

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: February 16, 2016**

*Request to Approve Initial Resolution Reflecting Official
Intent to Issue Revenue bonds*

Prepared by: *Andrea Gonzalez*

Applicant:	Poseidon Resources (Channelside) LP	Amount Requested:	\$50,000,000
Project Location:	City of Carlsbad (San Diego County)	Application No.:	884
		Initial Resolution No.:	16-02

Summary. Poseidon Resources (Channelside) LP and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$50,000,000 to finance the construction of two intake and screening structures that will supply seawater to an Intake Pump Station and to a discharge channel, as well as four low-impact pumps.

Borrower. Poseidon was organized in Delaware on April 15, 2003. The Company is a project development specialist that partners with water agencies to deliver water infrastructure projects. Their primary focus is on the development of large-scale reverse osmosis seawater desalination plants.

The principal stockholders of the Company are as follows:

Poseidon Resources Channelside Holdings LLC	99.9%
Poseidon Resources Channelside GP, Inc.	00.1%
Total:	<u>100%</u>

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. The Company anticipates using bond proceeds to construct an intake and screening structure for supplying 299 mgd of seawater to the intake Pump Station, as well as an intake, screening and discharge structure for supplying 173 mgd of seawater to the discharge channel for dilution of brine from the seawater reverse osmosis (SWRO) process. The Company also anticipates purchasing four fish-friendly, low-impact pumps for lifting lagoon water into the discharge channel. The project also consists of the construction and operation of a dedicated fish return system.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation the 3rd or 4th quarter of 2016.

Financing Details. The Company anticipates the issuance of negotiated tax exempt bonds.

Financing Team.

Bond Counsel: Orrick, Herrington and Sutcliffe LLP
Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 16-02 for Poseidon Resources (Channelside) LP and/or its Affiliates for an amount not to exceed \$50,000,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

**Initial Resolution No. 16-02
Application No. 884**

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE WATER FURNISHING FACILITIES FOR
POSEIDON RESOURCES (CHANNELSIDE) LP AND/OR ITS AFFILIATES**

February 16, 2016

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the furnishing of water; and

WHEREAS, Poseidon Resources (Channelside) LP, a Delaware limited partnership (the “Applicant”), and/or its affiliates (collectively, the “Company”) has submitted an application (the “Application”) requesting that the Authority assist in financing the acquisition, construction, improvement, renovation, rehabilitation and/or installation of intake piping, outflow piping and other facilities functionally related to the intake, outflow, production and treatment of water by the Claude “Bud” Lewis Carlsbad Desalination Plant, all as more fully described in the Application (collectively, the “Project”), owned and operated by the Company, and have presented an estimate of the maximum cost of such Project as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide water supply facilities and equipment which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Project be constructed at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Project; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$50,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Project; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

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

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Applicant means any person or entity which controls, is controlled by, or is under common control with, the Applicant, 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. An Affiliate shall also be a “participating party” as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$50,000,000 principal amount of bonds of the Authority for the Project; including for the purpose of reimbursing to the Company costs incurred for the Project prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from revenues received by the Authority pursuant to that certain Loan Agreement, dated as of December 24, 2012, by and between the Authority and the Borrower, as it may be amended and supplemented, or a new loan agreement to be entered into between the Authority and the Company in connection with the Project, as approved in a Final Resolution. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the bond proceeds to finance the Project; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee for any portion of the bonds which are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority is hereby authorized to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Project, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and to meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Agenda Item 4.A.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6 above, this Resolution shall cease to be effective on February 16, 2019 unless the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution. The Authority will consider such extension upon receiving a specific request for such action from the Company, accompanied by any additional information requested by the Authority to supplement the Company's application, and an explanation of the status of the Project.

EXHIBIT A

NUMBER: 16-02

LOCATION: 4590 Carlsbad Boulevard
Carlsbad, California 92008

TYPE: Water Furnishing

AMOUNT: Up to \$50,000,000