sheet (the “2022 Project” and, together with the Existing Plant, the “Plant”); and

WHEREAS, pursuant to that certain Trust Indenture, dated December 24, 2012 (the “2012 Plant Indenture”), by and between the Authority and U.S. Bank, National Association, as successor trustee (the “Series 2012 Plant Trustee”), the Authority has previously issued its California Pollution Control Financing Authority Water Furnishing Revenue Bonds (Poseidon Resources (Channelside) LP Desalination Project) Series
2012 (the “Series 2012 Plant Bonds”), in the aggregate principal amount of $530,345,000 to finance a portion of the cost of acquiring, constructing, rehabilitating, renovating, improving, installing and equipping the Existing Plant; and

WHEREAS, the proceeds of the Series 2012 Plant Bonds were loaned to the Borrower pursuant to that certain Plant Loan Agreement, dated December 24, 2012 (as amended and supplemented, the “Series 2012 Plant Loan Agreement”), between the Authority and the Borrower; and

WHEREAS, the Borrower secured its obligations under the Series 2012 Plant Loan Agreement under a Collateral Trust Agreement, dated December 24, 2012 (the “Original Collateral Trust Agreement”), among the Borrower, the 2012 Plant Trustee, U.S. Bank, National Association, as successor collateral agent (the “Collateral Agent”), and others; and

WHEREAS, the Borrower now wishes to cause the refunding of the Series 2012 Plant Bonds, currently outstanding in the aggregate principal amount of $522,965,000; and

WHEREAS, the Borrower has requested the Authority to issue its revenue bonds from time to time in an amount not to exceed $722,965,000 to assist in the refunding of the Series 2012 Plant Bonds and the financing of the 2022 Project; and

WHEREAS, the proceeds of such revenue bonds will be loaned to the Borrower under a loan agreement with the Authority (the “Series 2022 Plant Loan Agreement”); and

WHEREAS, the Borrower has applied for an allocation to finance the 2022 Project and certain costs of issuance of the Authority’s revenue bonds, in the aggregate
amount of $200,000,000, from the California Debt Limit Allocation Committee ("CDLAC") (the "Allocation"); and

WHEREAS, final approval of the terms of such revenue bonds and certain documents relating to such revenue bonds is now sought; and

WHEREAS, the Borrower has provided documentation to the Authority demonstrating that the Plant has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a project under that division; and

WHEREAS, the Borrower will additionally secure its obligations under the Series 2022 Plant Loan Agreement pursuant to the Original Collateral Trust Agreement, as amended and supplemented, including as amended and supplemented by a proposed Second Amendment to Collateral Trust Agreement (collectively, the "Collateral Trust Agreement"), by and among the Borrower, the Series 2022 Plant Trustee (as hereinafter defined), the Collateral Agent, and others; and

WHEREAS, the Borrower has caused forms of the Bond Financing Documents (as hereinafter defined) to be prepared and placed on file with the Authority prior to this meeting, and the Borrower has communicated to the Authority that it anticipates updating the Preliminary Limited Offering Memorandum (as hereinafter defined) to account for, among other factors, the amount of exempt facility allocation available to the 2022 Project (the “Updated Preliminary Limited Offering Memorandum”), in which case the Borrower will return to the Authority for approval of such updated Preliminary Limited Offering Memorandum at a meeting of the Authority no later than December 13, 2022; and
WHEREAS, the Borrower has caused a form of the Collateral Trust Agreement, including any amendments, restatements and/or supplements to be prepared and placed on file with the Authority prior to this meeting;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Plant constitutes a “project,” and the Borrower is a “participating party” both within the meaning of the California Pollution Control Financing Authority Act (the “Act”).

Section 2. Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Water Furnishing Revenue Bonds (Poseidon Resources (Channelside) LP Desalination Project) Series 2022A” (the “Series 2022A Plant Bonds”), and the California Pollution Control Financing Authority Water Furnishing Revenue Bonds (Poseidon Resources (Channelside) LP Desalination Project) Series 2022B (Federally Taxable) (the “Series 2022B Plant Bonds” and, together with the Series 2022A Plant Bonds, the “Series 2022 Plant Bonds”), or such alternate designation as may be approved by the Executive Director of the Authority, in an aggregate principal amount not to exceed $722,965,000, are hereby authorized to be issued. The Series 2022 Plant Bonds may be issued at one time, or from time to time, in one or more series separately or differently identified, bearing interest at a tax exempt or taxable rate in accordance with the Series 2022 Plant Indenture (as hereinafter defined) as finally executed. The proceeds of the Series 2022 Plant Bonds shall be used to make a loan to the Borrower to (i) to refinance the costs of the acquisition, construction and installation of the Original Plant, including by refunding in full the Series 2012 Plant Bonds, (ii) to finance the costs of the 2022 Project (including, without limitation, reimbursing the Borrower for costs incurred for the 2022 Project prior to the issuance of the Series 2022 Plant Bonds and funding one or more debt service reserve accounts, capitalized interest or
working capital), and (iii) to pay a portion of the costs of issuance of the Series 2022 Plant Bonds.

Section 3. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Series 2022 Plant Bonds, at one time or from time to time on or before December 31, 2022, by negotiated sale, at such price, at such interest rate or rates and in such mode (taxable or tax-exempt) as the Treasurer may determine, such determination to be as set forth in the hereinafter referred to Series 2022 Plant Bond Purchase Agreements.

Section 4. The following documents (collectively, the “Bond Financing Documents”):

i. a Loan Agreement relating to the Series 2022 Plant Bonds (the “Series 2022 Plant Loan Agreement”), between the Authority and the Borrower;

ii. an Indenture relating to the Series 2022 Plant Bonds (the “Series 2022 Plant Indenture”), between the Authority and the trustee named in the Term Sheet (the “Series 2022 Plant Trustee”);

iii. a bond purchase agreement relating to the tax-exempt Series 2022 Plant Bonds among the Authority, the Treasurer of the State of California and the underwriters named in the Term Sheet (the “Underwriters”), and approved by the Borrower, and a bond purchase agreement relating to the taxable Series 2022 Plant Bonds among the Authority, the Treasurer of the State of California and the initial purchasers named in the Term Sheet (the “Initial Purchasers”), and approved by the Borrower, (collectively, the “Series 2022 Plant Bond Purchase Agreements”); and
iv. the limited offering memorandum relating to the Series 2022 Plant Bonds (in the form of either the “Preliminary Limited Offering Memorandum” or the final “Limited Offering Memorandum”).

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect changes required by the rating agencies or potential investors) in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Series 2022 Plant Loan Agreement, the Series 2022 Plant Indenture, and the Series 2022 Plant Bond Purchase Agreements and, unless the Borrower prepares an Updated Preliminary Limited Offering Memorandum and returns to the Authority for its approval, by delivery thereof in the case of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum.

Section 5. Any modification to the 2022 Project made prior to the issuance of the Series 2022 Plant Bonds shall be reported to the Executive Director of the Authority, and such modification shall be subject to further approval by the Authority.

Section 6. Any material changes to the Series 2022 Plant Bonds sale structure prior to the issuance of the Series 2022 Plant Bonds are subject to further approval by the Authority.

Section 7. The Authority understands and agrees that pursuant to the terms of the Series 2022 Plant Loan Agreement the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity or by Affiliates of such Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower means any person or entity which meets the definition of “Participating Party” in the Act and controls, is controlled by, or is under common control with, the Borrower, 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 8. The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of each series of the Series 2022 Plant Bonds (including, but not limited to, the establishment of debt service reserve funds) shall be as provided in the Series 2022 Plant Indenture, as finally executed.

Section 9. Unless the Borrower prepares an Updated Preliminary Limited Offering Memorandum and returns to the Authority for its approval, the Underwriters and the Initial Purchasers are hereby authorized to distribute the Preliminary Limited Offering Memorandum to persons who may be interested in the purchase of the Series 2022 Plant Bonds, in each case subject to the limitations provided in the Bond Purchase Agreements. The Underwriters and the Initial Purchasers are hereby directed to deliver a copy of the final Limited Offering Memorandum to all actual purchasers of the Series 2022 Plant Bonds pursuant to the respective Bond Purchase Agreements.

Section 10. The Series 2022 Plant Bonds shall be executed by the manual or facsimile signature of the Chair or any Deputy to the Chair and the seal of the Authority shall be affixed thereon (or a facsimile reproduced thereon) in the form set forth in and otherwise in accordance with the Series 2022 Plant Indenture. The Series 2022 Plant Bonds, when executed, shall be delivered to the Series 2022 Plant Trustee under the Series 2022 Plant Indenture for authentication by the Series 2022 Plant Trustee. The Series 2022 Plant Trustee is hereby requested and directed to authenticate the Series 2022 Plant Bonds by executing the Series 2022 Plant Trustee’s certificate of authentication appearing thereon. The Series 2022 Plant Trustee is hereby requested and directed to deliver the Series 2022 Plant Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York, on behalf of the Underwriters and Initial Purchasers, as applicable, in
accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Series 2022 Plant Bonds to The Depository Trust Company, on behalf of the Underwriters and Initial Purchasers thereof, as applicable, upon payment of the purchase price thereof.

Section 11. The Authority hereby dedicates and confirms the Allocation to the Series 2022 Plant Bonds of $200,000,000 from the Allocation to be received from CDLAC, if approved, to finance or refinance certain costs of the 2022 Project (including, without limitation, reimbursing the Borrower for costs incurred for the 2022 Project prior to the issuance of the Series 2022 Plant Bonds and funding one or more debt service reserve accounts, capitalized interest or working capital) and to pay certain costs of issuance of the Series 2022 Plant Bonds, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Series 2022 Plant Bonds. The Allocation shall automatically revert to CDLAC unless the Authority has executed Series 2022 Plant Bonds on behalf of the Borrower by the close of business one hundred eighty (180) days from the date of the approval of the Allocation. The Executive Director of CDLAC may approve an extension of up to ninety (90) days, which approval shall not be unreasonably withheld. This extension will result in a forfeiture of the 2022 Project’s performance deposit to the extent that the performance deposit has not previously been forfeited. The Authority shall return any unused Allocation to CDLAC.

Section 12. Each officer of the Authority, acting alone, is hereby authorized and directed to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the issuance, sale, delivery or remarketing of the Series 2022 Plant Bonds, and otherwise to effectuate the purposes of this Resolution and the Series 2022 Plant Indenture, the Series 2022 Plant Loan Agreement, the Series 2022 Plant Bond Purchase Agreements and the Limited Offering Memorandum. The Authority hereby
approves any and all documents to be delivered in furtherance of the foregoing purposes, including, without limitation, any certifications and one or more tax certificates.

**Section 13.** The provisions of the resolution of the Authority entitled “Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings” adopted by the Authority on January 19, 2021, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

**Section 14.** The provisions of the Initial Resolution No. 16-02, originally approved by the Authority on February 16, 2016, as it has been amended, restated and extended, including as amended, restated and extended on December 17, 2021, by the Executive Director of the Authority pursuant to her delegated authority, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

**Section 15.** The Certification of Compliance II or equivalent form must be submitted by the Borrower to the Authority by February 1st annually, until the 2022 Project's Certificate of Completion has been submitted to the Authority, as provided in the Series 2022 Plant Loan Agreement. These forms may be found at this website location: http://www.treasurer.ca.gov/cdlac. A failure to demonstrate compliance may result in disqualification from future allocations of the State Ceiling on Qualified Private Activity Bonds.

**Section 16.** The Series 2022 Plant Loan Agreement, the Series 2022 Plant Indenture and the Series 2022 Plant Bond Purchase Agreements expressly provide that CDLAC is a third-party beneficiary of the terms and conditions set forth in CDLAC’s Resolution. Once the Series 2022 Plant Bonds are executed and delivered, the terms and conditions set forth in CDLAC’s Resolution shall be enforceable by CDLAC through an action for specific performance or any other available remedy.
Section 17. The Authority hereby approves and ratifies each and every action taken by its officers, agents, members and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 18. This Resolution shall take effect immediately upon its passage. The adoption by the Authority of this Resolution for the Borrower shall not be referred to, in any application before any government agency or otherwise, as evidence of the feasibility, practicality or suitability of the Plant or in any application for any required permission or authority to construct or operate the Plant.
EXHIBIT A

TERM SHEET

**Name of Issue:** California Pollution Control Financing Authority Water Furnishing Revenue Bonds (Poseidon Resources (Channelside) LP Desalination Project) (AMT) Series 2022A (the “Series 2022A Plant Bonds”) and California Pollution Control Financing Authority Water Furnishing Revenue Bonds (Poseidon Resources (Channelside) LP Desalination Project) Series 2022B (Federally Taxable) (the “Series 2022B Plant Bonds” and, together with the Series 2022A Plant Bonds, the “Series 2022 Plant Bonds”)

**Maximum Amount of Issue of Series 2022 Plant Bonds:** $722,965,000

**Issuer:** California Pollution Control Financing Authority (the “Authority”), Sacramento, CA

**Borrower:** Poseidon Resources (Channelside) LP

**Series 2022 Plant Trustee:** U.S. Bank, National Association

**Underwriters:** BofA Securities, Inc. and Morgan Stanley & Co. LLC

**Initial Purchasers:** Morgan Stanley & Co. LLC and BofA Securities, Inc.

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP, San Francisco, CA

**Existing Plant**

The 50 MGD reverse-osmosis seawater desalination plant, and facilities and equipment functionally related thereto, located adjacent to the Encina Power Station, at 4590 Carlsbad Boulevard, Carlsbad, California 92008, the costs of
which were financed from proceeds of the Series 2012 Plant Bonds.

2022 Project

A portion of the Series 2022 Plant Bonds will finance costs and expenses related to the acquisition, construction, improvement, renovation, rehabilitation and/or installation of intake piping, outflow piping, certain wetlands, and other facilities functionally related to the intake, outflow, production and treatment of water by the Existing Plant, all of which are located at the Existing Plant in San Diego County, California, except for the wetlands which are located at the Pond 15 Restoration Site within the San Diego Bay National Wildlife Refuge and the Otay River Floodplain Restoration Site. The 2022 Project includes the Permanent Intake System Modifications and a portion of the Wetlands Restoration Project.

Permanent Intake System Modifications

Includes the design and construction of the intake improvements necessary to comply with certain amended regulatory and permit requirements, including installation of intake screens for the Existing Plant. The Permanent Intake System Modifications will also include connecting and rerouting the pipeline with the new screens and demolition and removal of Cabrillo Power I LLC assets that are currently being used during interim operations of the Existing Plant, such as tunnels and travelling screens.

Wetlands Restoration Project

The Otay River Estuary Restoration Project involving the creation, restoration, and enhancement of 125.5 acres, in the aggregate, of coastal wetlands to benefit native fish, wildlife and plants species and to provide habitat for migratory seabirds and shorebirds and salt marsh-dependent species within the South San Diego Bay Unit of the San Diego Bay National Wildlife Refuge.
Refuge. This project is a requirement under the certain permits to mitigate for marine life impacts for the operational life of the Plant.

**Maximum Bond Term:** Not to exceed 30 years

**Type of Sale:** Negotiated limited offering to Qualified Institutional Buyers as defined in Rule 144A under the Securities Act of 1933

**Description of Minimum Denominations:** $250,000 or any integral multiple of $5,000 in excess thereof

**Financing Structure:** Fixed rate bonds

**Maximum Interest Rate:** 12%

**Other Credit Enhancement:** Not applicable

**Anticipated Bond Rating:** A rating of at least "Baa3," “BBB-,” or “BBB-” from at least one of Moody’s, S&P and Fitch, respectively

**Type of Financing:** Water furnishing revenue bonds

**Prepared by:** Kevin O’Brien, Managing Director, BofA Securities, Inc., (213) 345-9576

Zachary Solomon, Executive Director, Morgan Stanley & Co. LLC, (212) 761-9110