CONSTRUCTION PROGRESS REPORT

October 20, 2015

We reference the Continuing Disclosure Agreement (the “Agreement”), dated December 24, 2012, between Poseidon Resources (Channelside) LP (the “Company”) and Union Bank, N.A. (the “Trustee”), (a) as trustee under the Trust Indenture, dated as of December 24, 2012, between the California Pollution Control Financing Authority (the “Issuer”) and the Trustee, to provide funds for purposes of financing the reverse osmosis seawater desalination facility together with related pumps, pipelines, connectors and other equipment and structures to be constructed, operated and maintained by the Company (the “Plant”), and (b) as trustee under the Trust Indenture, dates as of December 24, 2012, between the Issuer and the Trustee, to provide funds for purposes of financing the pipelines, pumps, connectors and related equipment and structures required to deliver product water from the Plant to the San Diego County Water Authority’s aqueduct (the “Pipeline”, and together with the Plant, the “Project”).

Pursuant to Section 3(B) of the Agreement, the Company has agreed to prepare and disseminate to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system and EMMA Continuing Disclosure Service, a monthly construction progress report. The report for the period ending September 30, 2015 is below.

The Plant is in the final stages of commissioning. Reverse osmosis, post-treatment, and product water tank systems continue to be commissioned. Punchlist and Mechanical Completion List development continues. The next major milestone is Mechanical Completion, followed by Full System Testing, and commencement of the Performance Test (each as defined in the Plant EPC Contract).

Intake Pump Station (IPS)

Modification of the IPS access hatch is nearly complete. The EPC Contractor is completing punch list items.

Pretreatment Area

The EPC Contractor is working on punch list items in the pretreatment areas including pipe labeling and cosmetic details on the screen walls.

Clearwell and Drywell Area

Acoustical sound blankets and the northern most screenwall panels are installed. The EPC Contractor is completing punch list items in the drywell area, including handrail details and repairs to coatings on bolts and other metal surfaces..

Solids Handling and Chemical Storage Area

Chemical pipe painting and labelling is complete. All chemicals for operations have been delivered and are being utilized in the commissioning process. The Operator and EPC
Contractor continue to tune and troubleshoot sludge production by varying polymer type and dose at the lamella clarifiers.

**Administration Building**

Administration building landscaping and paving is complete. The lab equipment has been installed, but the process of obtaining certification of the laboratory with the State of California is still in progress. Until certification is obtained, sampling and analytical work required for the Plant will be performed offsite by a State certified laboratory. The rolling gates have been installed to ensure proper site security. Screenwall installation is complete other than remaining punch list items and minor modifications.

**Reverse Osmosis (RO) Building**

The Plant has passed bacteria testing required for the California Department of Drinking Water ("DDW") permit at all 14 RO trains and the RO cascade system. The EPC Contractor is characterizing “baseline” performance of the membranes to ensure DDW and other contract requirements are met. Interior joint wraps on undamaged 32” fiberglass reinforced plastic supply lines are complete. The EPC Contractor is working on completing all remaining items required to attain mechanical completion.

**Backwash Tank**

Lamella clarifier commissioning continues. The Operator is developing several modifications to improve clarifier performance.

**Post-treatment Area**

The post-treatment reactors have been disinfected. Wet commissioning has now commenced. Painting and pipe labeling at the post-treatment area continues.

**Product Water Tank**

The channel and weir designed for diverting off-specification water to the brine discharge line is being used to return RO permeate to the ocean via the brine line. The San Diego County Water Authority (the “Water Authority”) Venturi meter blowdown has been assembled. The EPC Contractor is painting and labeling all piping on top of the product water tank deck, and the EPC Contractor is completing punchlist items.

**Pipeline Construction**

- Construction is complete at all Headings, including cap paving. Pipeline manhole punch list work and other restoration activities continue this month.

- The Pipeline Interconnect Facility ("PIF") is now complete with the exception of punch list items including painting, fencing and slurry seal. Final testing of the flow meter and plunger valve is complete, and final testing of the chemical dosing systems at the PIF will occur.
during the Full System testing of the Plant. Fiber optic communication systems have been commissioned between the PIF and the Water Authority facilities in Escondido.

The estimated date on which the Commercial Operation Date will be achieved is now November 26, 2015.

There have been no material delays encountered to date nor are any currently anticipated with respect to the Project.

One Change in Project Scope constituting a Change Order Amendment (as each term is defined in the Limited Offering Memorandum related to the Project, dated December 20, 2012 and available through EMMA at: http://emma.msrb.org/EP726342-EP563548-EP964765.pdf) occurred in September 2015. The Company entered into a Scope Change Order under the Pipeline EPC Agreement relating to additional utilities encountered, poor soil conditions in the existing fill, unanticipated granite and related costs along the pipeline route. Copies of the documents were previously delivered to the Trustee. There have been no other Changes in Project Scope since the September 18, 2015 Construction Progress Report. Other than as set forth in the Changes in Project Scope, Project expenses are being incurred in accordance with the current Project Construction Budget.