

Seckel questions equity return assumptions

From: Graham Beatty [mailto:GBeatty@poseidon1.com]

Sent: Wednesday, April 01, 2015 9:50 AM

To: Karl Seckel; Kennedy, John; Scott Maloni; Andrew Kingman

Subject: RE: Poseidon Equity Charge

Said differently, here are the sums at financial close:

- 1) Equity Contributions
 - a. - \$161M of Capital Investment (18% of 892M Project Cost) contributed at financial closing
 - b. - \$51M of Earned Equity (Since 2002, Poseidon has contributed 60 MM of development cost. At 12% compounded interest this equals ~\$51M of earned equity in the deal. The 60MM of development cost is included in the Project cost and recovered at financial close)
- 2) Equity Distributions
 - a. + \$15 MM Development Fee

Therefore, the Project Net Cash flow is -\$197M at close, which earns over the 33 year life of the project an 11% internal rate of return.

Graham Beatty

Poseidon Water

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From: Karl Seckel [mailto:kseckel@mwdoc.com]

Sent: Tuesday, March 31, 2015 2:39 PM

To: Graham Beatty; Kennedy, John; Scott Maloni; Andrew Kingman

Subject: RE: Poseidon Equity Charge

Graham, for calculation purposes only, does that mean the form of equity includes a lump sum (to repay the developmental costs) plus whatever earnings accrue annually over the subsequent 33 years? Karl

From: Graham Beatty [mailto:GBeatty@poseidon1.com]

Sent: Tuesday, March 31, 2015 11:56 AM

To: Karl Seckel; Kennedy, John; Scott Maloni; Andrew Kingman

Subject: RE: Poseidon Equity Charge

Karl, please see below for additional comments:

Graham Beatty

Poseidon Water

Direct: [760-655-3997](tel:760-655-3997)

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From: Karl Seckel [<mailto:kseckel@mwdoc.com>]

Sent: Tuesday, March 31, 2015 10:13 AM

To: Graham Beatty; Kennedy, John; Scott Maloni; Andrew Kingman

Subject: RE: Poseidon Equity Charge

Karl, please see below for additional comments:

I was trying to verify several things: